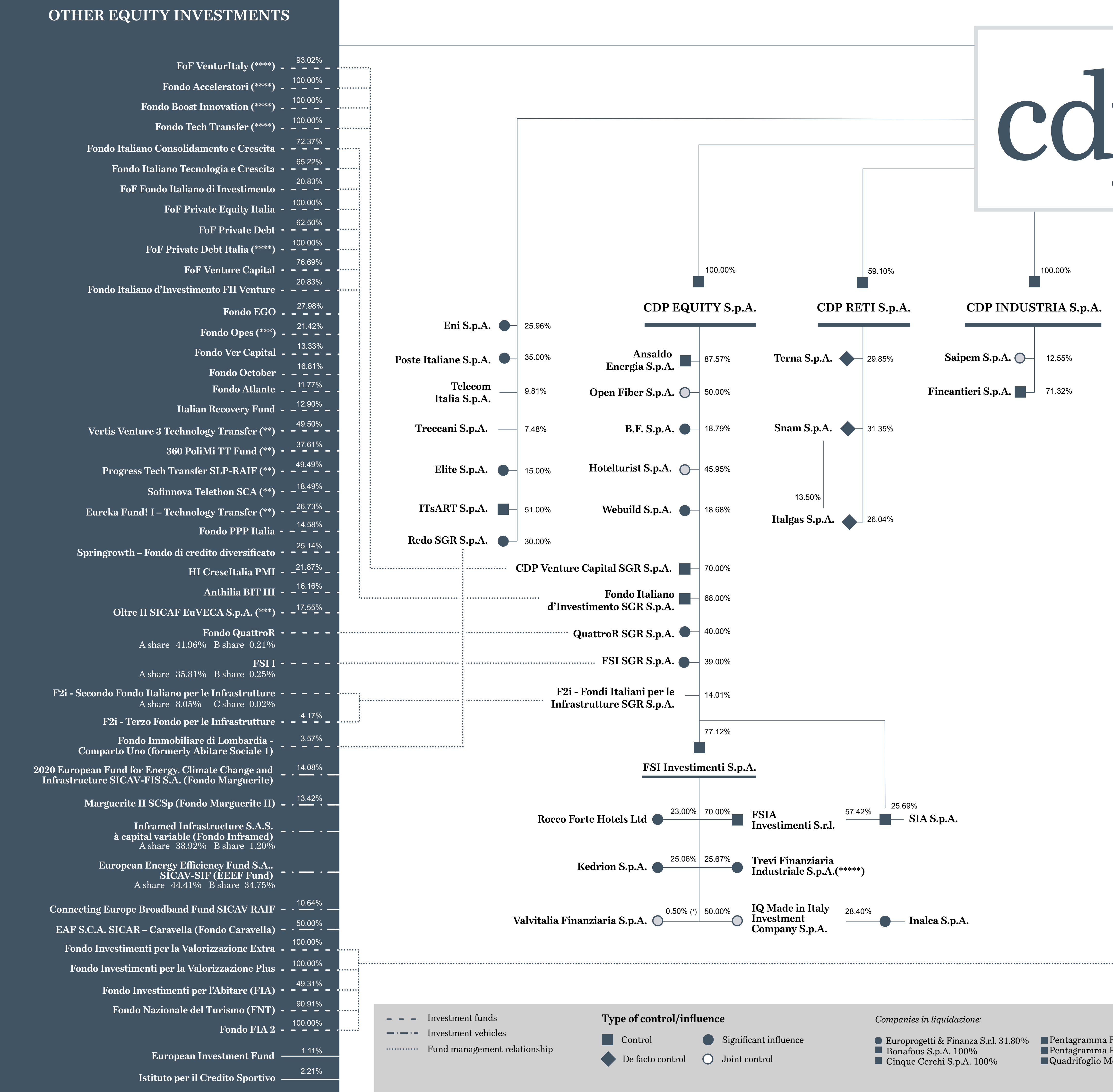
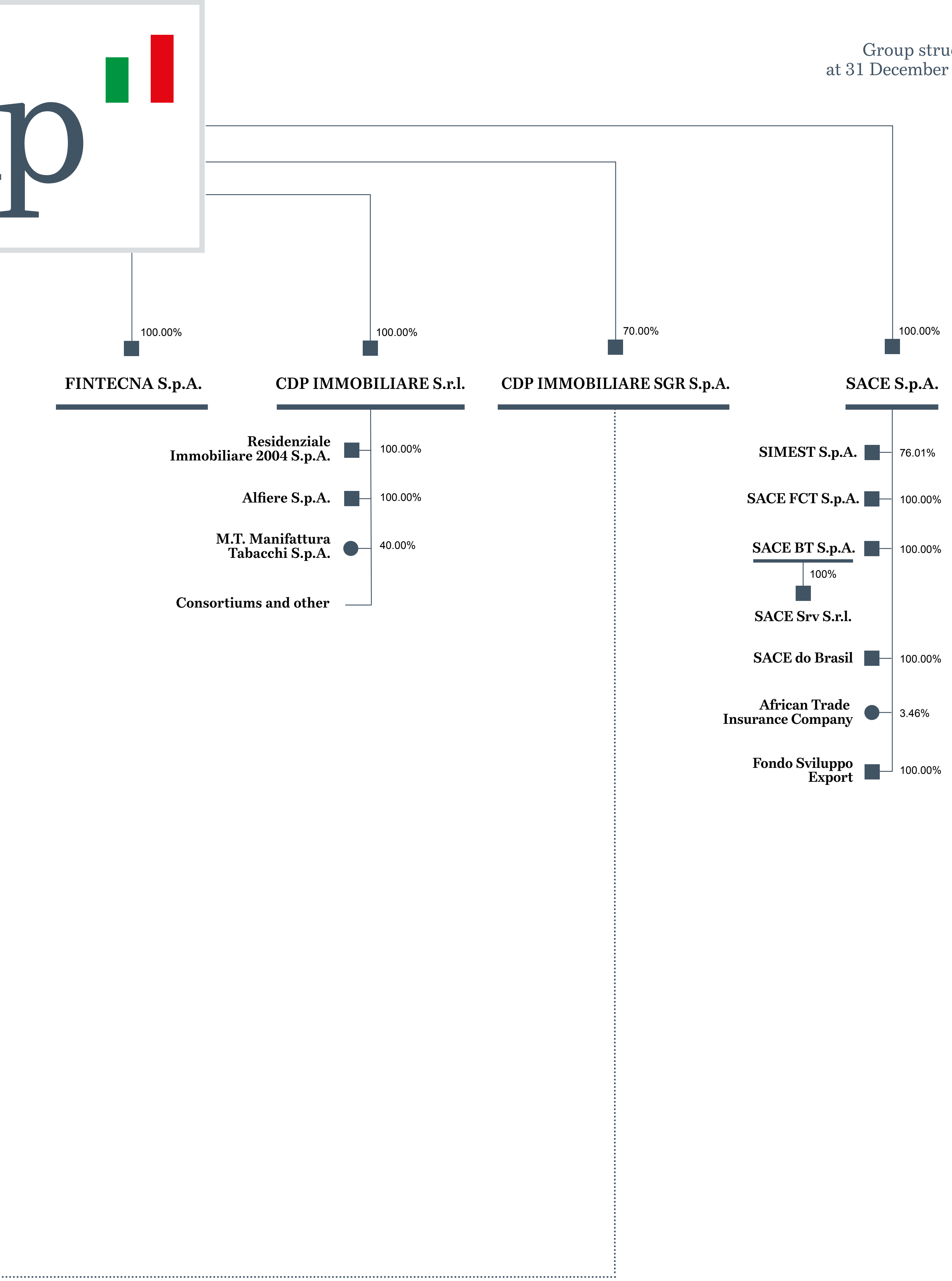
Annual Report 2020

Investing in tomorrow



OTHER EQUITY INVESTMENTS
FoF VenturItaly (****) 93.02%
Fondo Acceleratori (****) 100.00%
Fondo Boost Innovation (****) 100.00%
Fondo Tech Transfer (****) 100.00%
Fondo Italiano Consolidamento e Crescita 72.37%
Fondo Italiano Tecnologia e Crescita 65.22%
FoF Fondo Italiano di Investimento 20.83%
FoF Private Equity Italia 100.00%
FoF Private Debt 62.50%
FoF Private Debt Italia (****) 100.00%
FoF Venture Capital 76.69%
Fondo Italiano d'Investimento FII Venture 20.83%
Fondo EGO 27.98%
Fondo Opes (***) 21.42%
Fondo Ver Capital 13.33%
Fondo October 16.81%
Fondo Atlante 11.77%
Italian Recovery Fund 12.90%
Vertis Venture 3 Technology Transfer (**) 49.50%
360 PoliMi TT Fund (**) 37.61%
Progress Tech Transfer SLP-RAIF (**) 49.49%
Sofinnova Telethon SCA (**) 18.49%
Eureka Fund! I – Technology Transfer (**) 26.73%
Fondo PPP Italia 14.58%
Springrowth – Fondo di credito diversificato 25.14%
HI CrescItalia PMI 21.87%
Anthilia BIT III 16.16%
Oltre II SICAF EuVECA S.p.A. (***) 17.55%
Fondo QuattroR
A share 41.96% B share 0.21%
FSI I
A share 35.81% B share 0.25%
F2i - Secondo Fondo Italiano per le Infrastrutture
A share 8.05% C share 0.02%
F2i - Terzo Fondo per le Infrastrutture 4.17%
Fondo Immobiliare di Lombardia - Comparto Uno (formerly Abitare Sociale 1) 3.57%
2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS S.A. (Fondo Marguerite) 14.08%
Marguerite II SCSp (Fondo Marguerite II) 13.42%
Inframed Infrastructure S.A.S. à capital variable (Fondo Inframed)
A share 38.92% B share 1.20%
European Energy Efficiency Fund S.A., SICAV-SIF (EEEF Fund)
A share 44.41% B share 34.75%
Connecting Europe Broadband Fund SICAV RAIF 10.64%
EAF S.C.A. SICAR – Caravella (Fondo Caravella) 50.00%
Fondo Investimenti per la Valorizzazione Extra 100.00%
Fondo Investimenti per la Valorizzazione Plus 100.00%
Fondo Investimenti per l'Abitare (FIA) 49.31%
Fondo Nazionale del Turismo (FNT) 90.91%
Fondo FIA 2 100.00%
European Investment Fund 1.11%
Istituto per il Credito Sportivo 2.21%
cd
Eni S.p.A. 25.96%
Poste Italiane S.p.A. 35.00%
Telecom Italia S.p.A. 9.81%
Treccani S.p.A. 7.48%
Elite S.p.A. 15.00%
ITsART S.p.A. 51.00%
Redo SGR S.p.A. 30.00%
100.00%
CDP EQUITY S.p.A.
59.10%
CDP RETI S.p.A.
100.00%
CDP INDUSTRIA S.p.A.
Ansaldo Energia S.p.A. 87.57%
Open Fiber S.p.A. 50.00%
B.F. S.p.A. 18.79%
Hotelturist S.p.A. 45.95%
Webuild S.p.A. 18.68%
CDP Venture Capital SGR S.p.A. 70.00%
Fondo Italiano d'Investimento SGR S.p.A. 68.00%
QuattroR SGR S.p.A. 40.00%
FSI SGR S.p.A. 39.00%
F2i - Fondi Italiani per le Infrastrutture SGR S.p.A. 14.01%
Terna S.p.A. 29.85%
Snam S.p.A. 31.35%
13.50%
Italgas S.p.A. 26.04%
Saipem S.p.A. 12.55%
Fincantieri S.p.A. 71.32%
77.12%
FSI Investimenti S.p.A.
Rocco Forte Hotels Ltd 23.00%
70.00% FSIA Investimenti S.r.l.
57.42% SIA S.p.A. 25.69%
Kedrion S.p.A. 25.06%
25.67% Trevi Finanziaria Industriale S.p.A.(*****)
Valvitalia Finanziaria S.p.A. 0.50% (*)
50.00% IQ Made in Italy Investment Company S.p.A.
28.40% Inalca S.p.A.
Investment funds
Investment vehicles
Fund management relationship
Type of control/influence
Control
Significant influence
De facto control
Joint control
Companies in liquidazione:
Europrogetti & Finanza S.r.l. 31.80%
Bonafous S.p.A. 100%
Cinque Cerchi S.p.A. 100%
Pentagramma F
Pentagramma F
Quadrifoglio M



Romagna S.p.A.100%
Piemonte S.p.A. 100%
odena S.p.A. 100%

(*) 49.5% proforma post convertible bond conversion.
(**) Fund launched under the ITAtech investment platform; managed and co-investment agreement signed by CDP and EIF focused on technology transfer funds.
(***) Fund launched under the Social Impact Italia investment platform; managed and co-investment agreement signed by CDP and EIF focused on social impact investing.
(****) Underwritten by CDP Equity S.p.A.
(*****) SACE holds a further 6.99%.

A Unique Group at the Service of the Country

Annual Report 2020

(Translation from the Italian original which remains the definitive version)

cdp

Investing in tomorrow

Summary

Letter to the Shareholders and Stakeholders

Shareholders and Stakeholders,

In a year marked by significant difficulties, we have achieved important results that have seen the Cassa Depositi e Prestiti Group strengthen its commitment to innovation and the competitiveness of businesses, infrastructures and the local areas.

The Group mobilised 39 billion euro during the critical stage of the pandemic emergency, once again renewing its historic support to local entities and coming to the aid of over 100 thousand businesses, 40% of which in the South of Italy. In order to be ever closer to the needs of our stakeholders, we have continued to improve accessibility to the services offered, with the strengthening of digital channels and the opening of new offices and information points in the country, in collaboration with the Banking Foundations.

We have forged long-standing partnerships with public administrations, which have come to rely on our financing capacity as well as new technical advisory services. Together with them, urban regeneration initiatives and infrastructure projects were launched with a focus on mobility and school and healthcare construction.

With a view to promoting innovation and growth of the business system, we have expanded our offer with new credit and equity instruments dedicated to companies of all sizes: from startups to large production companies. We pursue this strategy with the aim of meeting the specific needs of the industrial sectors with greater added value for the national economy.

In addition to financial support, also provided in collaboration with the banking system, we have combined CDP Accelerators, professional services and training platforms for the development of the human capital of high-potential companies and startups. The latter were supported thanks to the creation of the largest Italian

Giovanni Gorno Tempini
Chairman

Fabrizio Palermo
CEO and General Manager

venture capital operator, with an endowment of over 1 billion euro.

With the aim of enhancing and strengthening the activities of greatest strategic interest for the country, we have promoted the birth of European champions in the construction, digital payments and financial infrastructure sectors. The portfolio of equity investments was reorganised from an industrial perspective and system initiatives were launched together with leading operators and Group companies with a focus on tourism, culture, energy efficiency, renewable energy and decarbonisation.

These results were made possible by the growth in postal savings, which reached 275 billion euro, and by new issues in the financial markets, where Italy's leadership in sustainable finance was consolidated with issues of 2.5 billion euro inspired by ESG criteria.

Performance indicators are increasing, with profits standing at 2.8 billion euro, testifying to the effectiveness of the new business model and management efficiency, which enabled us to meet the targets set in the Business Plan.

The strength of our balance sheet, together with the confidence of postal savers, has allowed us to increase our role as the driving force behind the country's sustainable development, with a significant impact at an economic, social and environmental level.

2020 also saw the creation of the CDP Foundation, to enhance the excellence of the artistic heritage, support scientific research and combat educational poverty and school drop-out rates.

The role played by our Shareholders, the Ministry of the Economy and Finance and the Banking Foundations, has been fundamental in allowing us to pursue our mission, to quickly respond to the emergency caused by the pandemic and to lay the foundations for relaunching the economy.

This spirit of collaboration becomes even more important for the future also in light of the opportunities arising from the Next Generation EU Plan and the National Recovery and Resilience Plan, focused on sustainability and digitisation.

These results would never have been possible without the contribution of the people of the CDP Group, in which we have invested through new training programmes and the welcome addition of qualified managers and young graduates. It is to those same people that we would like to extend our most heartfelt gratitude and appreciation, for continuing to work at the service of the country with commitment and passion, in such a complex year.

Now more than ever, on the strength of the results achieved, we intend to renew our commitment to Italy's economic recovery.

Giovanni Gorno Tempini
Chairman

Fabrizio Palermo
CEO and General Manager

2020 main indicators

CDP S.p.A.

410.3
Bn euro
Total assets

21.7
Bn euro
New lending

106.9
Bn euro
Loans (*)

74.0
Bn euro
Debt securities(*)

25.5
Bn euro
Shareholders' equity

2.8
Bn euro
Net income

274.6
Bn euro
Postal funding(*)

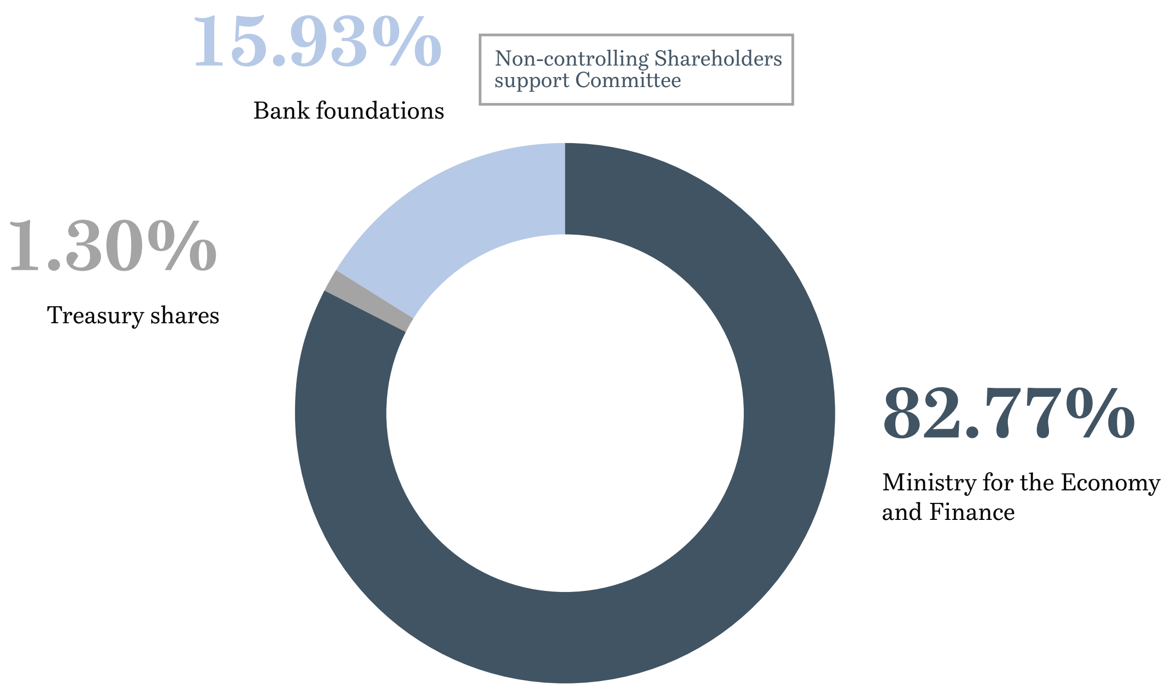
1,008
Employees

(*) reclassified figures re. § 4.2.1

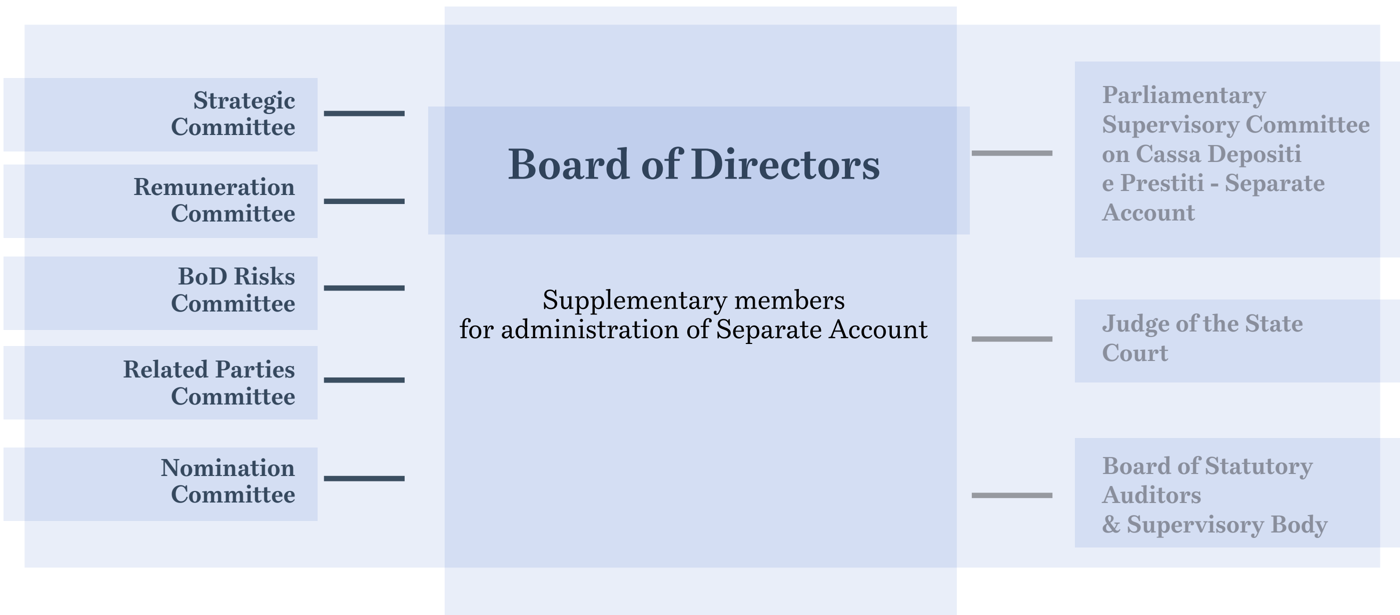
CDP Group

512.4	Bn euro	Total assets
38.6	Bn euro	New lending
15.8	Bn euro	Equity investments
33.7	Bn euro	Consolidated net equity
20.4	Bn euro	Group equity
1.2	Bn euro	Consolidated net income
417.1	Bn euro	Funding
over 40,000		Employees

Company bodies, officers and governance



Board of Directors support Committees



Company bodies at 31 December 2020

Board of Directors

Chairman
Giovanni Gorno Tempini

Vice Chairman
Luigi Paganetto

CEO and General Manager
Fabrizio Palermo

Directors
Carlo Cerami[(1)]
Francesco Floro Flores
Fabrizia Lapecorella
Fabiana Massa Felsani
Matteo Melley
Alessandra Ruzzu

Board of Auditors[(2)]

Chairman
Carlo Corradini

Auditors
Franca Brusco
Giovanni Battista Lo Prejato
Mario Romano Negri
Enrica Salvatore

Alternate Auditors
Francesco Mancini
Anna Maria Ustino

Supplementary Members for Administration of Separate Account

(Article 5.8, Decree Law 269/2003, ratified with amendments by Law 326/03)

Director General of the Treasury[(3)]

State Accountant General[(4)]

Antonio Decaro

Davide Carlo Caparini

Michele de Pascale

Manager in charge with preparing the Company's financial reports

Pier Francesco Ragni

Non-controlling Shareholders support Committee

Chairman
Giovanni Quaglia

Members
Konrad Bergmeister
Marcello Bertocchini
Giampietro Brunello
Paolo Cavicchioli
Federico Delfino
Francesco Profumo
Giuseppe Toffoli
Sergio Zinni G.G.E.W.

Parliamentary Supervisory Committee on Cassa Depositi e Prestiti - Separate Account

Chairman
Sestino Giacomoni (Member of Parliament)

Vice Chairman
Nunzio Angiola (Member of Parliament)

Members
Gian Pietro Dal Moro (Member of Parliament)
Raffaele Trano (Member of Parliament)
Alberto Bagnai (Senator)
Roberta Ferrero (Senator)
Vincenzo Presutto[(5)] (Senator)
Cristiano Zuliani (Senator)
Vincenzo Blanda (Administrative Court)
Carlo Dell'Olio (Administrative Court)
Luigi Massimiliano Tarantino (Council of State) *Secretary for confidential affairs*
Mauro Orefice (Chairman of chamber State Audit Court)

Judge of the State Audit Court[(6)]

(Article 5, para. 17, D.L. 269/2003)

Ordinary
Carlo Alberto Manfredi Selvaggi[(7)]

Alternate
Giovanni Comite

Independent Auditors

Deloitte & Touche S.p.A.

(1) Appointed on 4 June 2020, in substitution of Valentino Grant.
(2) 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.
(3) Alessandro Rivera.
(4) Pier Paolo Italia, delegate of the State Accountant General.
(5) Appointed on 9 October 2019 as member, in substitution of Senator Turco.
(6) Art. 5, para. 17, of Decree Law 269/03 – attends meetings of the Board of Directors and the Board of Statutory Auditors.
(7) Ceased in office on 15 September 2020.

1

Report on operations

1. CDP Group

CDP Group investments at 31.12.2020 (non-exhaustive representation)

1. Snam holds an additional 13.5% in Italgas.
2. Participation held through FSI Investimenti, of which CDP Equity is the 77% shareholder; SACE holds an additional 6.99% in Trevi.
3. Participation held through IQMIIC, of which FSI Investimenti is the 50% shareholder.
4. Participation held through FSIA (of which FSI Investimenti is the 70% shareholder) by 57.42% and further 25.69% held through CDP Equity.
5. Participation held through FSI Investimenti of which CDP Equity is the 77% shareholder; 49.5% pro-forma post conversion Convertible Bond Loan.

1.1 CDP S.p.A.

Established in Turin in 1850 as an institution purposed to receive deposits as a “place of public trust”, Cassa Depositi e Prestiti (“CDP”) is seeing its role change over the years. During the past decade, it has assumed a key role in promoting Italy’s development.

From being an institution created to support the public sector through the management of Postal Savings, commitment to public works and financing of the State and public bodies, CDP is gradually expanding its scope of action towards the private sector, while always operating in view of medium-long term development, in a fully complementary role with the market.

In particular:
- in 2009, the financing of enterprises through the banking system was strengthened to tackle the liquidity crisis in the financial markets;
- Fondo Strategico Italiano - FSI (now CDP Equity), wholly owned by CDP, was established in 2011 in order to acquire equity investments in enterprises of major national interest under a long-term perspective;
- in 2012, after the acquisition of SACE, SIMEST and Fintecna, the CDP Group was created, with the aim of strengthening the international expansion of Italian enterprises;
- in 2014, the scope of CDP’s activities was extended to financing international development cooperation projects designed for public or private-sector entities;
- in 2015, the Italian Government and the European Union designated CDP as a National Promotional Institution. As a result, CDP became:
  - the entry point for funding under the Juncker Plan for Italy;
  - the financial advisor to the Public Administration for a more effective use of domestic and European funds;
- the new 2019-2021 Business Plan was approved in December 2018. The Plan represents a change of pace in aligning CDP’s strategy to major global trends and the Sustainable Development Goals set in the UN’s 2030 Agenda.

All CDP’s operations are carried out by ensuring the separation of the organisational and accounting activities between Separate Account and Ordinary Account assets, thereby ensuring the Company’s 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.

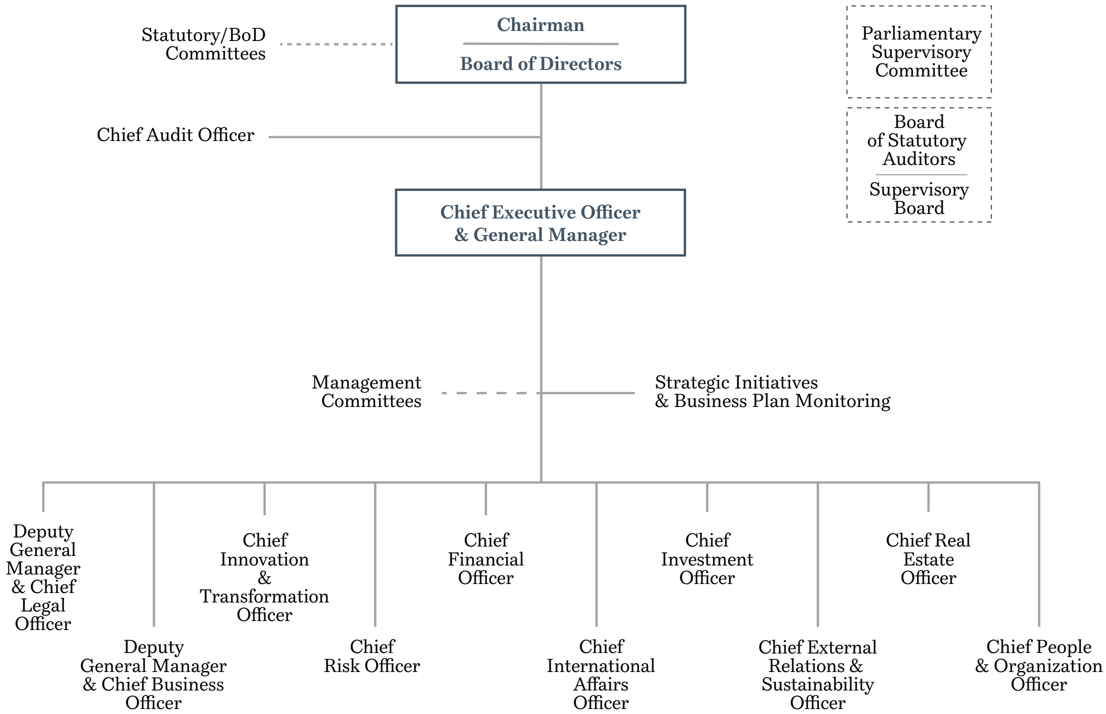
CDP is also subject to oversight by a Parliamentary Supervisory Committee and the Court of Auditors.

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 and Chief Legal Officer;
- Deputy General Manager and Chief Business Officer;
- Chief Innovation & Transformation Officer;
- Chief Risk Officer;
- Chief Financial Officer;
- Chief International Affairs Officer;
- Chief Investment Officer;
- Chief External Relations & Sustainability Officer;
- Chief Real Estate Officer;
- Chief People & Organization Officer;
- Strategic Initiatives & Business Plan Monitoring.

The CDP organisational chart, as at 31 December 2020, is as follows:



The number of CDP's employees increased by 137 with a 3% reduction in the average age

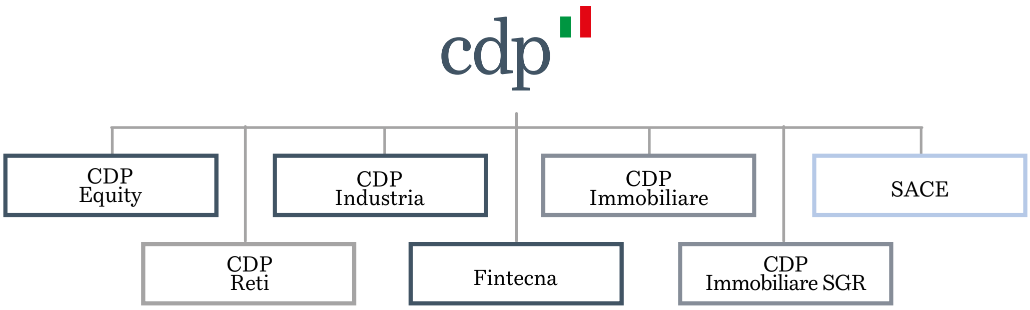
As at 31 December 2020, CDP employed 1,008 people, including 108 senior managers, 505 middle managers, 376 office workers and 19 employees seconded from other organisations[1].

In 2020, CDP continued to strengthen its workforce, mainly through the hiring of young people and people with technical expertise (209 new hires against 72 employees who left the company). As a result, compared to last year, the average age of employees decreased by 3% and was around 41 years, and the percentage of employees with a tertiary education (bachelor's or master's degree, doctorate or other post-graduate qualification) increased to 84%.

1 Taking into account potential new hires (in terms of letters of commitment signed and people on internships as at 31 December 2020), CDP employed 1,068 people as at 31 December 2020.

The companies subject to management and coordination by CDP, including the Parent Company, employed 1,331 people at 31 December 2020[2] [3], with an increase of 13%, or 151 people, compared to the figure at 31 December 2019[4].

1.2 Group companies[5]



SACE Group

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.

The parent company SACE S.p.A., the Italian Export Credit Agency, 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. In 2012, CDP acquired the entire share capital of SACE S.p.A. from the MEF. Following the publication of Decree Law 23 of 2020, SACE is no longer subject to Management and Coordination by CDP.

The SACE group consists of SACE S.p.A. and the following main companies:
- SIMEST S.p.A., in which SACE S.p.A. has a controlling stake of 76%, specialised in the acquisition of equity stakes in enterprises, the financing of Italian business operations abroad and the provision of technical assistance and advisory services to Italian enterprises that are expanding their operations abroad;
- SACE BT S.p.A., engaged in the insurance of short-term credit;
- SACE Fct S.p.A., engaged in trade receivables financing;
- SACE SRV S.r.l., a subsidiary of SACE BT, specialised in business information solutions, loan application management and debt recovery.

At 31 December 2020, the SACE group employed 1,011 people, 17 more than at 31 December 2019.

2 Taking into account potential new hires for each company subject to management and coordination by CDP and for the Parent Company itself, the Group employed 1,403 people at 31 December 2020.
3 The calculation of resources has been made pro-forma for the whole Group according to the following method: (i) resources included: all the current resources, the resources seconded in the company with a percentage greater than 50%, resources on maternity and parental leave, and the resources seconded out of the company with a percentage lower than 50%; (ii) resources excluded: the resources seconded out of the company with a percentage greater than 50%, the resources seconded in the company with a percentage lower than 50%, interns, collaborators, temporary workers, workers on leave and the corporate bodies.
4 The growth in employees has been determined pro-forma with respect to the figure for the Group's employees at 31 December 2019 on the basis of the management and coordination scope in place at 31 December 2020.
5 In this context, the CDP Group is represented by the companies subject to management and coordination by CDP S.p.A. and by SACE, which, following the publication of Decree Law No. 23 of 2020, is no longer subject to management and coordination by CDP S.p.A.

CDP Equity S.p.A.

CDP Equity (previously Fondo Strategico Italiano - FSI) was established in 2011 and is wholly owned by CDP.

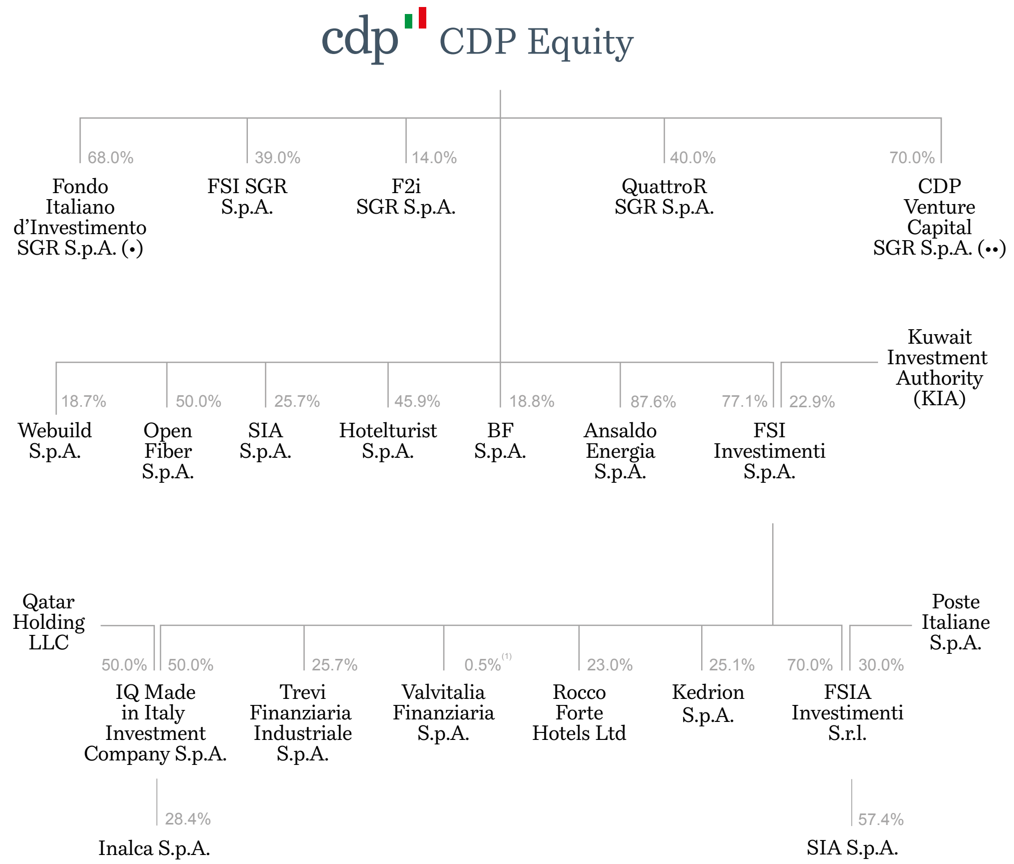
CDP Equity usually operates by acquiring non-controlling stakes in companies of major national interest that have a stable economic and financial position and are capable of generating value for investors. During 2019, CDP Equity's operations were further strengthened, in line with the Group's Business Plan, by expanding the scope of the investment portfolio also to asset management companies and collective investment undertakings.

At the reporting date, the company held 16 equity investments, directly or indirectly through the following investment vehicles:

- FSI Investimenti S.p.A., 77.1% owned by CDP Equity and 22.9% by Kuwait Investment Authority (KIA);
- FSIA Investimenti S.r.l., 70% owned by FSI Investimenti S.p.A. and 30% by Poste Italiane S.p.A.;
- IQ Made in Italy Investment Company S.p.A., 50% owned by FSI Investimenti S.p.A. and 50% by Qatar Holding LLC.

Furthermore, the company subscribed the units of 6 investment funds promoted by some asset management companies in the portfolio; in particular, CDP Equity subscribed 5 funds promoted by CDP Venture Capital SGR: VenturItaly FoF, Acceleratori, Boost Innovation, Technology Transfer, direct and indirect sub-fund, and the Private Debt Italia FoF promoted by Fondo Italiano d'Investimento SGR.

Specifically, the equity investment portfolio of CDP Equity at 31 December 2020 is broken down as follows:



Funds underwrited by CDP Equity:
(•) FoF Private Debt Italia (100%)
(••) Fondo Acceleratori (100%)
(••) FoF VenturItaly (93%)
(••) Fondo Boost Innovation (100%)
(••) Fondo Technology Transfer (100%)

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

At 31 December 2020, CDP Equity employed 68 people, up from 31 December 2019 when it employed 39 people.

Fintecna S.p.A.

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 2002, IRI (in liquidation) was incorporated into Fintecna together with its residual assets. In 2012, CDP acquired the entire share capital of Fintecna from the MEF.

Currently, Fintecna deals with: (i) the management of liquidation procedures, (ii) the management of litigation, mainly arising from the incorporated companies, and (iii) other operations, including support initiatives for the communities affected by the earthquakes in Emilia in 2012 and in central Italy in 2016.

At 31 December 2020, Fintecna employed 98 people, 4 less than at 31 December 2019.

CDP Immobiliare S.r.l.

CDP Immobiliare, set up in 2007 as part of the Fintecna group and becoming CDP's direct equity investment in 2013 following the spin-off of Fintecna's real estate activities, operates throughout the real estate sector, carrying out management, construction and marketing activities, with particular regard to the leveraging of its real estate assets through local urban growth and redevelopment projects.

CDP Immobiliare manages the process of development and disposal of its assets, both directly and through special purpose vehicles set up over time. In particular, at 31 December 2020 CDP Immobiliare held equity investments (subsidiaries and associates) in 13 companies, including Residenziale Immobiliare 2004, owner of the former Istituto Poligrafico e Zecca dello Stato and the former Agenzia delle Dogane Scalo San Lorenzo building complexes in Rome, and Alfiere, the owner of the Torri dell'Eur complex in Rome.

At 31 December 2020, CDP Immobiliare employed 105 people, 6 less than at 31 December 2019 (16 people left the company, of which 11 under secondment, with a percentage greater than 50%, and 10 people joined the company, of which 3 under secondment, with a percentage greater than 50%).

CDP Immobiliare SGR S.p.A.

CDP Immobiliare SGR (CDPI SGR), 70% owned by CDP, was established in 2009 by CDP, Associazione delle Fondazioni bancarie e Casse di Risparmio (ACRI) and the Italian Banking Association (ABI).

CDPI SGR operates in the real estate asset management, specifically in the promotion, establishment and management of closed-end funds reserved to qualified investors in specific real estate market segments. At 31 December 2020, CDPI SGR manages the following real estate funds:

- Fondo Investimenti per l'Abitare ("FIA"), focused on the realization of social housing initiatives, through investments in a network of local real estate funds;
- Fondo Investimenti per la Valorizzazione ("FIV"), a real estate umbrella fund dedicated to the acquisition of real estate with unexpressed potential value that can be leveraged through change in use, upgrading or rental;
- Fondo Nazionale del Turismo ("FNT"), focused on real estate investments in the tourism, hotel, hospitality and recreational sectors through the Fondo Turismo 1 ("FT1"), specialised in 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, smart working, innovation and training sectors.

At 31 December 2020, the company employed 51 people, 3 less than at 31 December 2019 (7 people left the company, of which 2 under secondment, with a percentage greater than 50%, and 4 people joined the company, of which 2 under secondment, with a percentage greater than 50%).

CDP Reti S.p.A.

CDP RETI was set up as an investment vehicle in 2012 to support the development of the infrastructure of natural gas transportation, dispatching, regasification, storage and distribution as well as 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 the remaining 5.9%).

At 31 December 2020, the company owned equity investments in Snam (31.35%)[6], Terna (29.85%) and Italgas (26.04%).

At 31 December 2020, CDP RETI employed 1 person (3 at 31 December 2019), plus 3 people under part-time secondment from the Parent Company (2 people under secondment at 31 December 2019). To conduct its business, the company also relies on the operational support of CDP, which is provided under service contractual arrangements made at arm's length.

CDP Industria S.p.A.

CDP Industria S.p.A. was set up on 26 March 2019 with the aim of holding the strategic equity investments of the CDP Group operating in the industrial sector and supporting their growth according to a long-term industrial approach.

The company is wholly owned by CDP.

The company currently holds equity investments in Fincantieri (71.32%) and Saipem (12.55%), due to the spin-offs of Fintecna's equity investments in Fincantieri and CDP Equity in Saipem in favour of CDP Industria.

At 31 December 2020, the Company had no employees. To conduct its business, CDP Industria relies on the operational support of CDP and CDP Equity.

6 On 18 June 2020, Snam S.p.A. communicated the cancellation of 33,983,107 treasury shares in its portfolio without reduction of share capital. As a result of the cancellation of the shares (approved by the Extraordinary Shareholders' Meeting of Snam S.p.A. on 18 June 2020), CDP RETI's equity interest in the company has increased (from 31.04% to 31.35%). The amended Articles of Association were filed and entered at the Companies' Register of the Milan-Monza Brianza Lodi Chamber of Commerce on 6 July 2020.

2. Market context

2.1 Macroeconomic scenario

Covid-19 caused an unprecedented decline in the global economy in 2020

The spread of the Covid-19 virus starting in early 2020 caused an unprecedented drop in global economic activity. After recovering in the third quarter of the year, the pandemic's resurgence in many countries at the end of 2020 led to strengthening containment measures, with further negative impacts on the economy. In the short term, there is still uncertainty about the development of the pandemic, but the medium/long term outlook is improving after the launch of the vaccination campaigns.

According to the latest estimates of the International Monetary Fund (IMF), in 2020 the world economy contracted sharply, recording a real GDP rate of change of -3.5% year-on-year, compared to +2.8% in 2019. The greatest fall was recorded in advanced economies (-4.9% year-on-year compared to +1.6% in 2019) and, to a lesser extent, in emerging and developing economies (-2.4% year-on-year compared to +3.6% in 2019), among which the figure for China stands out, as the only country for which the growth rate is estimated to be positive in 2020 (+2.3% year-on-year, down from +6.0% in 2019). In the Eurozone, the weakening of the economy in 2020 is more marked than that expected for the other advanced economies (with the exception of the United Kingdom), with a real GDP rate of change of -7.2% year-on-year, down compared to +1.3% in 2019. Also the US economy contracted in 2020, with a growth rate of -3.4% year-on-year, compared to +2.2% in 2019[7].

Growth in the Italian economy is estimated to fall by 8.9% In 2020 (compared to +0.3% in 2019)

In this scenario, Italy's performance was weak. The IMF estimates a GDP rate of change in 2020 equalling -9.2% year-on-year (down compared to +0.3% in 2019). Whereas, Istat estimates that the economy will shrink by 8.9% year-on-year in 2020. According to the National Institute of Statistics, the country's growth is weighed down by the sharp decline in household consumption and the collapse of investments, amounting to -10.7% and -9.1% respectively, partly offset by the increase in government spending of +1.6%[8].

The Covid-19 crisis also negatively affected Italy's labour market. In December, the number of inactive people increased by 3.6% year-on-year and the number of jobseekers fell by 8.9% over the same period. At the same time, in December the employment rate fell to 58% (-0.9 percentage points year-on-year). The fall in employment did not affect permanent contracts, which grew by 1.0% year-on-year, but only fixed-term employees (-13.2%) and the self-employed (-4.0%). As a result of the increase in the number of inactive people and the use of social security benefits, the wage guarantee fund in particular, the unemployment rate did not rise, reaching 9.0% in December (-0.6 percentage points year-on-year). Nevertheless, unemployment is more concentrated among young people, whose unemployment rate in December reached 29.7% (+1.3 percentage points year-on-year)[9].

Regarding inflation, the shock caused by the Covid-19 crisis led to a reduction in prices, with an average annual change in the Harmonised Index of Consumer Prices (HICP) that was -0.1% in 2020 (compared to a positive change of 0.6% in 2019)[10].

In this context of severe economic contraction, the main public finance balances also deteriorated. According to Istat forecasts, in 2020 net borrowing reached 9.5% of GDP, contributing to an increase in the public debt/GDP ratio of up to 155.6% (+21.0 percentage points compared to 2019)[11].

7 IMF, World Economic Outlook Update, January 2021.
8 Istat, GDP and General Government borrowing (provisional data), March 2021.
9 Istat, Employed and Unemployed (provisional data), February 2021.
10 Istat, Consumer prices, December 2020.
11 Istat, GDP and General Government borrowing (provisional data), March 2021.

2.2 Banking sector and financial markets

In light of the changed macroeconomic context as a result of the Covid-19 emergency, during 2020, the policies adopted by the European Central Bank greatly expanded the degree of monetary accommodation, strengthening existing instruments to an extraordinary extent or adopting new ones, in order to allow for an effective and timely response to the ongoing crisis.

The ECB provided additional monetary accommodation as an extraordinary measure in response to the Covid-19 crisis

In this context, the ECB's Asset Purchase Programme, which was reduced during 2019 to reach net purchase flows close to zero, was strengthened and combined with an emergency programme, called Pandemic Emergency Purchase Programme, for a target value of approximately 2.5 thousand billion euro between March 2020 and March 2022[12]. The Eurosystem's key interest rates have remained unchanged, allowing money market rates to remain at historically very low levels. On average, during 2020 the 3-month Euribor stood at -0.43% and the Eonia rate at -0.46%.

In the government securities market, the spread between the benchmark 10-year Italian government bond and the corresponding German one increased markedly, as did the other European spreads, between the end of February and the first half of March, concurrently with the spread of the virus in Europe. In fact, the current crisis caused a sharp increase in volatility, not only in the stock markets, which are generally riskier, but also in the sovereign debt markets, which has been heavily mitigated during the year due to the mix of monetary and fiscal policies put in place by the European institutions and the respective governments and, at the same time, to the gradual recovery of mobility and economic activity in the various countries after the strict lockdown measures adopted in the first part of the year. The exceptional backstop put in place at European level, particularly on the monetary policy front, certainly helped to keep the sovereign bond market under control, with the yield on the benchmark Italian ten-year government bond remaining on a gradually downward trajectory, despite the risks arising from new waves of contagion in the latter part of the year, reaching new record lows in December since the establishment of the European Monetary Union. During 2020, the BTP-Bund spread peaked in March, at over 280 basis points, and gradually narrowed in recent months, reaching around 110 basis points at the end of the year (-52 basis points compared to the end of the previous year). At the same time, the Rendistato general index progressively increased during the initial months from the outbreak of the health crisis, peaking at 1.5% at the end of April, before narrowing to around 0.3% at the end of December 2020 (-0.6 basis points compared to the end of the previous year).

Financial markets are on a path to a full recovery after the strong volatility experienced at the outbreak of the pandemic

In the stock market, the FTSE MIB index reached a low of 2020 in mid-March and then continued on a gradually increasing trajectory during the year, albeit with a significant setback in October due to growing investor fears about the negative repercussions of new waves of contagion on the economy, which brought temporary considerable uncertainty and volatility back to equity markets. At the end of 2020, the FTSE MIB stood at more than 22,200 points, still below pre-crisis levels but at a level broadly in line with the figure at the end of 2019 (-5%)[13].

With regard to bank lending, in December loans to the private sector[14] recorded a significant increase (+4.7% year-on-year, compared to an increase of 0.2% in 2019), due to the significant growth in loans to non-financial corporations (+8.5% year-on-year, compared to a decrease of 1.9% in 2019) and the resilience of loans to households (+2.3% year-on-year, against the 2.6% increase in 2019). This is a sign that the mechanism of transmission of the particularly accommodative monetary policy to the real economy is working well and that an adverse scenario of a credit crunch will not materialise in 2020, also thanks to the Italian government's introduction of instruments to support the liquidity of businesses and households, such as deferral and loan guarantees. At the same time, bank loans to Public Administration entities recorded a slight year-on-year increase (+0.8%, compared to a drop of 3.6% in 2019)[15]. The ongoing crisis and the consequent increase in the level of indebtedness of the private and public sector, have not yet shown negative repercussions on the stock of gross bad debts in the banking sector, which during

12 ECB, Press releases, March, June and December 2020. The figure is also based on CDP's assumption about the continued purchase of public and private securities under the Asset Purchase Programme at a monthly rate of 20 billion euro until March 2022.
13 Refinitiv Datastream and Eikon data.
14 Net of loans to central counterparties and adjusted to take into account the effects of securitisations and other receivables transferred and derecognised from the banks' financial statements.
15 Year-end percentage change in stock of loans, not adjusted to take into account the effects of securitisations and other receivables transferred and derecognised from the banks' financial statements.

the year continued on the downward path started in 2017, standing at around 52 billion euro in December (-19.5% year-on-year).

Loans to the private sector and public administration entities increased significantly together with total bank funding

Regarding bank liabilities, during 2020, total deposits of Italian banks recorded a particularly significant positive change in light of the changed macroeconomic environment (+12.2% year-on-year at the end of 2020, compared to the 0.8% increase recorded in 2019), thanks to the significant increase in deposits, due not only to lower demand as a result of measures to contain the spread of the Covid-19 virus but also to precautionary savings choices made by households and businesses due to the high level of widespread uncertainty. In fact, in December deposits of the private sector[16] increased by 11.1% year-on-year (against the increase of 5.2% recorded in 2019), while bond funding recorded a decrease of 5.3% in the same period (against the decrease of 1.7% recorded in 2019). To meet the extraordinary liquidity needs of businesses and households as a consequence of the outbreak of the pandemic, banks also increased their refinancing with the European Central Bank, which rose by 69.9% year-on-year (compared to a 9.8% reduction in 2019)[17].

In 2020, the stock of financial assets held by Italian households is estimated to fall by 2.3% compared to the end of 2019, against the growth recorded in 2019 (+6.0%). At the end of 2020, the volume is expected to amount to about 4.4 thousand billion euro[18].

16 Net of deposits of central counterparties and adjusted to take into account the effects of securitisations.
17 Bank of Italy figures.
18 Oxford Economics data via Refinitiv Datastream.

3. 2019-2021 Business Plan

2019-2021 Business Plan

In December 2018, the Board of Directors of CDP approved the new Business Plan for the three-year period 2019-2021.

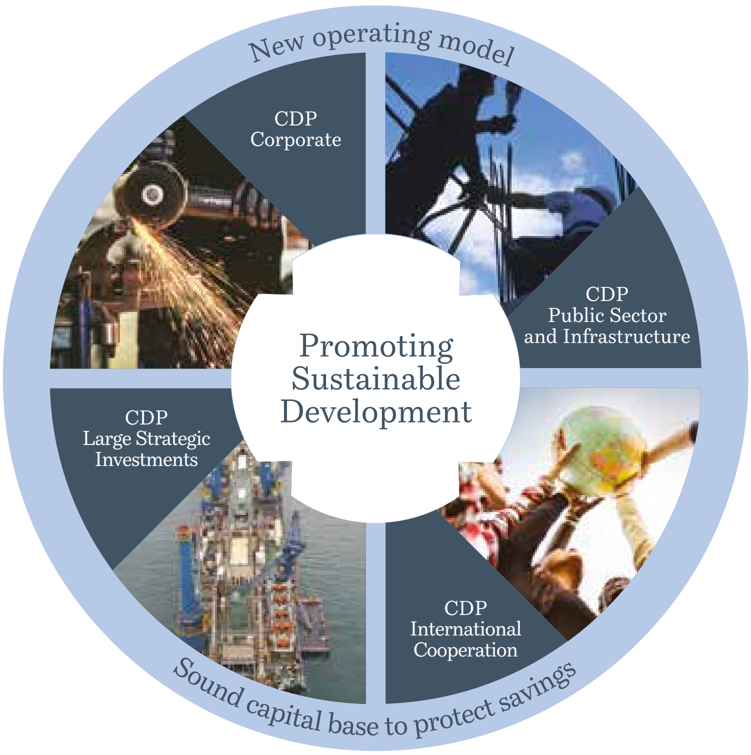
The Plan defines the Group's objectives and strategic lines in light of Italy's main economic and social challenges, the global macro-trends and the Sustainable Development Goals of the UN's 2030 Agenda.

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.

The achievement of the Plan's objectives requires implementing a new business model, monitoring the economic and financial balance — also with a view to protecting the savings that households entrust to CDP through postal savings bonds and passbook accounts — and, for the first time, a strong focus on the promotion of sustainable and inclusive development.

4 Lines of action

To really support the country's economic, social and environmental growth, the CDP Group arranges its operations along four main lines of action: Corporate; Public Sector & 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) and to increase focus on SMEs.

€ 83 billion for enterprises

The Group aims to 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.

The Business Plan has envisaged the introduction of a new multi-channel distribution model: enterprises can access all of the Group's products through a single point of contact; the nationwide network has been expanded to include at least one contact point in every Italian region; the digital channel and collaborations with third-party networks have been strengthened to support small and medium enterprises.

CDP Public Sector & Infrastructure

The Plan has provided for the release of 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.

€ 25 billion in support of entities and infrastructures

To accelerate the development of infrastructure, the Business Plan has envisaged the establishment of a dedicated unit to support local authorities in the planning, development and funding of the related projects. In addition to its traditional role as a lender, CDP also takes on the role of promoter of new strategic projects, involving industrial entities also through public-private partnerships. The areas of intervention have also been 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 settlement of amounts due 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

The Plan has provided for the allocation of 3 billion euro 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

€ 3 billion for projects in developing countries ability to channel funding by identifying the relevant investment projects. Loans will be granted to governments, as well as to multilateral financial institutions. CDP also intends to support enterprises by participating in Italian investment funds or those of target countries, even with Italian industrial partners.

Large Strategic Equity Investments

Industrial logic and by business sectors

The Plan has provided for the reorganisation of the Group's portfolio 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

Relaunch of funding including with a view to sustainability

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

CDP intends to 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 at the same time CDP will develop new forms of funding dedicated to activities with a social and environmental impact, such as social, sustainable and green bonds.

The new business model

Human capital, process simplification and automation

In order to achieve the targets of the Plan and in the light of the new business lines, the Plan has provided for an evolution in the business model so as to respond effectively to the challenges of the country. The new model involves various actions, one of which is to strengthen 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, the Plan provides for the digitisation of both CDP's offer and its communications with enterprises and the Public Administration.

CDP for the sustainable development of the country

Focus on the sustainable development of the Country

Through its new Business Plan, CDP intends to make a proactive contribution to the achievement of the goals 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, the Plan provides for the adoption, for the first time, of new investment assessment criteria to take into account social and environmental aspects together with the traditional economic-financial parameters, the aim being to maximise the positive impacts for the community and the territory in relation to Environmental, Social and Governance (ESG) issues. Therefore, sustainability is no longer viewed as a positive "side effect" of CDP's investments — which have generated positive externalities in the country for 170 years — but as the founding element of its business strategy.

4. CDP Group's activities

4.1 Business performance

New lending, investments and resources at around € 39 billion

In 2020, new lending, investments and resources by the CDP Group[19] totalled 38.6 billion euro[20]. Resources were allocated to each of the lines of action in the following proportions: 79% of the total to "CDP Corporate", 20% to "CDP Infrastructures, Public Sector & Territorial Development" and 1% to "CDP International Cooperation".

Overall, the Group channelled around 68 billion euro's worth of resources into the economy.

New lending, investments and resources broken down by lines of action - CDP Group

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
CDP Corporate	30,358	24,918	5,440	21.8%
CDP Public Sector and Infrastructures	7,857	9,278	(1,421)	-15.3%
CDP International Cooperation	370	437	(67)	-15.3%
Total	**38,585**	**34,633**	**3,952**	**11.4%**

In the same period, CDP S.p.A.'s new lending, investments and resources amounted to 21.7 billion euro, up by around 2% on 2019.

4.1.1 CDP S.p.A.

4.1.1.1 Lending

Consistently with the lines of action defined by the 2019-2021 Business Plan, CDP's activities are arranged into the following areas of activity:

- **Corporate**: through the CDP Corporate Department, CDP pursues the mission of ensuring financial support to the national productive fabric, in a complementary role to the banking system;
- **Infrastructures, Public Sector & Territorial Development**: through the CDP Infrastructures and Public Sector and CDP Energy and Digital Departments, CDP operates to support the Public Administration and the development of the national infrastructure and projects in the energy, digital and social sectors, also with the involvement of market participants;
- **International Cooperation & Development Finance**: through the CDP International Cooperation & Development Finance Department, CDP promotes high social-economic impact initiatives in developing countries, through own resources and third-party funds;
- **Large Strategic Equity Investments**: through the Chief Investment Officer Department, CDP supports enterprises, infrastructure and the territory through equity investments in companies of significant national interest, as well as through the subscription of units in mutual investment funds.

19 Group means the Group consisting of CDP S.p.A. together with CDP Equity, CDP Immobiliare, CDP Immobiliare SGR and the SACE Group.
20 In line with the 2019-2021 Business Plan, new lending does not include volumes related to the Garanzia Italia and Green New Deal transactions managed by SACE and SACE BT.

Corporate

Enhancement of direct offer, also in response to the Covid emergency

Through the CDP Corporate Department, CDP pursues the mission of ensuring financial support to the national productive and entrepreneurial fabric for development, innovation and growth of enterprises, also at an international level, in a complementary role to the banking system.

In line with the 2019-2021 Business Plan, CDP has upgraded its action by promoting new initiatives aimed at i) creating targeted products to satisfy the needs of enterprises, also in response to the effects caused by the Covid-19 emergency and ii) facilitating access to the Group's offer.

With regard to the first point above, 2020 marked the activation of a number of initiatives aimed at creating an offer of products targeted at the needs of enterprises through i) the direct channel, ii) the indirect channel, in cooperation with financial institutions, iii) alternative financing operations and iv) consultancy.

With regard to the direct channel, as part of the actions taken in response to the Covid-19 emergency, new products were launched for businesses, with the aim of supporting their temporary liquidity needs and the investments envisaged in their development plans ("Covid-19 Liquidity"). These are direct loans, for medium and large enterprises, granted by allocating a dedicated ceiling of 4 billion euro and having a duration of up to 18 months ("Short-Term Liquidity" product) or up to 72 months ("Guaranteed Medium/Long-Term Liquidity" product, secured by Garanzia Italia). This new line of action, in addition to the traditional action of supporting enterprises' domestic growth/innovation and exports/international expansion, also using innovative tools, has made it possible to significantly increase the number of loans granted to enterprises (equal to 240 in 2020 - approximately a fourfold increase on 2019).

With specific regard to exports and international expansion, financing transactions in Chinese currency continued, with the aim of supporting initiatives for the growth in China of branches or local subsidiaries of Italian companies. In this area, in relation to funding from the first Panda Bond issue, CDP granted loans for a nominal value of 1 billion Renminbi, of which 452 million for 2020 and the remaining part for 2019. In addition, CDP continued the initiative, defined at European level, for a temporary moratorium on the cruise sector to enable shipyards and shipowners to face the liquidity crisis generated by the Covid-19 pandemic, including the possibility to suspend the payment of principal until 31 March 2021 on loans to cruise operators.

With regard to alternative financing, in 2020 CDP continued to subscribe "basket bonds" and invest in diversified loan funds. These include:
- the "Garanzia Campania Bond" programme, promoted by the Campania Region (to issue bonds up to 148 million euro), with 5 issues of minibonds to support 41 Campania SMEs;
- the "Basket Bond Puglia" programme, promoted by the Apulia Region (to issue bonds up to 160 million euro), with 2 issues of minibonds to support 14 Apulian SMEs;
- the subscription of commitments in the October SME IV and VER Capital funds.

Completion of actions in sinergy with the banking system

With regard to initiatives in synergy with the banking system, support for enterprises continued in 2020 thanks to the strengthening of the dedicated tools, also in response to the Covid-19 health emergency. In particular:
- liquidity funds continued with the aim of: i) encouraging the disbursement of new loans to SMEs and Mid-caps to deal with the effects of the Covid-19 emergency, through the Enterprises Platform (funding of 3 billion euro, at reduced rates, thanks also to the use of EIB funds amounting to 1.5 billion euro); ii) supporting the investments of SMEs that have access to the "Nuova Sabatini" subsidies, through the Capital Goods fund; iii) assisting in the reconstruction and economic recovery of areas hit by natural disasters in favour of which, in 2020, loans were granted for over 0.7 billion euro (2012 Earthquake Reconstruction, Natural Disasters and Central Italy Earthquake funds), and iv) supporting the residential real estate market (Housing fund);
- on the subsidised loans front, loans were granted to companies in order to support their investments, with specific focus on research, development and innovation, through the Revolv-

ing Fund supporting enterprises and investment in research (FRI), also used at regional level for the first time. Specifically, in cooperation with the Campania Region, the FRI Campania instrument was launched. Through the disbursement of non-repayable grants from the Region and loans from the banking system and CDP, it will allow significant investments to be made in strategic sectors, with particular focus on the most urgent interventions linked to the pandemic;
- the counter-guarantee activity continued through the SME Guarantee Fund, within the framework of the EFSI Thematic Investment Platform for Italian SMEs. Note in particular (i) the new agreement signed with Mediocredito Centrale to increase the maximum counter-guaranteed portfolio in favour of enterprises in the creative-cultural sectors, using European resources, and (ii) the "Covid-19 Support" initiative under the European "COSME" programme, which will make it possible to increase the maximum counter-guaranteed portfolio of loans to SMEs by a further 625 million euro;
- the Confidi Fund was set up to finance SMEs through Confidi support, with a total provision of 500 million euro;
- the subscription of a Bond was finalised (1.0 billion euro to support enterprises in the sectors hardest hit by the Covid-19 health emergency) and long-term credit facilities were signed with Italian commercial banks (two secured loans, both amounting to 250 million euro, to finance SMEs and Mid-caps operating in the tourism, agriculture and agro-industrial sectors).

To conclude, in 2020 CDP launched a new consultancy service for enterprises by setting up "Acceleratore Imprese" - an initiative designed to support the growth of Italian SMEs and Mid-caps by offering professional services in four areas (strategic consulting, management recruitment and training, digital transformation and tax & legal), supplied by international consultancy firms and leading Italian universities.

As regards the channels to access the Group's offer, CDP has increased its territorial presence, strengthened its monitoring of digital channels and intensified relations with the productive fabric through supply chain agreements and dedicated events.

Easier access to the Group products

The main initiatives taken in this area in 2020 include:
- the strengthening of the nationwide network with the opening of new offices in Turin, Florence and Milan[21] (in addition to the offices opened in Verona, Genoa and Naples in 2019) and the Spazio CDP desks in Trento-Rovereto, Cagliari-Sassari, Perugia, Modena, Parma, Forlì and Chieti;
- the strengthening of the Group's multi-channel model, through the launch of the customer service and the single free-phone number for the Public Administration and businesses, the introduction of a number dedicated to the Covid-19 health emergency, the development of a mini-website dedicated to Covid-19 products and the launch of the Private Area allowing fully digitised processes for transactions dedicated to businesses;
- the continuation of the programme "Officina Italia", a permanent focus group with a panel of around 150 enterprises representing the Italian entrepreneurial fabric, with the launch of a survey and a webinar focused on business needs following the Covid-19 health emergency, and a market sounding focus group dedicated to services of interest to enterprises, aimed at defining the new "Acceleratore Imprese" service mentioned above;
- the memorandum signed with Maire Tecnimont to support the supply chain;
- the strengthening of agreements with third-party networks to consolidate CDP's brokered offer model in support of SMEs and Mid-caps[22].

21 This does not include the Ancona and Bari offices, inaugurated in February and March 2021 respectively.

22 In detail, partnerships and memorandums were signed with: ANFIR (National Association of Regional Finance Companies), Autonomous Province of Trento and Cassa del Trentino, Umbria Region and Gepafin, CNDCEC (National Council of the Italian accounting profession) and AICEC (National Association for the International Expansion of the Italian accounting profession), Intesa Sanpaolo, UniCredit. In addition, in the context of the Memorandum of Understanding signed with Assoconfidi, a further 2 Collaboration Protocols were signed with Confidi Sardegna and Confidi Rete Fidi Liguria.

Shown below is the stock of loans of the CDP Corporate Department at 31 December 2020.

The stock of outstanding debt amounted to 26.9 billion euro, increasing by 22.1% on the figure recorded at the end of 2019, mainly as a result of the disbursements made during the year, which more than offset redemptions and early repayments. The total stock of residual debt and commitments amounted to 39.8 billion euro, marking an increase by 14.2% on the figure recorded at the end of 2019.

CDP Corporate - Stock of loans

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Enterprises	**5,452**	**2,817**	**2,635**	**93.5%**
Loans	4,071	1,630	2,442	149.8%
Securities	1,381	1,188	193	16.3%
Financial Institutions	**13,442**	**12,675**	**767**	**6.1%**
Indirect support to enterprises	2,738	2,235	503	22.5%
Residential Real Estate	735	819	(84)	-10.3%
Natural disasters	6,375	5,972	403	6.8%
Financial institutions loans/securities	2,954	2,936	18	0.6%
Other products	640	713	(73)	-10.3%
International Financing	**8,055**	**6,578**	**1,477**	**22.4%**
Loans	8,055	6,578	1,477	22.4%
Total outstanding debt	**26,949**	**22,070**	**4,879**	**22.1%**
Commitments	12,900	12,829	71	0.6%
Total	**39,849**	**34,899**	**4,950**	**14.2%**

Liquidity to enterprises for the Covid-19 emergency

Description

Support for medium and large-sized companies impacted by the Covid-19 emergency, through direct short-term loans (term of up to 18 months) and direct medium/long-term loans backed by Garanzia Italia (term up to 72 months).

Benefits

The resources provided by CDP aim to support the temporary liquidity requirements and sustain the investment plans of enterprises facing difficulties as a result of the Covid-19 emergency.

Key figures

1.9 €/billion of new lending

118 transactions

Infrastructures, Public Sector & Territorial Development

CDP operates to support the Public Administration and the development of the national infrastructure through the "CDP Infrastructures and Public Sector" and "CDP Energy and Digital" Departments.

CDP Infrastructures and Public Sector

Through the CDP Infrastructures and Public Sector Department, CDP supports the Public Administration and the development of the country's infrastructure, providing financing and technical-financial advisory to execute works.

The actions in favour of the Public Administration concern the financing of public entities and Public-law bodies, in accordance with the principles of accessibility, equality of treatment, pre-specification of terms and non-discrimination.

Measures implemented to tackle the Covid-19 emergency

In 2020, CDP provided ample support to the Public Administration in response to the Covid-19 health emergency, through:

- the management of the MEF Fund, which was established in the context of the health emergency to ensure the liquidity needed to pay certain, liquid and collectable debts of the Entities outstanding at 31 December 2019, with a total provision of state resources of 12 billion euro for 2020[23]. The resources of the Fund were used, with support from CDP, to grant cash advances in favour of Entities, with a maximum duration of 30 years;
- the confirmation of the "Liquidity Advances" product, using CDP funds, in favour of Municipalities, Metropolitan Cities, Provinces, Regions and Autonomous Provinces. CDP thus promptly implemented the provisions of the 2020 Budget Law with regard to the financing of trade payables of the Public Administration to enterprises and other creditors[24];
- the suspended payment of the mortgage instalments expiring in 2020 for the municipalities first affected by the emergency and the launch of the largest debt renegotiation programme in recent years in favour of local authorities, aimed at freeing up financial resources to be used also to address the needs resulting from the pandemic emergency. Over 3,000 Entities participated in the renegotiation transaction - completed through two participation windows in the first and second half of the year - for a residual debt of approximately 22 billion euro, with a benefit in terms of savings achieved following the payment of lower amortisation instalments, equal to over 0.8 billion euro in 2020;
- the management of the measures following the health emergency in favour of the Regions and local authorities[25], relating to deferring the payment of the principal of the amortisation instalments falling due in 2020, in relation to mortgages granted by CDP and transferred to the MEF, to the year immediately after the expiry date of the contractual repayment plan.

Support expanded for the public administration

In addition, in line with the 2019-2021 Business Plan, CDP expanded its business lines in support of the Public Administration, through:

- the granting of loans in favour of local authorities and Regions, intended for the conversion of existing mortgage loans, pursuant to art. 41, paragraph 2, of Law no. 448 of 28 December 2001, in order to benefit from the more favourable interest rates currently offered by the market; the intervention enabled the Regions and local authorities that joined in 2020 to refinance debts for a total amount of around 0.9 billion euro, obtaining a saving of over 60 million euro in terms of lower interest paid during the amortisation period;
- the launch of new products (e.g. Major Works Flexible Loan) to fund new investments in large-scale infrastructure.

The new initiatives, promoted as part of the 2019-2021 Business Plan and in response to the Covid-19 emergency, are in addition to the support through historical operations, which in 2020 saw:

- the renegotiation of 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 out-

23 Decree Law No. 34 of 19 May 2020.
24 Article 1, paragraph 556, of Law No. 160 of 27 December 2019.
25 Articles 111 and 112 of Decree Law No. 18 of 17 March 2020 and article 42 of Decree Law No. 104 of 14 August 2020.

standing debt of approximately 0.6 billion euro; the transaction resulted in a saving in the period 2020-2022 of around 40 million euro;
- support i) to the Local authorities of the Emilia-Romagna, Lombardy and Veneto Regions, affected by the May 2012 earthquake, by deferring the loan instalments falling due and/or payable in 2020 with instalments to be repaid in 10 years from 2021 with no additional interest and ii) to the Local authorities of the Abruzzo, Lazio, Marche and Umbria Regions, affected by the seismic events in 2016, by postponing payment of loan instalments falling due in 2020 and 2021, after the repayment due date of each loan, with no additional interest;
- the continuation of the activity of financial support to entities.

With regard to CDP's methods of action to support infrastructure, these have been expanded starting from 2019, in line with the Business Plan, and include (i) financial support and (ii) new advisory and consultancy services for central and local Public Entities in connection with the planning, design and execution of works.

Support intensified to develop infrastructure

In terms of financial support, lending was further intensified with regard to the execution of infrastructural works, with volumes and the number of transactions finalised increasing significantly (+44%). The loan agreements entered into highlight, in line with the Business Plan guidelines, an increased level of diversification in terms of the sectors supported, with 1.1 billion euro of volumes dedicated to the energy and environment, digital and social infrastructure sectors. These include, *inter alia*: (i) CDP's first project financing transaction in the hospital sector and (ii) the first subscription of a Sustainability-Linked bond in favour of a multi-utility, to support investment plans in the water and waste sectors.

In relation to the advisory activity for infrastructure, CDP further strengthened its technical and financial activity to support the Public Administration to cover the entire life cycle of the project (planning, design and execution of the work). The service, provided on the basis of implementation protocols with the administrations concerned (i.e. Ministries, Regions, Provinces and Municipalities), experienced a growing interest during 2020. At year end, there were around 50 projects in existence, mainly in the field of school and healthcare building and local public transport, with investments approved for over 4 billion euro.

Shown below is the stock of loans of the CDP Infrastructures and Public Sector Department at 31 December 2020.

The stock of outstanding debt amounted to 79.8 billion euro, increasing by 1.7% on the figure recorded at the end of 2019, mainly as a result of the disbursements made during the year, which more than offset redemptions and early repayments, also owing to the renegotiation launched by CDP. The total stock of residual debt and commitments amounted to 91.0 billion euro, marking an increase of 1.1% on the figure recorded at the end of 2019.

CDP Infrastructures, Public Sector & Territorial Development - Stock of loans

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Infrastructure	**7,678**	**7,144**	**534**	**7.5%**
Loans	4,337	4,270	67	1.6%
Securities	3,342	2,875	467	16.2%
Public Sector	**72,079**	**71,267**	**812**	**1.1%**
Local authorities	25,256	25,671	(416)	-1.6%
Regions and autonomous provinces	18,946	16,401	2,545	15.5%
Other public entities and public - law bodies	1,747	1,900	(153)	-8.1%
Government	26,131	27,295	(1,164)	-4.3%
Total outstanding debt	**79,757**	**78,412**	**1,346**	**1.7%**
Commitments	11,203	11,541	(338)	-2.9%
Total	**90,960**	**89,953**	**1,008**	**1.1%**

Debt rescheduling for Entities

Description	Launched also in response to the health emergency, the initiative allows Municipalities, Metropolitan Cities, Provinces, Regions and Autonomous Provinces to reschedule, under financial equivalence conditions, existing mortgage loans with CDP.
Benefits	The Entities benefit from a reschedule of the loan repayment, which provides deferral of payments due, with savings, in terms of lower loan instalments in 2020, designated for new investments and to contrast the pandemic.

Key figures			
	approx. **22** €/billion	over **3,000**	over **0.8** €/billion
	debt rescheduled	participating Entities	savings for Entities in 2020

CDP Energy and Digital

Continuation of promotion projects for infrastructure

Through the CDP Energy and Digital Department, CDP supports the development of infrastructure projects in the energy, digital and social sectors, also with the involvement of market participants.

In the energy area, the following agreements are noted in 2020:
- with Eni, in light of the increased ambition of the GreenIT[26] initiative in terms of installed capacity from renewable energy sources up to 1 GW, mainly through onshore and offshore photovoltaic and wind power technology;
- with SNAM, to create a leading platform at national level (RenovIT[27]) in order to promote energy efficiency initiatives for individuals, businesses and the Public Administration, with the objective of modernising real estate assets, especially public buildings, and reduce energy costs;
- with Eni and Fincantieri, for the evaluation, development and implementation of projects aimed at transforming plastic waste into advanced biofuels to support the decarbonisation of the transport sector;
- with Eni and Snam, for the evaluation, development and implementation of projects in the hydrogen supply chain and in the production of biomethane from waste, to support the circular economy and sustainable mobility;
- with Saipem, to jointly consider the launch of innovative projects with high environmental, social and economic sustainability in order to promote energy transition.

In the social and digital area, the following agreements are noted in 2020:
- with TH Resorts and Ca' Foscari University to encourage development and enhance the education provided by the establishment of "Scuola Italiana di Ospitalità". The initiative included free webinars to support the sector hit by the Covid-19 pandemic and the launch of the first Executive Master in Hospitality Management of Scuola Italiana di Ospitalità;
- with Eni and Fincantieri with the aim of studying and developing technologies for the collection of scattered waste at sea and along the coasts;

26 Agreements signed in February 2021 with the establishment of the JV.
27 Agreements signed in 2020 and the transaction finalised in January 2021 with the acquisition of an equity investment in RenovIT.

- with SNAM to promote and implement projects to absorb CO_2 emissions, through reforestation and the creation of green areas in Italy. In this regard, note the establishment of the benefit company Arbolia to implement and manage the tree planting projects;
- with the Ministry of Cultural Heritage and Assets and Tourism, to create a digital platform giving remote access to cultural assets and the performing arts, the aim being to support the Italian artistic-cultural heritage sector, hard hit by the Covid-19 pandemic. In this regard, note the establishment of the company ITsART, owned by CDP and CHILI S.p.A., the technological partner selected for the initiative;
- with the Ministry for Universities and Research, to create an Agri-tech research and venture capital Hub, which will include high-tech labs and infrastructure dedicated to the research and experimentation of technology in the agri-food sector and will promote technology transfer initiatives;
- with PagoPA S.p.A., to extend CDP's commitment to spread awareness of the services offered by the counterparty and promote them to priority customers, leveraging its own local network and communication channels.

CDP International Cooperation & Development Finance

Through the CDP International Cooperation & Development Finance Department, CDP supports initiatives with a high social-economic impact in emerging economies and developing countries, through loans from own resources and third-party funds (which can also be used in blending) in favour of public and private counterparties.

Law no. 125/2014 redefined the architecture of Italian cooperation, recognising CDP's role as a financial institution for international cooperation.

In line with the 2019-2021 Business Plan, CDP extended its scope of intervention through the launch of investments in funds, the promotion of new financing initiatives, the expansion of recourse to third-party resources for cooperation purposes and the signing of agreements with companies and institutions operating at national and international level.

Investment in green bonds launched

With reference to the first area, in 2020 CDP invested 70 million euro in the "EGO" Fund (Amundi Planet - Emerging Green One), the world's largest green bond fund focused on developing countries, promoted by the International Finance Corporation (IFC) of the World Bank Group. In addition to the investment, the initiative includes a training programme for the issuers concerned, funded with European funds. With the entry in EGO, CDP is strengthening its international positioning in the field of financial support for investments to combat climate change.

With reference to the promotion of financing initiatives, in 2020 CDP continued its lending activity, using own resources, to support both the public sector and private enterprises:
- with regard to the public sector, during the year CDP strengthened its support to developing countries by granting a total of 175 million euro in credit facilities to multilateral financial institutions. In this area, note two transactions in favour of the multilateral institutions Corporación Andina de Fomento (CAF), to support sustainable growth projects and combat climate change in Latin America, and in favour of the Eastern and Southern African Trade and Development Bank (TDB), for the development of African economies through indirect support provided to local businesses. To respond to the current pandemic, part of the funds granted will also be allocated to support the sectors hardest hit by the Covid-19 emergency (e.g. health sector);
- with reference to the private sector, during the year CDP launched initiatives to support Italian businesses for projects in developing countries. In this area, note the loan granted to A.M.A. S.p.A. to support the company's growth in Bosnia, India, Ukraine and Uzbekistan, and the loan granted to NolanPlastica S.p.A. to support the increase in production capacity in Tunisia. These loans, which will have positive impacts on employment levels in emerging economies, demonstrate CDP's role, in the field of development finance, as a partner of choice for Italian businesses that aim to become more competitive at international level through sustainable growth programmes in developing countries.

With reference to the expansion of recourse to third-party resources for development cooperation purposes, CDP was engaged at both European and national level in the implementation of specific intervention programmes, also in response to the Covid-19 emergency. These include, in particular:

Agreements finalised in the context of the EU External Investment Plan

- the finalisation of the contract with the European Commission in the context of the "IncusiFi" programme, developed in partnership with the Agencia Española de Cooperación Internacional para el Desarollo with the aim of making it easier for micro, small and medium African businesses to access credit. The programme includes: i) providing financial guarantees to CDP to support business initiatives in Africa and ii) non-repayable grants for technical support activities aimed at the implementation of financial education programmes;
- the finalisation of the contract with the European Commission in the context of the "European Guarantee for Renewable Energy" programme (EGRE), in partnership with the Agence Française de Développement, the European Investment Bank and Kreditanstalt für Wiederaufbau, aimed at supporting renewable energy projects in Sub-Saharan Africa. The programme includes: i) providing financial guarantees to CDP for the development and completion of renewable energy projects and ii) non-repayable grants for technical support activities;
- the extension of the contract with the European Commission in the context of the "Archipelagos" programme, developed in partnership with the African Development Bank with the aim of supporting the more dynamic small and medium African businesses, including support to access capital markets. The expansion of the programme, for which the guarantee agreement was finalised in 2019, includes: i) providing CDP with donated funds for technical support and ii) the extension of the guarantees to a broader range of financing transactions;
- participation in the Europe Joint Response Team, promoted by the European Commission, to strengthen and redirect the financial resources of European development cooperation programmes in order to counter the effects of the pandemic;
- participation in the Covid-19 Inter-institutional operational coordination panel, set up to define the Italian contribution to the prevention and global response to the pandemic.

With reference to the signing of new cooperation agreements, 2020 saw CDP's involvement in the search for new partnerships with leading institutions with the aim of strengthening its international positioning and facilitating the development of its operations in developing countries, with a particular focus on economic growth and climate change. These include, in particular:

- the agreement with the International Renewable Energy Agency ("IRENA") to promote, through the implementation of scalable and replicable projects, the development of joint initiatives dedicated to energy transition in developing countries;
- the Memorandum of Understanding signed with SAIPEM for the joint assessment of initiatives aimed at promoting energy transition, including decarbonisation, circular economy and energy efficiency measures at international level;
- the Memorandum of Understanding signed with the Eastern and Southern African Trade and Development Bank for the development of high-impact initiatives in key sectors for cooperation;
- participation in the Clean Oceans Initiative promoted by CDP together with EIB, KfW, Agence Française de Développement and Instituto de Crédito Oficial with the aim of protecting the oceans from plastic pollution. The objective is to provide 2 billion euro of funding for projects by 2023.

Continuation of the FRCS management activity

The new cooperation initiatives, promoted in the context of the 2019-2021 Business Plan, are flanked by traditional support, which takes place through the management of third-party funds (Revolving Fund for International Cooperation & Development Finance — FRCS and the Fund established by the Ministry of the Environment and Protection of the Land and Sea — MATTM). In this area, CDP also provides support in managing the FRCS debt moratorium for the most fragile developing countries affected by the Covid-19 emergency, as part of the G20 initiative.

Shown below is the stock of loans of the CDP International Cooperation & Development Finance Department at 31 December 2020.

CDP International Cooperation – Stock of loans

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Loans	189		189	n/s
Commitments	99	20	79	n/s
Total	**288**	**20**	**268**	**n/s**

EGO Fund
(Amundi Planet – Emerging Green One)

Description First investment deal in cooperation funds: 70 million euro for the subscription of units in the EGO fund, the largest in the world specialised in green bonds, with a focus on emerging markets.

Benefits This initiative is aimed at supporting investments in developing countries with high environmental impact, as well as measures against climate change. The initiative also seeks to encourage sustainable development and the inclusion of disadvantaged areas.

Key figures

70 €/million investment by CDP in the Fund

1.5 $/billion public and private resources collected by the Fund

23 green bonds subscribed by the fund in 2019 with the reduction of over 400 tonnes of CO_2 emissions

Chief Investment Officer

A long-term approach, to support enterprises, infrastructures and territory

Through the Chief Investment Officer Department, CDP acts according to a long-term approach, to support the growth, innovation and international expansion of enterprises, as well as the development of infrastructure and the territory, with:

- direct investments in the capital of companies either functional to CDP's promotional mission or of significant national interest (in terms of the strategic nature of their operating sector, employment levels, turnover or impact on the country's economic and production system) that are in a stable financial, capital and economic situation and feature adequate earnings prospects;
- indirect investments through mutual funds and investment vehicles, thus facilitating the involvement of third-party investors (e.g. institutional investors) with the aim of increasing the support for the economy through the so-called "multiplier effect".

The equity investment portfolio of CDP at 31 December 2020 is broken down as follows:
- Group companies[28], instrumental to the role of "National Promotional Institution" (i.e. SACE group, CDP Immobiliare, CDP Immobiliare Sgr, Fintecna) and functional to acquire and hold, in the long term, equity investments of significant national interest (i.e. CDP Equity, CDP Reti, CDP Industria);
- Listed and unlisted companies from strategic economic sectors (e.g. Eni, Poste Italiane, TIM);
- Investment funds and investment vehicles operating:
  - in support of enterprises along the entire life cycle (e.g. FII Venture, Fondo Italiano Consolidamento e Crescita – FICC, Fondo Italiano Tecnologia e Crescita – FITEC, FoF Private Equity Italia, FSI I, Fondo QuattroR);
  - in the infrastructure sector, to support the creation of new infrastructure and manage existing infrastructure (e.g. F2i, Marguerite, Connecting Europe Broadband Fund, Inframed);
  - in support of projects involving urban redevelopment, social housing and the renovation of tourist facilities (e.g. Fondo Investimenti per l'Abitare, Fondo Investimenti per la Valorizzazione, Fondo Nazionale del Turismo);
  - in support of International Development Cooperation (e.g. Fondo EGO).

Equity investments and funds - portfolio composition

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
A. Group companies	**13,666**	**12,494**	**1,171**	**9.4%**
B. Other equity investments	**18,842**	**19,098**	**(256)**	**-1.3%**
Listed companies	*18,779*	*19,049*	*(269)*	*-1.4%*
Unlisted companies	*62*	*49*	*13*	*26.5%*
C. Investment funds and investment vehicles	**3,043**	**2,616**	**427**	**16.3%**
Total	**35,551**	**34,208**	**1,343**	**3.9%**

During 2020, CDP Equity made the following investments:
- in Venture Capital, which allowed the creation of the largest Italian operator in the sector (CDP Venture Capital) and funds that are active throughout the life cycle of companies. In detail, 5 new funds were subscribed (Fondo di Fondi Venturitaly, Fondo Acceleratori, Fondo Boost Innovation, Fondo Technology Transfer and Fondo Evoluzione[29]), which led CDP Venture Capital to have approximately 1.2 billion euro of assets under management through 8 direct and indirect funds;
- to promote the creation of champions in strategic sectors. These include, in particular:
  - the signing of a binding agreement for an investment in the equity capital of the pan-European stock exchange group Euronext, aimed at supporting Euronext's acquisition of Borsa Italiana Group from the London Stock Exchange Group. With this transaction, CDP Equity's goal is to promote the creation of a leading operator in the capital markets of continental Europe, while protecting the national interest of a strategic infrastructure such as Borsa Italiana Group, which will gain a pivotal role in a broad international capital markets development project;
  - the signing of agreements for the creation of a European leader in the digital payments market, through the business combination of SIA, Nexi and Nets, in order to support the country's digital transition and to promote the widespread use of electronic transactions benefiting individuals, businesses and public administrations;
  - the signing of a letter of intent with TIM aimed at the creation of a single national network to help accelerate Italy's digital development. Specifically, the project aims at establishing a company, AccessCo, also open to other investors and destined to manage the single national network through the merger of FiberCop, a company that includes TIM's primary and secondary access network, and Open Fiber;
- to support the industrial relaunching of Ansaldo Energia and Trevi Finanziaria and the implementation of the Open Fiber investment plan aimed at the construction, management and maintenance of the fiber optic network infrastructure throughout the country.

28 In this aggregate, CDP Group is represented by SACE and the companies subject to Management and Coordination by CDP S.p.A.
29 Fund approved in 2020 and subscribed by CDP Equity in January 2021

In addition, in 2020 CDP continued to develop its real estate portfolio through its subsidiary CDP Immobiliare, also by: (i) progressing the design and renovation works on the main assets held, including the former Poligrafico dello Stato and Torri dell'Eur in Rome and the former Manifattura Tabacchi in Florence, (ii) completing the redevelopment work on the properties used as CDP Group offices and (iii) continuing the divestment process for the assets deemed non-strategic.

In 2020, using the funds managed by CDP Immobiliare Sgr, the CDP Group also boosted its support to:
- the tourism sector, through the creation of the Fondo Nazionale del Turismo (FNT), which aims at enhancing historic and iconic hotels throughout the country to relaunch a strategic supply chain for the country with an endowment of up to 2 billion euro;
- urban regeneration and social housing interventions (e.g. sustainable residences for families, students and the elderly), starting the activities for the definition and implementation of a new strategy that builds on and renews the experience already gained in social impact real estate infrastructures.

Also worthy of note in 2020:
- the initial capitalisation of ITsART, a company set up by CDP and the industrial partner Chili with the support of the Ministero per i beni e le attività culturali e per il turismo, to seize the opportunities for digitisation of the performing arts and culture sectors;
- the equity investment in Redo Sgr, aimed at the development of social housing, university building and urban regeneration projects with a social impact;
- further investments in funds already subscribed dedicated to the growth, internationalization and turnaround of companies and the development of infrastructure.

4.1.1.2 Finance and Funding Activities

With regard to Finance activities, in 2020 actions were continued to stabilise margins and increase the diversification of CDP's assets.

In detail, in the second half of 2020, the Held to Collect ("HTC") portfolio was subject to rebalance for asset liability & management purposes, in compliance with the provisions of the IFRS 9 Business Model. With regard to securities classified under the Held to Collect and Sell ("HTCS") portfolio, activities on positions in European government securities and corporate securities continued, with a view to diversifying the portfolio and optimising returns. Overall, the portfolio mainly consists of Italian government securities and is held for investment purposes and to stabilise CDP's gross income.

The following table shows the aggregates for cash and cash equivalents and other treasury investments and debt securities:

Stock of finance investment instruments

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Cash and other treasury investments	183,100	171,262	11,839	6.9%
Debt securities	74,047	70,998	3,049	4.3%
Total	**257,147**	**242,260**	**14,887**	**6.1%**

The aggregate of cash and cash equivalents and other treasury investments amounted to 183 billion euro at 31 December 2020, up 6.9% from the year-end figure for 2019. This aggregate includes 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, which stood at 153.5 billion euro, increasing by approximately 3.2 billion euro on the figures recorded at the end of 2019. At 31 December 2020, the securities portfolio showed a balance of 74 billion euro, marking a 4.3% increase on the figure at the end of 2019.

Postal funding

Postal savings constitute a major component of household savings, representing 8% of the total financial assets of Italian households, in line with the previous year.

At 31 December 2020, CDP postal funding totalled 274,575 million euro, marking a 3.6% increase on the figure at the end of 2019 (265,067 million euro), thanks to positive net funding from both postal savings bonds and passbook savings accounts and accrued interest income pertaining to savers.

CDP postal funding at € 275 billion (+3.6% on 2019)

CDP stock of postal savings

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Postal savings bonds	170,859	163,224	7,635	4.7%
Passbook accounts	103,717	101,844	1,873	1.8%
Total	**274,575**	**265,067**	**9,508**	**3.6%**

Also with reference to postal savings, the year was marked by the Covid-19 health emergency and the measures adopted to contain the spread of the virus, which resulted in a significant decline in private consumption. Within this context, the first half of the year saw a decline in postal savings bond sales and redemptions and, concomitantly, a reduction in passbook savings account transactions. On the other hand, the second half of the year saw an increase in postal savings bonds placed and deposits on passbook savings accounts, which also benefited from the early payment, in December, of the January 2021 pensions.

Within this context, CDP continued its activities to relaunch postal savings, with particular focus on the innovation of the product range, the development of remote services and financial and digital education.

A number of initiatives were completed in 2020 with the aim of innovating CDP's product range in order to satisfy changing customer needs. The projects included the launch of the Obiettivo 65 Bond, which aims to satisfy the need to supplement the future income of savers, also in light of the socio-demographic changes over the last decades. The Obiettivo 65 Bond is a completely new product in the range of postal savings bonds and passbook savings accounts and leverages the simplicity and security typical of postal savings.

In a year marked by the measures introduced to contain the health emergency, CDP also launched the Supersmart Premium Digital Offer to encourage customers to operate online. This is the first Supersmart Offer available exclusively online.

In 2020, CDP continued its plan to enhance online sales channels, permitting new passbook savings accounts to be opened also via app, expanding the available services at ATMs, extending 24-hour services and activating a new "remote" sales channel. These initiatives produced a significant increase in the customer base with online transactions (+80% vs. 2019), generating 3.9 billion euro of funding from that channel.

During the year, a range of financial and digital education initiatives were also launched to encourage customers to purchase and manage postal savings bonds and passbook savings accounts through the website poste.it and the app BancoPosta, which involved approximately 3 million customers. The Risparmio che fa Scuola portal was also enhanced, involving around 145 thousand students and increasing the educational content of the digital platform.

To conclude, numerous communication campaigns were launched during 2020 to promote postal savings bonds and passbook savings accounts, all of which were highly successful in terms of increasing visibility and awareness of postal savings among Italian savers.

CDP net funding at almost € 6 billion (+73% on 2019)

Due to all of the above factors, CDP's net funding was equal to 5,953 million euro in 2020, up 73% on the previous year.

In detail, net funding from CDP postal savings bonds came to +4,101 million euro thanks to subscriptions for 28,046 million euro (which increased from 22,544 million euro in 2019), mainly referring to 3x4 bonds (7,109 million euro), 3x2 bonds (6,731 million euro), 4x4 bonds (5,081 million euro) and to the new bonds added to the product range during the year (Obiettivo 65 bonds, Rinnova bonds, Per Ripartire bonds and Soluzione Eredità bonds), from which funding totalled 3,831 million euro.

With reference to passbook savings accounts, net funding for 2020 stood at +1,852 million euro, up from 2019 (-3,956 million euro).

Postal savings bonds and passbook savings accounts - changes in CDP net funding

(millions of euro)	Subscriptions/ Deposits	Redemptions/ Withdrawals	Net funding in 2020	Net funding in 2019	Change (+/-)
Postal savings bonds	28,046	(23,944)	4,101	7,403	(3,302)
Passbook accounts	93,623	(91,771)	1,852	(3,956)	5,808
Total	**121,669**	**(115,716)**	**5,953**	**3,447**	**2,506**

Postal savings bonds and passbook savings accounts - changes in CDP stock

(millions of euro)	31/12/2019	Net funding	Interest	Withholding tax	Transaction costs	Premiums accrued on postal bonds	31/12/2020
Postal savings bonds	163,224	4,101	4,148	(166)	(456)	8	**170,859**
Passbook accounts	101,844	1,852	24	(6)	4		**103,717**
Total	**265,067**	**5,953**	**4,171**	**(173)**	**(452)**	**8**	**274,575**

Note: the item "transaction costs" mainly includes the distribution fee on the subscriptions of 4x4 Postal bonds, 3x4 Postal bonds, 3x2 Postal bonds, 170 Years Postal bonds, Rinnova Postal bonds, Soluzione Eredità Postal bonds, Per Ripartire Postal bonds, Obiettivo 65 Postal bonds and 4 Years Simple Savings Postal bonds, the prepayment of the fee for the years 2007-2010 and the return of the stamp duty for postal passbooks dedicated to minors. The item "Premiums accrued on postal bonds" includes the separate value of embedded options in bonds indexed to equity indices.

With reference to postal savings bonds pertaining to the MEF, redemptions totalled -6,525 million euro in 2020, down from -6,901 million euro in 2019. In 2020, total net funding (CDP + MEF) from postal savings bonds and passbook savings accounts stood at -572 million euro, marking a significant improvement on 2019 (-3,454 million euro).

Total net postal savings funding (CDP + MEF)

(millions of euro)	Net funding in 2020	Net funding in 2019	Change (+/-)
Postal savings bonds	**(2,424)**	**502**	**(2,926)**
of which:			
- *pertaining to CDP*	*4,101*	*7,403*	*(3,302)*
- *pertaining to the MEF*	*(6,525)*	*(6,901)*	*376*
Passbook accounts	**1,852**	**(3,956)**	**5,808**
CDP net funding	**5,953**	3,447	2,506
MEF net funding	**(6,525)**	(6,901)	376
Total	**(572)**	**(3,454)**	**2,882**

Postal funding
The evolution of remote services

Description

Growth of the online sales channels has continued, accelerated by the need to ensure safety and respect of the social distancing rules due to the pandemic, permitting new passbook savings accounts to be opened via app, expanding the available services at ATMs with cardless withdrawal and activating a new "remote" sales channel to facilitate the choice of best savings option thanks to the support of one's consultant.

Benefits

The initiatives have resulted in an increase in the customer base with online transactions and growth in services available without going to the post office.

Key figures

181,000 customers purchased an online product in 2020 (+80% YoY)

3.9 €/billion in savings collected online

47% of online sales carried out from the app

Postal funding
The Il Risparmio che fa Scuola Project

Description

Strengthening of the "Il Risparmio che fa Scuola" portal, through the addition of a new educational curriculum for all students interested in further examining the basic concepts of the savings world and optimal management of money, and relaunching of the training project in schools, compatibly with the measures adopted to handle the Covid-19 emergency.

Benefits

The new educational curriculum has expanded the content available to students on the digital platform, accompanied by learning activities in schools thanks to educational material available to the various educational establishments.

Key figures

145,000 students involved in 2020

1 new educational curriculum on issues related to the world of savings

Postal funding
Financial and digital education

Description

A series of financial and digital education initiatives were set up during the lockdown, aimed at providing customers with access to all available services for the online purchase and management of Postal Bonds and Passbook Savings Accounts. The project helped savers to learn about the available options to best manage their savings.

Benefits

The initiatives showed millions of Italians how to subscribe to and manage the Bonds and Passbook Savings Accounts from the website poste.it and the BancoPosta App, contributing to an increase in digital culture and allowing them to avoid visiting a post office during a period of strong dissemination of Covid-19.

Key figures

3 million

customers involved in the financial and digital education initiatives

Non-postal funding

In 2020, CDP continued its activity on capital markets and in other institutional funding channels, with the aim of strengthening the process of diversifying funding sources and supporting business lending, also in response to the Covid-19 emergency.

In particular, within this framework, CDP confirmed its role as sustainable finance leader in Italy through three new social issues totalling 2.5 billion euro and, in November, it was the first Italian financial institution to join the Nasdaq Sustainable Bond Network.

Stock of funding from banks

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
ECB refinancing	19,629	2,475	17,154	n/s
Repurchase agreements and deposits	42,134	41,628	506	1.2%
EIB/CEB credit facilities	4,886	4,005	880	22.0%
Total	**66,649**	**48,108**	**18,540**	**38.5%**

With regard to funding from banks, note that in 2020 the European Central Bank (ECB) launched a series of initiatives to support liquidity in the euro zone financial system and to contribute to preserving the orderly functioning of the money markets during the Covid-19 emergency. In particular, the ECB introduced a significant improvement to the financial conditions of Targeted Longer-Term Refinancing Operations (TLTRO-III) and launched new Pandemic Emergency Longer-Term Refinancing Operations (PELTRO).

CDP has therefore increased its use of the ECB institutional funding channel, which stood at 19.6 billion euro at 31 December 2020, in order to support its own lending activities.

Short-term funding on the money market through deposits and repurchase agreements reached 42 billion euro at 31 December 2020. This marks a slight increase on the figure at the end of 2019, thanks to an improvement in money market conditions, which returned to particularly favourable levels in the second half of 2020.

In 2020, CDP signed a new loan agreement with the European Investment Bank (EIB) to grant loans, through the banking system, up to 10 years at subsidised rates, to Italian small and medium-sized enterprises in response to the Covid-19 emergency, on which a total of 665 million euro has been disbursed. The aim of the initiative was to make it easier for businesses to access credit, by providing liquidity to the banking system to be disbursed nationwide.

New EIB/CEB drawdowns amounting to € 1.3 billion to support SMEs, post-earthquake reconstruction and school building projects

During the year, CDP also made drawdowns of an additional 623 million euro on other credit facilities granted by the EIB and the Council of Europe Development Bank (CEB), to be used mainly to finance reconstruction work following the earthquakes that occurred in the regions of Abruzzo, Lazio, Marche and Umbria (through the Central Italy Earthquake Fund) and school building projects and provide support for infrastructure.

At 31 December 2020, the stock of credit facilities granted by the EIB and the CEB amounted to 4.9 billion euro, of which around 4.6 billion euro relating to the EIB funding and 0.3 billion euro referred to the CEB funding.

Stock of funding from customers (excluding postal funding)

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
OPTES and FATIS deposits (liabilities)	7,013	12,054	(5,041)	-41.8%
Deposits of Group companies	4,736	6,650	(1,913)	-28.8%
Amounts to be disbursed	4,126	4,172	(45)	-1.1%
Total	**15,876**	**22,876**	**(6,999)**	**-30.6%**

With regard to funding from customers, note that the OPTES (liquidity management transactions on behalf of the MEF) liquidity balance at 31 December 2020 was 7 billion euro, down compared to 12 billion euro at the end of 2019.

With regard to companies subject to management and coordination, cash pooling with the Parent Company's centralised treasury continued in 2020, involving irregular deposit arrangements between CDP and its subsidiaries. Centralised treasury deposits stood at 4.7 billion euro at 31 December 2020, marking a decrease on the figure recorded at the end of 2019.

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. Total amounts at 31 December 2020 were approximately 4.1 billion euro, essentially in line with the figure recorded at the end of 2019.

Stock of bond funding

The table below shows CDP's overall position in terms of bond funding at 31 December 2020, compared with 31 December 2019.

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
EMTN/DIP programme	11,879	10,021	1,859	18.5%
Retail bonds	2,944	2,948	(4)	-0.1%
"Stand-alone" issues guaranteed by the State	3,000	3,750	(750)	-20.0%
Panda Bond	124	127	(3)	-2.4%
Commercial paper	3,215	2,796	419	15.0%
Total	**21,162**	**19,641**	**1,521**	**7.7%**

New issues amounting to € 2.95 billion, also to support the measures adopted to counter the pandemic

With reference to medium/long-term funding, in 2020 new bond issues were completed under the "Debt Issuance Programme" (DIP), totalling 2.95 billion euro. These include the issuance of the 750 million euro Social Housing Bond to support residential social housing interventions, and the 1 billion euro Covid-19 Social Response Bond, whose proceeds have been earmarked to support the extraordinary plan of measures implemented by CDP in favour of businesses and local authorities to tackle the pandemic. Furthermore, in September 2020 CDP issued its fifth Social Bond focused on supporting Italian enterprises investing in research, development and innovation and those that have been hit hard by the Covid-19 emergency.

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 2020 totalled 3.2 billion euro, showing an increase from 2.8 billion euro recorded at the end of 2019.

Non-postal funding
Social Housing Bond

Description

First Italian Social Bond focused on *Social Housing*, intended for institutional investors. Through CDP's participation in Fondo Investimenti per l'Abitare (FIA), the funds raised were used to support the building of social housing dedicated to the most vulnerable sections of the population without the requirements to access the lists for Public Residential Housing, though unable to meet their housing needs in the market due to financial reasons or the absence of adequate supply. The issue's impact was assessed by considering the share financed by CDP of the total investment made by the FIA. In particular, through this initiative aimed at safeguarding social cohesion and reducing housing problems, it was possible to[1]:

Benefits

- implement 235 *Social Housing* projects, with an estimated impact of 4,226 social housing units and 1,788 beds, predominantly designated for students;
- allow over 9,600 people to benefit from the social housing units and 1,306 students to have access to the dedicated residential facilities;
- generate, through the investments made to create the infrastructures, an impact in terms of employment created or maintained of 17,065 work units.

Key figures

750 €/million	**10** years	**1.00%**
amount issued	duration (maturity February 2030)	annual coupon

1 For details on the CDP Social Housing Bond Report and the impact estimation methodology: www.cdp.it/sitointernet/it/social_housing_bond.page

Non-postal funding
Covid-19 Social Response Bond

Description	Second Social Bond issued on the capital market in 2020 and first issue by CDP in dual tranche format. The transaction represents a new initiative by CDP to support the extraordinary plan in favour of enterprises and local entities during the Coronavirus emergency.
Benefits	The resources collected with this issue have been designated to financing both short-term as well as medium/long-term initiatives aimed at contrasting the effects of the Covid-19 pandemic.

Key figures

1 €/million	3 and 7 years	1.50%	2.00%
Total amount issued	duration (maturity April 2023 and April 2027)	Annual coupon (3 years)	Annual coupon (7 years)

4.1.2 Group companies

SACE Group

Launch of domestic operations and support to export and international expansion goals of Italian enterprises continued

In 2020, despite the negative impact of the health emergency on international trade, the SACE group continued to support the export and international expansion goals of enterprises, with 14,741 businesses served (over 87% of which SMEs), up 27% on the previous year. Furthermore, in order to meet policyholders' requests, moratoriums of up to 12 months were granted on backed loans, with more than 700 applications received, and extensions of up to 60 days for policy fulfilments.

In full compliance with the precautionary measures adopted to contain the spread of Covid-19, the mostly online mode of interaction generated an increase in traffic on the digital platforms developed in recent years, for both requests to purchase products (17,137, +560% on 2019) and requests for training and information, with 51,000 contacts and 4,100 customers engaged (+70% on 2019). In September, the www.export.gov.it platform was also launched. This is the first one-stop portal for export and international expansion support, promoted by the Ministry of Foreign Affairs and International Cooperation and developed by SACE and SIMEST in collaboration with the Italian trade and investment agency ICE.

In 2020, SACE S.p.A. also expanded its scope of activities to support (i) the liquidity needs of companies affected by the pandemic, (ii) short-term trade receivables insurance and (iii) the sustainable economy. In particular:

- with the publication of Decree Law 23 of 2020 (so-called "Liquidity Decree"), containing "*Urgent measures regarding access to credit and tax obligations for companies, special powers in strategic sectors, as well as health and workplace interventions, and extension of administrative and procedural deadlines*", converted into Law 40 of 5 June 2020, in order to en-

sure the necessary liquidity for companies based in Italy affected by the Covid-19 pandemic, the possibility of granting guarantees (with the State counter-guarantee) has been added to SACE's traditional operations, to be reported separately, on loans up to 31 December 2020 (in compliance with European regulations on State aid and subsequently extended to 30 June 2021), for a total commitment of up to 200 billion euro (so-called "Garanzia Italia"). At 31 December, guarantees issued to cover loans, factoring, leases and debt securities, amounted to 1,401, for a total amount financed of 20.8 billion euro;
- with the publication of Decree Law 34 of 2020 (so-called "Relaunch Decree"), containing "*Urgent measures regarding health, support for work and the economy, and social policies related to the Covid-19 epidemiological emergency*", converted with amendments into Law 77 of 17 July 2020, in order to retain continuity of trade between companies and to ensure that insurance services for trade receivables continue to be available to companies hit by the economic effects of the Covid-19 pandemic, SACE was authorised to grant a guarantee (with the State counter-guarantee) in favour of companies engaged in the insurance of short-term trade receivables and participating in a special agreement, to be reported separately. Such guarantee is equal to 90% of the compensation generated by exposures relating to trade receivables accrued from the entry into force of the decree until 31 December 2020 (in compliance with European regulations on State aid and subsequently extended to 30 June 2021), for a maximum limit of 2 billion euro. 5 companies signed the agreement, accounting for 86% of the credit insurance market, to the benefit of approximately 14,000 insured companies;
- with the publication of Decree Law no. 76 of 2020 (so-called "Simplification Decree"), containing "*Urgent measures for simplification and digital innovation*", converted with amendments into Law no. 120 of 11 September 2020, in order to support interventions pursuant to Article 1, paragraph 86, of Law no. 160 of 27 December 2019, regarding the European Green New Deal, SACE was authorised to grant guarantees (with the State counter-guarantee), to be reported separately, for projects aimed at facilitating a transition towards a clean and circular economy and at speeding up the transition towards sustainable mobility, within the limit of 2.5 billion euro for 2020. 7 guarantees were approved in 2020 for a financed amount of 615 million euro, of which 303 million euro have already been issued within the year.

Note also that the Liquidity Decree has redefined the governance of the SACE group, providing, *inter alia*, (i) that CDP shall agree with the MEF, after consulting with the Ministry of Foreign Affairs and International Cooperation, the exercise of the voting rights deriving from the equity investment in SACE and (ii) that SACE is not subject to management and coordination by CDP. Article 2, paragraph 6, of the Liquidity Decree also establishes that, on the date of issuing the decree, ninety percent of the outstanding commitments undertaken by SACE S.p.A. resulting from the insurance business — excluding those for which a report of non-collection has already been received — are reinsured by the State.

Successively, Decree Law no. 104/2020 (so-called "August Decree") laid the way for a reorganisation of the SACE group, providing, *inter alia*, that, following an agreement between the MEF and CDP, a decree of the MEF in agreement with the Ministry of Foreign Affairs and International Cooperation (subject to registration by the Court of Audit) will determine the reorganisation of the SACE group and the value of the equity investments transferred that is deemed appropriate by the parties. At present, the agreement is still at a hypothetical stage and the ministerial decree has yet to be enacted.

Performance highlights - SACE group[1]

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
SACE				
Total outstanding	**70,591**	**65,115**	**5,476**	**8.4%**
Outstanding guarantees	70,086	64,537	5,548	8.6%
Loans	505	577	(72)	-12.5%
SACE BT				
Total outstanding	**83,257**	**67,154**	**16,104**	**24.0%**
Insurance of short-term loans	11,308	10,520	788	7.5%
Sureties Italy	6,352	6,157	195	3.2%
Other property damage	65,597	50,476	15,121	30.0%
SACE FCT				
Outstanding receivables	2,231	1,680	551	32.8%
SIMEST				
Equity investment portfolio (2)	578	610	(32)	-5.2%

(1) Amounts refer to stock at the date indicated.
(2) Value of SIMEST equity investment portfolio, net of the equity stake in FINEST (5.165 million euro).

SACE's total risk exposure, measured in relation to loans and guarantees provided, stood at 70.6 billion euro (of which 99% referring to the guarantees portfolio), up 8.4% compared with 2019. The main corporate risk sectors are Cruise, Oil&Gas and Chemicals/petrochemicals, while the main countries are the United States, Qatar, Italy, Egypt and the United Kingdom.

SACE BT's exposures, amounting to around 83.3 billion euro, increased on 2019 (+24%) mainly due to the "Other property damage" segment. The exposure of the "Sureties Italy" segment increased, as did the "Credit" segment.

Outstanding receivables of SACE Fct, equal to about 2.2 billion euro, increased by 33%.

Finally, following the changes in the portfolio during the year, the equity investment portfolio of SIMEST totalled 578 million euro at 31 December 2020, down (-5.2%) on year-end 2019.

CDP Equity S.p.A.

Continuation of the activities in support of companies in growth processes

In 2020, CDP Equity continued its activity of managing and enhancing its equity investments portfolio, as well as searching for and evaluating new investment opportunities by extending its range of action in accordance with the guidelines of the Group's Business Plan.

The main transactions finalised during the year there were: (i) the capital strengthening of the investee Ansaldo Energia through the subscription of a capital increase, (ii) the support to Open Fiber's investments plan through capital contributions and a shareholder loan, (iii) the capital strengthening of Trevi[30] through the subscription of a capital increase as part of the broader industrial relaunch, (iv) the subscription of the VenturItaly Fund of Funds ("FoF"), the Acceleratori Fund, the Boost Innovation Fund and the direct and indirect sub-funds of the Technology Transfer Fund, managed by CDP Venture Capital SGR, and (v) the subscription of the Private Debt Italia FoF managed by Fondo Italiano d'Investimento SGR.

Furthermore CDP Equity finalised the refinancing of the subsidiary FSIA Investimenti, together with the minority shareholder Poste Italiane, through an intercompany loan, also in order to settle FSIA Investimenti's bank debt.

30 Investment made via FSI Investimenti.

Performance highlights - CDP EQUITY[1]

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Dividends and financial interest from shareholders loan	37	53	(16)	-31.0%
Equity investments and funds[2]	4,164	3,508	656	18.7%

(1) Figures refer to CDP Equity and its vehicles FSI Investimenti, FSIA Investimenti and IQMIIC; intercompany transactions not included
(2) Including shareholder loans and convertible bonds

During the year, CDP Equity and its subsidiary investment vehicles received dividends and interest income on loans and bonds totalling 37 million euro (-16 million euro on the previous year); the decrease resulted from lower dividends for 24 million euro only partially offset by higher interest income from loans to Ansaldo Energia and Open Fiber. In particular, in 2019 SIA and Rocco Forte Hotel had approved dividends for a total of 31 million euro, while in 2020 these companies did not distribute any dividends in light of the situation of uncertainty caused by the economic and financial fallout from the measures taken to contain the Covid-19 pandemic. The dividends recognised in 2020, equal to 7 million euro, were distributed by Webuild, Kedrion and BF.

The stock of equity investments and investments in funds at 31 December 2020 increased by 656 million euro compared to 31 December 2019 as a result of the investment transactions carried out during the year. In detail, the resources that contributed to the higher stock of investments were associated with the completion of a capital increase in Ansaldo Energia (400 million euro), the support to Open Fiber (192 million euro), the completion of a capital increase in Trevi, through FSI Investimenti (39 million euro) and the capital calls made by the funds subscribed (25 million euro).

CDP Immobiliare S.r.l.

Continuation of the development of real estate assets through the sale and redevelopment of strategic assets

In 2020, CDP Immobiliare continued to focus on the sale and development of directly and indirectly owned real estate assets.

Redevelopment works focused primarily on large-scale properties, as part of initiatives for the direct development of the territory, characterised by complex urban planning procedures and with a high social impact. In particular, building permits were obtained or extended for three trophy assets located in Rome (former Istituto Poligrafico e Zecca dello Stato, Torri dell'Eur, former Agenzia delle Dogane Scalo San Lorenzo) for the development or disposal of the buildings. Re-purposing works were launched on the former Istituto Poligrafico e Zecca dello Stato and Torri dell'Eur. The plans for the redevelopment of the former Manifattura Tabacchi in Florence and Naples are advancing.

During the year, investments for development work amounted to approximately 42 million euro, which suffered from major delays due to the Covid-19 health emergency. At 31 December 2020, despite these exceptional circumstances, work was completed on the redevelopment of a number of buildings intended to be the CDP Group's new logistics hubs in Rome (buildings located in Via Alessandria, in the Trieste district, and in Via Benedetto Croce, in the Eur Montagnola area), which made it possible to transfer the workforce allocated to the previous offices.

Performance highlights - CDP IMMOBILIARE [1]

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Sales	67	49	18	37.3%
Real estate assets managed	978	1,055	(78)	-7.4%
Debt securities	478	525	(47)	-9.0%

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

In 2020, despite the global impact of the Covid-19 health emergency on the volume of real estate transactions, CDP Immobiliare, directly and through investee companies, sold real estate assets for a total of approximately 67 million euro, mainly referring to the Manifatture Milano S.p.A. share deal, the disposal of a warehouse of the former ICMI area in Naples, of the former San Bartolomeo Hospital in Sarzana (La Spezia) and of residential units (built following the outcome of redevelopment processes of former industrial areas) located in Turin.

At 31 December 2020, total real estate assets managed, amounting to approximately 978 million euro, declined by -7.4%, mainly due to disposals in the period and the market value adjustments, net of development work.

Total financial payables, amounting to approximately 478 million euro at 31 December 2020, were down by -9.0% on the previous year (mainly due to the sale of Manifatture Milano S.p.A.) and included 7 million euro in payables referring to CDP Immobiliare (payables allocated to a number of real estate assets in the direct portfolio) and 471 million euro referring to investees.

CDP Immobiliare SGR S.p.A.

Realisation of interventions to support the tourism infrastructure and the social and student housing sectors

During the year, through the managed funds, CDPI SGR made investments totalling 313 million euro, of which:
- 254 million euro to support social housing through the FIA fund;
- 28 million euro through the FIV fund, mainly related to: (i) the redevelopment of the Ospedali Riuniti di Bergamo complex to adapt the buildings for a Guardia di Finanza Academy, (ii) the completion of the development work on the portion of the property in Via Corte d'Appello, in Turin, used as CDP Group's office, (iii) the completion of the Phase 2 works on the former Istituto Geologico in Rome and (iv) the completion of the strip-out works on the former services centre in Scandicci (Florence);
- 14 million euro through the FT1 fund, attributable to the prosecution of the redevelopment works of the Grand Hotel Villa Igiea property in Palermo and to the restyling and redevelopment of the property in Ostuni (Brindisi);
- 17 million euro through the FIA2 fund, attributable to the building site activities for the expansion of the new H-Farm university campus.

Note that CDPI SGR has strengthened the CDP Group's support for the tourism sector by creating the Fondo Nazionale del Turismo (FNT). The fund aims to redevelop historic and iconic hotels throughout the country to relaunch a strategic supply chain with investments up to 2 billion euro.

Performance highlights - CDPI SGR

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
FIV - Real estate assets managed	565	567	(1)	-0.3%
FT1 - Real estate assets managed	134	121	13	10.5%
FIA - Total investments	1,511	1,257	254	20.2%

At 31 December 2020, real estate assets managed by CDPI SGR on behalf of FIV consisted of 75 assets with a value of 565 million euro, of which 500 million euro referred to the Extra sub-fund (59 assets) and 65 million euro referred to the Plus sub-fund (16 assets). The figure is lower than in 2019 (-0.3%), mainly as a result of the sales completed in the first half of the year, net of investments made on the properties in the portfolio.

The real estate assets of the FT1 fund comprise 7 properties for a total value of 134 million euro, up on 2019 (+10.5%) as a result of the continuation of the investment plans on the properties in Ostuni and Villa Igiea.

With reference to the FIA fund, the capital invested in the 29 social housing funds amounted to 1,511 million euro, marking an increase compared to 2019 (+20.2%), due to the investments made during the year to support the offer of social housing and beds.

Fintecna S.p.A.

Continuation of the liquidation activities of assets under management

In 2020, 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.

As part of the reorganisation process of the CDP Group's equity investments, the merger by incorporation of the subsidiary Ligestra Due, a vehicle mainly active in the liquidation of Entities, companies and assets, into Fintecna (effective from 1 January 2020) is worth mentioning.

As a result of the aforementioned transaction, during the period Fintecna continued to work directly on the sale of the "separate assets" of the dissolved entities EFIM, Iged and former "Comitato per l'intervento nella SIR e nei settori ad alta tecnologia".

Within the scope of the further projects, 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.

Performance highlights - FINTECNA

(number of disputes; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Labour law disputes	360	332	28	8.4%
Civil/administrative/tax law disputes	92	93	(1)	-1.1%

Regarding labour law disputes (i.e. claims for compensation for health damage arising from occupational illnesses), the increase in the number compared to year-end 2019 is mainly due to the slowdown in the settlement of disputes because of the measures for the containment and management of the Covid-19 epidemiological emergency, which led to the extraordinary suspension of court activities and pending deadlines.

With regard to other types of disputes (civil, administrative and tax-related), the number of pending proceedings has been essentially confirmed (taking also into account the acquisition of Ligestra Due's positions, following the merger by incorporation), and settlement difficulties continued mainly due to significant differences in valuations with respect to the counterparties.

CDP Reti S.p.A.

Continuation of the Equity investment portfolio management activity

In 2020, CDP RETI continued to manage the equity investment portfolio and completed a refinancing operation for its financial debt (with the parent company CDP and a pool of banks) worth around 938 million euro.

Performance highlights - CDP RETI

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Equity investments and other investments	5,023	5,023		0.0%
Dividends received	458	431	27	6.3%
Debt securities and other forms of funding	1,693	1,695	(3)	-0.2%

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 2020 totalled 458 million euro (+27 million euro compared to 31 December 2019), of which approximately 250 million euro from Snam (+11.9 million euro compared to 2019), about 54 million euro from Italgas (+4.6 million euro compared to 2019) and approximately 154 million euro from Terna (+10.5 million euro compared to 2019).

In terms of dividends paid out to shareholders, in 2020 CDP RETI paid a total of 429 million euro (399 million euro in 2019), of which 143 million by way of a final dividend for 2019 and 286 million euro by way of an interim[31] dividend on 2020.

At 31 December 2020, debt securities and other forms of funding totalled 1,693 million euro and are referred mainly to: (i) the term loan for a total nominal value of approximately 938 million euro (222 million euro from CDP), substantially in line with year-end 2019, 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%).

CDP INDUSTRIA S.p.A.

With regard to CDP Industria's operations in 2020, reference is made to paragraph 1.2 "Group Companies".

4.2 Income statement and balance sheet results

4.2.1 CDP S.P.A.

Despite the generalised decline in the country's economic activities due to the impacts of the Covid-19 health emergency, CDP managed to deliver solid economic and financial performance also in 2020.

4.2.1.1 Reclassified income statement

The economic performance of CDP set out below refers to the income statement layout reclassified on the basis of management criteria.

A statement of reconciliation between management and accounting schedules (Annex 2.2 to the report on operations) 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; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Net interest income	**2,062**	**1,355**	**707**	**52.2%**
Dividends	1,089	1,424	(335)	-23.5%
Other net revenues (costs)	976	770	206	26.7%
Gross income	**4,126**	**3,549**	**578**	**16.3%**
Write-downs	(349)	119	(468)	n/s
Staff costs and other administrative expenses	(188)	(176)	(12)	7.1%
Amortisation and other operating expenses and income	(17)	(3)	(14)	n/s
Operating income	**3,572**	**3,489**	**83**	**2.4%**
Provisions for risks and charges	25	(50)	75	n/s
Income taxes	(823)	(703)	(121)	17.2%
Net income	**2,775**	**2,736**	**38**	**1.4%**

31 The interim dividend of 1,768.86 per each of the 161,514 shares was approved by the Board of Directors on 11 December 2020 on the basis of the company's accounting situation at 30 June 2020, prepared in accordance with IFRS. The company ended the period with a net income of approximately 286 million and available reserves of approximately 3,369 million.

Growth in net income to € 2.8 Billion

Regarding the income statement, net income stood at 2,775 million euro, growing on the previous year.

The increase is attributable to the improvement in the spread between interest-bearing assets and liabilities and the interest rate risk management strategies implemented which more than offset the reduction in dividends from investee companies, the write-down of a large credit exposure (prior to the Covid-19 crisis) and the absence of non-recurring positive items in 2019.

Net interest income amounted to 2,062 million euro, growing over 2019 as a result of the improvement in the spread between interest-bearing assets and liabilities following actions to contain the cost of funding and increase the return on assets, also by aligning the liquidity yield with the cost and duration characteristics of the underlying liabilities.

Dividends totalled 1,089 million euro, down by 24% on 2019 mainly due to lower dividends from Eni attributable to changes to its dividend policy.

The item "Other net revenues" amounted to 976 million euro, marking an increase on 2019, mainly reflecting the interest rate risk management strategies implemented on the securities portfolio. These actions made it possible to stabilise the margin and rebalance the capital structure also in consideration of extraordinary events such as the mortgage loan renegotiations with regional and local governments in response to the Covid-19 emergency.

The cost of risk was -349 million euro, a deterioration compared to 2019 when it had benefited from write-backs on some credit and equity exposures. The 2020 result is mainly attributable to the value adjustment of a large credit exposure prior to the Covid-19 crisis and to the general worsening of the economic environment due to the health crisis.

Staff costs and administrative expenses amounted to 188 million euro, up from the 2019 figure (176 million euro) as a result of the continuation of the planned strengthening of the company's workforce.

Lastly, income tax for the period amounted to 823 million euro and mainly referred to (i) current taxes for the year and (ii) the change in deferred tax assets and liabilities.

4.2.1.2 Reclassified balance sheet

Reclassified balance sheet

The reclassified balance sheet of CDP at 31 December 2020 is presented below.

Assets

Assets in CDP's reclassified balance sheet at 31 December 2020 included the following items:

Reclassified balance sheet - Assets

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Cash and cash equivalents	183,100	171,262	11,839	6.9%
Loans	106,920	100,981	5,939	5.9%
Debt securities	74,047	70,998	3,049	4.3%
Equity investments and funds	35,551	34,208	1,343	3.9%
Assets held for trading and hedging derivatives	3,215	1,981	1,234	62.3%
Property, plant and equipment and intangible assets	416	383	33	8.5%
Accrued income, prepaid expenses and other non-interest-bearing assets	6,356	5,242	1,114	21.3%
Other assets	741	796	(55)	-6.9%
Total assets	**410,346**	**385,851**	**24,495**	**6.3%**

Total assets amounted to 410 billion euro, up by 6% compared to the end of 2019.

Cash and cash equivalents and other treasury investments amounted to 183 billion euro, up by +7% compared to the figure recorded at the end of the previous year.

Loans, which amounted to 107 billion euro, increased by 6% with respect to the balance at the end of 2019, mainly as a result of higher loan volumes. This increase is partly attributable to the extraordinary measures implemented by CDP to deal with the Covid-19 emergency, which had a positive impact on new lending during the year.

Debt securities came to 74 billion euro, a +4% increase on the year-end 2019 figure. The portfolio mainly consists of Italian government securities and is held for investment purposes and to stabilise gross income.

The stock of equity investments and funds, totalling 36 billion euro, increased by 4% over 2019. This increase is attributable to investments made in 2020 to support (i) businesses, through the launch of private equity and venture capital funds, support for the development plans of investee companies, and the promotion of champions in strategic sectors, and (ii) the development of infrastructure and the local area.

Assets held for trading and hedging derivatives amounted to 3.2 billion euro, up by +1.2 billion euro on the figure at the end of 2019. This item includes the fair value (where positive) of hedging derivative instruments, including operational hedges that do not qualify as hedges for accounting purposes.

The balance of Property, plant and equipment and intangible assets amounted to 416 million euro, of which 373 million euro relating to property, plant and equipment and the remainder to intangible assets. The increase in the item compared to 2019 (+33 million euro) is attributable to the investments during 2020, which exceeded the depreciation and amortisation of existing assets during the year.

The balance of Accrued income, prepaid expenses and other non-interest bearing assets was 6.4 billion euro, up by +21% on the value at the end of 2019.

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, was equal to 741 million euro, down compared to the 796 million euro recorded at the end of 2019.

Liabilities

At 31 December 2020, the liabilities in CDP's reclassified balance sheet were as follows:

Reclassified balance sheet - Liabilities and equity

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Funding	378,262	355,693	22,570	6.3%
of which:				
- *postal funding*	*274,575*	*265,067*	*9,508*	*3.6%*
- *funding from banks*	*66,649*	*48,108*	*18,540*	*38.5%*
- *funding from customers*	*15,876*	*22,876*	*(6,999)*	*-30.6%*
- *bond funding*	*21,162*	*19,641*	*1,521*	*7.7%*
Liabilities held for trading and hedging derivatives	4,541	2,830	1,711	60.5%
Accrued expenses, deferred income and other non-interest-bearing liabilities	557	474	83	17.6%
Other liabilities	803	789	14	1.7%
Provisions for contingencies, taxes and staff severance pay	685	1,115	(430)	-38.6%
Equity	25,497	24,951	547	2.2%
Total liabilities and equity	**410,346**	**385,851**	**24,495**	**6.3%**

Total funding at 31 December 2020 was 378 billion euro, up 6% from the figure recorded at the end of 2019.

Postal funding amounted to 275 billion euro (+4% compared to 2019) and registered the best net funding performance by CDP in the last eight years (+6 billion euro). This was partly due to the initiatives launched during the year in terms of new digital products and services, which led to strong sales growth in the online channel (+75% over 2019).

Funding from banks and customers, totalling 83 billion euro (+16% compared to 2019), was strengthened to continue the process of diversifying funding sources and support business lending, also in response to the Covid-19 emergency.

Bond funding increased to 21 billion euro (+8% compared to 2019), with CDP confirming its role as leader in Italy in sustainable finance through three new social issues totalling 2.5 billion euro.

The balance of Liabilities held for trading and hedging derivatives amounted to 4.5 billion euro, up compared to 2.8 billion euro at the end of 2019. This item includes the fair value (where negative), of hedging derivative instruments, including operational hedges that do not qualify as hedges for accounting purposes.

The balance of Accrued expenses, deferred income and other non-interest-bearing liabilities was 557 million euro, marking an increase on the figure at the end of 2019.

With regard to other significant items, there was (i) an increase in the balance of Other liabilities, equal to 803 million euro (+2% compared to the end of 2019), and (ii) a decrease in the balance of Provisions for contingencies, taxes and staff severance pay, equal to 685 million euro (1,115 million euro at the end of 2019), mainly due to the settlement agreement with Fondazione Cariverona.

Lastly, equity amounted to 25.5 billion euro, up +2% on the end of 2019 thanks to solid financial results which more than offset the dividends distributed during the year.

4.2.1.3 Indicators

Profitability and credit quality at high levels

Main indicators (reclassified figures)

(%)	31/12/2020	31/12/2019
Structure ratios (%)		
Funding/Total liabilities	92%	92%
Equity/Total liabilities	6%	6%
Postal Savings/Total funding	73%	75%
Performance ratios (%)		
Spread on interest-bearing assets and liabilities	0.6%	0.5%
Cost/income ratio	5%	5%
Net income/Opening equity (ROE)	11%	11%
Risk ratios (%)		
Coverage of bad loans[1]	54%	50%
Net non-performing loans/Net loans to customers and banks[2, 3]	0.05%	0.06%
Net adjustments to loans/Net exposure[2, 3]	0.06%	n.a.

(1) Provision bad loans / Gross exposure to bad loans.
(2) Exposure includes Loans to banks and customers, Disbursement commitments, cash & cash equivalents & bonds.
(3) Net exposure is calculated net of the provision for non-performing loans.

Structure ratios related to liabilities were substantially in line with 2019, with postal funding weighing heavily, though dropping slightly, on total funding by around 73%, thanks to the continued diversification of funding sources.

With regard to performance ratios, note (i) the increase in the spread between interest-bearing assets and liabilities, (ii) a still very low cost/income ratio (5%), in line with 2019, and (iii) an 11% return on equity (ROE).

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

With regard to the impacts of Covid-19 on the determination of alternative performance measures, also in accordance with the ESMA recommendations, the previously provided Non-GAAP financial reporting has not been changed.

4.2.1.4 Management impacts of the Covid-19 health emergency and outlook of operations.

During 2020, the new Covid-19 virus progressively spread to many countries around the world, with the World Health Organization consequently defining the epidemic as a "pandemic situation".

The health emergency has had profoundly negative repercussions on the national and world economy. With specific reference to CDP, the health crisis had an impact in terms of business, economic and financial performance and operating model.

In line with the recommendations of the national and international supervisory authorities, it should be noted that, with regard to business activities, in confirming the objectives of the 2019-21 Business Plan (described in more detail in Chapter 3), during 2020 the CDP Group launched a series of extraordinary measures to support businesses and local authorities in the context of the health emergency. In this context, worth mentioning in particular are:

- the granting, either directly or through the banking system, of financing dedicated to companies, to meet temporary liquidity needs and support working capital;
- the suspended payment of the mortgage instalments falling due in 2020 for the municipalities first affected by the emergency and the implementation of the largest loan renegotiation programme in recent years in favour of local authorities, aimed at freeing up financial resources to be used also to address the needs resulting from the pandemic emergency;
- the granting of a moratorium by SACE on existing medium/long-term loans guaranteed in complementarity with the banking system and CDP;
- the granting of a moratorium by SIMEST on the capital and interest on its equity investments;
- remodulation of lease payments relating to 2020 in favour of managers of accommodation facilities owned by the FT1 fund managed by CDP Immobiliare SGR.

In addition, CDP and Group companies have assumed a key role in implementing the measures issued by the Italian government to mitigate the impacts of Covid-19 and to support the economy. In this context, worth mentioning are:

- CDP's management of the MEF fund to provide Entities with the liquidity needed to pay certain, liquid and collectable payables to suppliers;
- the management by CDP of the suspended payment of the principal of the instalments falling due in 2020, in relation to mortgages granted by CDP and transferred to the MEF, in favour of Regions with ordinary charter and Local authorities;
- the performance of the preparatory activities for the management by CDP of the "Patrimonio Rilancio" assets set up under Decree Law 34 of 19 May 2020, intended to implement measures and operations to support and relaunch the Italian economic and production system as a result of the epidemiological emergency;
- interventions by SACE in support of companies damaged by the Covid-19 emergency, including (i) the launch of the so-called "Garanzia Italia" (pursuant to Decree Law 23/2020) aimed, through SACE's guarantee and the State's counter-guarantee, at supporting the liquidity of national companies; (ii) the redefinition of the risk-sharing mechanism between SACE and

the MEF (pursuant to Decree Law 23/2020) for operations in support of exports, international expansion and investments by enterprises, and (iii) the State reinsurance of short-term receivables at 90% (pursuant to Decree Law 34/2020), in order to retain continuity of trade between companies and to ensure that insurance services for trade receivables continue to be available to companies hit by the economic effects of the Covid-19 pandemic;
- the interventions implemented through the 394/81 Fund managed by SIMEST, including (i) the suspension for up to 12 months of the payment of instalments falling due in 2020 (pursuant to Decree Law 18/2020), (ii) the launch of a new instrument for the non-repayable co-financing of subsidised loans (Facilitation Committee of 28 April 2020) and (iii) the increase in the amounts that can be financed (Facilitation Committee of 15 June 2020) and the cancellation of guarantees. In addition to the extraordinary measures related to the health emergency, there is a plan to extend the operation of the 394/81 Fund to Intra-EU countries and further optimise the products.

For a detailed description of the interventions illustrated above, please refer to sections 4.1.1 and 4.1.2.

With reference to the economic-financial performance, the results for 2020 remain solid despite impairment of 349 million euro, marking a deterioration on 2019. As highlighted in section 4.2.1.1, this dynamic is attributable not only to positive non-recurring items in 2019 and to the value adjustment of a large credit exposure prior to the Covid-19 crisis, but also to the general worsening of the economic environment due to the health crisis.

Finally, in terms of the operating model, right from the start of the lockdown, CDP has guaranteed full operational continuity thanks to the extension of the remote working mode to the entire staff, as illustrated in more detail in the 'Disclosure of Covid-19 impacts' section of the Notes.

4.2.2 Group companies

The accounting situation of the companies of the CDP Group as at 31 December 2020 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 the companies' 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.

When considering the main economic and financial dynamics described below, it is necessary to bear in mind that the comparison figures of the balance sheet were restated following the completion of the Purchase Price Allocation (PPA) process carried out in accordance with IFRS 3 - Business combinations on Ansaldo Energia and SIA, whose control was acquired, from an accounting point of view, on 31 December 2019. Since the changes to the scope of consolidation took effect from the end of last year, the PPA process has not entailed the need to change the 2019 net income and the only impacts were on the balance sheet figures, following the restatement at fair value of the investees' assets and liabilities, including contingent assets and liabilities, as described in Section 5 - Other issues, which should be referred to for further information.

4.2.2.1 Reclassified consolidated income statement

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

Net income of € 1.2 billion (-65.9% vs 2019)

Reclassified Income Statement

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Net interest income	**1,898**	**1,208**	**690**	**57.1%**
Gains (losses) on equity investments	(2,091)	447	(2,538)	n/s
Net commission income (expense)	131	95	36	37.9%
Other net revenues (costs)	487	646	(159)	-24.6%
Gross income	**425**	**2,396**	**(1,971)**	**-82.3%**
Profit (loss) on insurance business	(5)	164	(169)	n/s
Profit (loss) on banking and insurance operations	**420**	**2,560**	**(2,140)**	**-83.6%**
Net recoveries (impairment)	(283)	17	(300)	n/s
Administrative expenses	(9,882)	(7,910)	(1,972)	24.9%
Other net operating income (costs)	15,102	12,681	2,421	19.1%
Operating income	**5,357**	**7,348**	**(1,991)**	**-27.1%**
Net provisions for risks and charges	(37)	(113)	76	-67.3%
Net adjustments to PPE and intangible assets	(2,679)	(2,246)	(433)	19.3%
Other	3	(13)	16	n/s
Income taxes	(1,481)	(1,565)	84	-5.4%
Net income (loss) for the year	**1,163**	**3,411**	**(2,248)**	**-65.9%**
Net income (loss) for the year pertaining to non-controlling interests	1,532	1,627	(95)	-5.8%
Net income (loss) for the year pertaining to the Parent Company	**(369)**	**1,784**	**(2,153)**	**n/s**

The Group's net income for the year ended 31 December 2020 was equal to 1,163 million euro, down compared to 2019 mainly due to the negative contribution of companies accounted for using the equity method.

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Interest and commission expense on payables to customers	(5,217)	(5,227)	10	-0.2%
Interest expense on payables to banks	(236)	(172)	(64)	37.2%
Interest expense on securities issued	(646)	(658)	12	-1.8%
Interest income on debt securities	1,508	1,553	(45)	-2.9%
Interest income on financing	6,459	5,706	753	13.2%
Interest on hedging derivatives	(177)	(140)	(37)	26.4%
Other net interest	207	146	61	41.8%
Net interest income	**1,898**	**1,208**	**690**	**57.1%**

Net interest income was equal to 1,898 million euro, marking a sharp increase on the previous year mainly due to the contribution of the Parent Company, which reflects the improvement in the spread between interest-bearing assets and liabilities.

The result of the measurement according to the equity method of investee companies over which the Group has significant influence or which are subject to joint control, included under "Gains (losses) on equity investments", led to a loss of 2,091 million euro, against a profit of 447 million euro reported in 2019. This value mainly reflects the result of the measurement with the equity method of the following investee companies:
- Eni -2,464 million euro (-162 million euro in 2019);
- Poste Italiane +336 million euro (+385 million euro in 2019);
- SAIPEM -150 million euro (+2 million euro in 2019);
- Webuild +28 million euro.

Net commission income amounted to 131 million euro, up by 36 million euro on the previous year.

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Net gain (loss) on trading activities	(119)	31	(150)	n/s
Net gain (loss) on hedging activities	(50)	(111)	61	-55.0%
Gains (losses) on disposal or repurchase financial transactions	857	743	114	15.3%
Net gain (loss) on financial assets and liabilities carried at fair value	(201)	(17)	(184)	n/s
Other net revenues (costs)	**487**	**646**	**(159)**	**-24.6%**

Other net revenues/costs were down by about 159 million euro due to:
- lower income from trading, which mainly reflects the negative contribution of SACE (-6 million euro vs. income of 37 million euro in 2019) and of Terna (-52 million euro vs. -6 million euro in the previous year);
- losses on assets mandatorily measured at fair value through profit or loss, mainly relating to units in collective investment undertakings held by the Parent Company;
- the increase of 103 million euro in income from assets measured at amortised cost, held by CDP.

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Gross Premiums	841	660	181	27.4%
Change in premium reserve	(426)	(60)	(366)	n/s
Premiums paid in reinsurance	(388)	(243)	(145)	59.7%
Effect of consolidation	(39)	(49)	10	-20.4%
Net premiums	**(12)**	**308**	**(320)**	**n/s**
Net other income (expense) from insurance operations	22	(143)	165	n/s
Effect of consolidation	(15)	(1)	(14)	n/s
Profit (loss) on insurance business	**(5)**	**164**	**(169)**	**n/s**

Loss on insurance business of 5 million euro includes net premium income and other income and expense for the companies operating in the insurance sector. Using the data relating to the previous financial year as a basis for comparison, the following is noted:
- a 181 million euro increase in gross premiums, offset by the higher amount (-145 million euro) of premiums ceded for reinsurance and the increase in the negative change in the premium reserve. The change in the premium reserve is due to higher premiums collected and the increased level of risk associated with the economic cycle;
- a significant improvement in other income (expense) from insurance operations (+165 million euro), which reflects the lower cost of claims compared to the previous year, with reference to both payments and the change in the reserve.

Overall, the banking and insurance components resulted in profit on banking and insurance operations of 420 million euro, a decrease of 2,140 million euro on the previous financial year (2,560 million euro).

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Profit (loss) on banking and insurance operations	**420**	**2,560**	**(2,140)**	**-83.6%**
Net recoveries (impairment)	(283)	17	(300)	n/s
Administrative expenses	(9,882)	(7,910)	(1,972)	24.9%
Other net operating income (costs)	15,102	12,681	2,421	19.1%
Operating income before adjustments to PPE and intangible assets	**5,357**	**7,348**	**(1,991)**	**-27.1%**
Net adjustments to PPE, intangible assets	(2,679)	(2,246)	(433)	19.3%
Operating income after adjustments to PPE and intangible assets	**2,678**	**5,102**	**(2,424)**	**-47.5%**

The increase in net adjustments, amounting to -283 million euro (vs. net recoveries of 17 million euro in 2019) is due to higher accruals made for the deterioration of the economic cycle.

Administrative expenses increased to 9,882 million euro. This was mainly due to:
- the effects of the line-by-line consolidation, as of 1 January 2020, of the income statements of the Ansaldo Energia group (971 million euro) and the SIA group (468 million euro);
- the Fincantieri group (5,656 million euro, compared to 5,453 million euro in 2019);
- the companies operating in the gas transport, re-gasification and storage sector (572 million euro, compared to 474 million euro in 2019), partly as a result of business combinations carried out during the year.

Other net operating income (costs) of 15,102 million euro mainly include the revenues from the core business of the Snam, Italgas, Terna, Fincantieri, Ansaldo Energia and SIA groups. The contribution of the last two groups was 1,095 and 729 million euro respectively. The remainder of the increase is mainly attributable to the higher volume of net revenues reported by the Terna (+240 million euro), Italgas (+243 million euro) and Snam groups (+63 million euro).

The increase in net adjustments to property, plant and equipment and intangible assets is mainly due to the inclusion of the Ansaldo Energia group (115 million euro) and the SIA group (147 million euro) in the scope of line-by-line consolidation.

The CDP Group's effective tax rate for 2020 was 56.0% (31.5% in 2019). This value is high primarily due to the effects of the non-deductibility of the negative amount resulting from the measurement of the companies accounted for using the equity method.

4.2.2.2 Reclassified consolidated balance sheet

Consolidated assets

The asset side of the reclassified consolidated balance sheet at 31 December 2020 is presented below, in comparison with the restated figures as at 31 December 2019:

Reclassified consolidated assets

(millions of euro; %)	31/12/2020	31/12/2019 (*)	Change (+/-)	(%) change
Assets				
Cash and cash equivalents and other treasury investments	220,042	170,934	49,108	28.7%
Loans	113,322	105,664	7,658	7.2%
Debt securities, equity securities and units in collective investment undertakings	88,746	84,719	4,027	4.8%
Equity investments	15,834	18,952	(3,118)	-16.5%
Trading and hedging derivatives	660	499	161	32.3%
Property, plant and equipment and intangible assets	54,673	53,337	1,336	2.5%
Reinsurers' share of technical reserves	2,595	1,002	1,593	n/s
Other assets	16,536	14,402	2,134	14.8%
Total assets	**512,408**	**449,509**	**62,899**	**14.0%**

(*) 2019 figures have been restated as a result of the Purchase Price Allocation on Ansaldo Energia and SIA.

Group assets totalled over 512 billion euro, up by 14% (63 billion euro) compared to the figure recorded at the end of the previous financial year.

The 61 billion euro increase in financial assets represented by cash and cash equivalents, loans and securities is primarily attributable to the performance of the Parent Company's portfolios and the new operations of SACE (Garanzia Italia).

The latter contributed 31 billion euro to the increase in cash and cash equivalents, which include the payment made by the MEF on the current account held by SACE at the Central Treasury (Bank of Italy), dedicated also to the new operations introduced with the Liquidity Decree. Article 1 of the Decree named "Temporary measures to support the liquidity of companies" defines a new form of operation for SACE (Garanzia Italia), through a separate account dedicated to it, which envisages the issue by SACE of guarantees in favour of banks, financial institutions and entities authorised to grant credit in Italy, on loans granted by the latter to companies based in Italy. A guarantee issued by the State on first demand and without recourse has been envisaged against the guarantees issued by SACE. The payment by the State of the 31 billion euro indicated above to SACE was made as part of the operation envisaged by the 2020 regulatory measures in support of the economy, including Garanzia Italia.

The remaining portion of the change is attributable to the increase in the amount held on CDP's management account of the reserve requirement (10 billion euro) and the increase in the amount held on the current account held by CDP at the Central Treasury (4 billion euro).

The changes in financial assets represented by 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 equity investments item, which stood at 15.8 billion euro, decreased by 3.1 billion euro, mainly for the following reasons:

- Eni - the decrease deriving from net income for the year pertaining to the Group (including the effect of consolidation entries), equal to -2,464 million euro, and the change in valuation reserves, equal to -731 million euro. Added to these effects is the impact of the reversal of the dividend and other changes for a total value of -524 million euro;

- Poste Italiane - an increase of 336 million euro (including the effect of consolidation entries) deriving from net income for the year, as well as the effects of the change in valuation reserves, the reversal of the dividend and other changes, totalling 210 million euro;
- Saipem - a decrease deriving from net income for the year pertaining to the Group (including the effect of consolidation entries) equal to -150 million euro, as well as the effects of the change in valuation reserves, the reversal of the dividend and other changes totalling 5 million euro.

Assets held for trading and hedging derivatives increased by 161 million euro compared to the previous year. 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 54.7 billion euro, an increase of 1.3 billion euro over the previous year. This increase mainly reflects the investments made by the Terna, Snam and Italgas groups, offset by the decreases resulting from the respective Purchase Price Allocation processes.

At 31 December 2020, the Reinsurers' share of technical provisions was 2.6 billion euro, compared to the balance of 1 billion euro in the previous year.

The significant change is the result of the effects of Decree Law 23 ("Liquidity Decree") relating to "Urgent measures regarding access to credit and tax obligations for companies, special powers in strategic sectors, as well as health and workplace interventions, and extension of administrative and procedural deadlines", converted into Law 40 of 5 June 2020 ("Conversion Law"), which under Article 2, paragraph 6, establishes that, on the date of issuing the decree, ninety percent of the outstanding commitments undertaken by SACE S.p.A. resulting from insurance business - excluding those for which a report of non-collection has already been received - are reinsured by the State. As a consequence, ninety percent of the assets in which the technical provisions are invested will be transferred from SACE S.p.A. to the Ministry of the Economy and Finance, for a recorded amount equalling 1.5 billion euro, whose value is classified as a liability under Other liabilities.

Other assets increased to 16.5 billion euro (+14.8% on 2019) and mainly include the contribution of Fincantieri (5.1 billion euro), Snam (2.8 billion euro), CDP (3.2 billion euro, of which 2.5 billion euro referring to the fair value change of financial assets in hedged portfolios), Terna (1.6 billion euro), Italgas (1.3 billion euro) and Ansaldo Energia (1.5 billion euro).

Consolidated liabilities

Growth in funding (+8%) and total liabilities (+14%)

The liability side of the reclassified consolidated balance sheet at 31 December 2020 is presented below, in comparison with the restated figures as at 31 December 2019:

Reclassified consolidated liabilities

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Liabilities and equity				
Funding	417,104	385,719	31,385	8.1%
of which:				
- *postal funding*	*274,575*	*265,067*	*9,508*	*3.6%*
- *funding from banks*	*85,096*	*60,082*	*25,014*	*41.6%*
- *funding from customers*	*14,050*	*18,705*	*(4,655)*	*-24.9%*
- *bond funding*	*43,383*	*41,865*	*1,518*	*3.6%*
Liabilities held for trading and hedging derivatives	4,952	3,145	1,807	57.5%
Technical reserves	3,461	2,812	649	23.1%
Other liabilities	46,269	13,592	32,677	n/s
Provisions for contingencies, taxes and staff severance pay	6,923	7,727	(804)	-10.4%
Total equity	33,699	36,514	(2,815)	-7.7%
Total liabilities and equity	**512,408**	**449,509**	**62,899**	**14.0%**

(*) 2019 figures have been restated as a result of the Purchase Price Allocation on Ansaldo Energia and SIA.

The CDP Group's total funding stood at 417 billion euro at 31 December 2020, up by 8.1% on the end of 2019.

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

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Due to central banks	**19,609**	**2,484**	**17,125**	**n/s**
Due to banks	**65,487**	**57,598**	**7,889**	**13.7%**
Current accounts and demand deposits	20	23	(3)	-13.0%
Fixed-term deposits	603	451	152	33.7%
Repurchase agreements	41,936	41,197	739	1.8%
Other loans	19,375	13,665	5,710	41.8%
Other payables	3,553	2,262	1,291	57.1%
Funding from banks	**85,096**	**60,082**	**25,014**	**41.6%**

Performance of funding from banks (+41.6%)

The following components contributed to funding levels:
- the increase in funding from banks, mainly due to higher ECB funding;
- funding from customers, the decrease in which was mainly due to the decrease in the balance held by the Parent Company through OPTES operations;
- bond funding, mainly composed of bonds issued under the EMTN programme, retail bonds and "Stand alone" bonds issued by the Parent Company guaranteed by the Government, and bonds issued by Snam, Terna, Italgas and Ansaldo Energia. The balance of this item, up 3.6% compared with the previous year, reflects the following transactions carried out during the year:
  - new bond issues totalling 3 billion euro carried out by the Parent Company, of which 0.75 billion euro for a Social Housing Bond and 1 billion euro for a Covid-19 Social Response Bond, net of repayments for the period, which include the repayment of one of the bonds entirely subscribed by Poste Italiane for a nominal value of 0.75 billion euro;

- a bond issue carried out by Italgas for a nominal value of 0.5 billion euro, with a five-year maturity and a rate of 0.25%;
- two fixed-rate bond issues in euro launched by Terna in 2020, amounting to a total of 1 billion euro;
- Snam's repurchase of own bonds on the market for an overall nominal value of 0.6 billion euro.

Liabilities held for trading and hedging derivatives totalled 5 billion euro, up by 1.8 billion euro compared with the previous financial year. The change is attributable to the greater negative value of the hedging derivatives subscribed by the Parent Company.

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 2020, the item in question (including the effect of consolidation entries) was around 3.5 billion euro, up by 0.6 billion euro on the previous year.

Other liabilities, which totalled approximately 46.3 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 (6.6 billion euro) and contract work in progress (2.0 billion euro). The increase of 32.7 billion euro is mainly attributable to SACE, due to the fact that the amount payable to the MEF was recorded by SACE as a balancing entry to the amounts credited to it by the MEF at the Central Treasury, as already described in the commentary to the increase in cash and cash equivalents. Other liabilities also include SACE's payable to the Ministry of the Economy and Finance, amounting to 1,545 million euro, which was recorded in compliance with the provisions of art. 2, paragraph 6 of the Liquidity Decree. The latter established that on the date of its issuance ninety percent of the outstanding commitments undertaken by SACE S.p.A. resulting from the insurance business – excluding those for which a report of non-collection has already been received – are reinsured by the State. Of this amount 899 million euro were paid by SACE during the first months of 2021.

Provisions for contingencies, taxes and staff severance pay stood at approximately 6.9 billion euro at 31 December 2020, down 0.8 billion euro mainly as a result of lower provisions for risks and charges of the Parent Company and SACE.

Equity at 31 December 2020 came to about 33.7 billion euro, down by 2.8 billion euro on the previous year, mainly for the portion pertaining to the Group, and reflects:

- the decreases resulting from the distribution of dividends and other comprehensive income;
- the uptrends deriving from the net income for the year and the change in the value of treasury shares held in the Parent Company's portfolio.

(millions of euro; %)	31/12/2020	31/12/2019	Change (+/-)	(%) change
Group's equity	20,437	23,550	(3,113)	-13.2%
Non-controlling interests	13,262	12,964	298	2.3%
Total equity	**33,699**	**36,514**	**(2,815)**	**-7.7%**

(*) 2019 figures have been restated as a result of the Purchase Price Allocation on Ansaldo Energia and SIA.

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	**2,080**	**1**	**2,081**	**141**	**(324)**	**1,898**
Dividends	1,089	472	23		3	26
Gains (losses) on equity investments		(3)	(3)	(1)	(2,113)	(2,117)
Net commission income (expense)	90	6	96	61	(26)	131
Other net revenues (costs)	788	(68)	720	(55)	(178)	487
Gross income	**4,047**	**408**	**2,917**	**146**	**(2,638)**	**425**
Profit (loss) on insurance business				(5)		(5)
Profit (loss) on banking and insurance operations	**4,047**	**408**	**2,917**	**141**	**(2,638)**	**420**
Net recoveries (impairment)	(246)	7	(239)	(30)	(14)	(283)
Administrative expenses	(195)	(88)	(283)	(153)	(9,446)	(9,882)
Other net operating income (costs)	2	11	13	2	15,087	15,102
Operating income	**3,608**	**338**	**2,408**	**(40)**	**2,989**	**5,357**
Net provisions for risks and charges	25	131	156	31	(224)	(37)
Net adjustment to property, plant and equipment and intangible assets	(20)	(65)	(85)	(10)	(2,584)	(2,679)
Other		5	5		(2)	3
Income (loss) for the year before tax	**3,613**	**409**	**2,484**	**(19)**	**179**	**2,644**
Income taxes						(1,481)
Net income for the year						**1,163**

(*) Total of the segments "Support for the economy" and "Companies subject to management and coordination", 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	288,686	1,500	290,186	34,142	9,036	333,364
Equity investments		30	30	22	15,782	15,834
Debt and equity securities and units in collective investment undertakings	83,649	158	83,807	3,914	1,025	88,746
Property, plant and equipment/technical investments	349	1,617	1,966	91	38,259	40,316
Other assets	265	82	347	292	11,084	11,723
Funding	373,806	1,600	375,406	2,558	39,140	417,104
- *of which bonds*	*21,196*	417	*21,613*	*532*	*21,238*	*43,383*

In compliance with the provisions of the Liquidity Decree, the contribution of the SACE group, included in the International expansion column, is shown, differently from the past, in the aggregate dedicated to subsidiaries not subject to management and coordination by CDP.

The financial data 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 segments “Support for the economy” and “Companies subject to management and coordination”. The contribution of the two combined segments, which presents a profit before tax of 2.5 billion euro, is collectively represented by the Parent Company and the Subsidiaries 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 0.2 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	**2,775**	**22,723**	**25,498**
Balance from financial statements of fully consolidated companies	2,293	30,801	**33,094**
Consolidation adjustments:			
Carrying amount of directly consolidated equity investments		(24,899)	**(24,899)**
Differences of purchase price allocation	(308)	7,808	**7,500**
Dividends from fully consolidated companies	(804)	804	
Measurement of equity investments accounted for with the equity method	(2,184)	8,422	**6,238**
Dividends of companies measured with the equity method	(739)	(11,779)	**(12,518)**
Elimination of intercompany transactions	(81)	(259)	**(340)**
Reversal of measurements in the separate financial statements	97	721	**818**
Value adjustments	44	(99)	**(55)**
Deferred tax assets and liabilities	73	(2,204)	**(2,131)**
Other adjustments	(3)	497	**494**
Non-controlling interests	(1,532)	(11,730)	**(13,262)**
Group's financial data	**(369)**	**20,806**	**20,437**

5. Corporate governance

Communications & engagement, media relations and sustainability

Communications & engagement

New group identity, in line with the corporate mission and increasingly digital

In 2020, the process of consolidating the CDP Group's new identity, developed during 2019, continued in line with the positioning objectives set out in the Business Plan. The main projects concerned the expansion and strengthening of all communication channels, using marketing approaches in line with market best practices.

In the difficult situation caused by the Covid emergency that hit the country, the "CDP è con l'Italia" campaign was launched to promote the Group's extraordinary measures for businesses and public administration bodies, to support them in coping with the difficulties arising from the pandemic. The campaign covered all communication channels, especially digital media, reaching a wide range of target audiences.

The strategy of developing digital channels has been strengthened, with the overhauling of the website and the launch of new tools for accessing a range of products, including the introduction of business accelerators and the launch of the National Innovation Fund and the CDP Foundation.

This strategy also included storytelling activities, aimed at promoting the projects implemented, telling the success stories of enterprises and public administration bodies, using tools such as: CDP Live, the new multimedia platform dedicated to informing and educating the Group's stakeholders; the "Italia Comune" project, which promotes the works funded through the display of commemorative plaques and the telling of local stories; and the Annual Review, a new publication designed to provide a closer look at the strategies, activities and results achieved during the year.

The Group's social channels have seen increasing growth in target audiences on all platforms (Facebook, LinkedIn, Instagram, YouTube and Twitter), with a continuous commitment to disseminating and promoting the Group's initiatives and developing dialogue with institutional and private stakeholders.

To mark the end of the celebrations for the 170th anniversary of its foundation, CDP launched an advertising campaign to raise awareness among its target audience. Campaigns dedicated to Bonds and Passbook Savings Accounts were also carried out in the main media outlets, in line with CDP's marketing and positioning objectives as the issuer of these traditional savings products. Finally, advertising on the digital channels throughout the year increased CDP's visibility when new products and initiatives were launched.

An extensive programme of digital events

A significant programme of events, both in-person and on digital platforms, was also carried out following the restrictions resulting from the pandemic. In particular, three new local offices (Turin, Florence and Milan) and five CDP Spaces, the new information points opened in cooperation with the banking foundations (Chieti, Modena, Perugia, Trento and Rovereto) were inaugurated. Presentation events and master classes providing in-depth information on the Group's products were organised, together with a series of local events, using the Spazio Imprese, Officina Italia and Spazio PA formats, to promote listening and dialogue with local businesses and local public administration entities and create opportunities for training on products, initiatives and innovation processes.

Finally, the internal communication system was strengthened to accompany the new daily routine of CDP staff working remotely. The measures adopted during the emergency included providing webinars for employees and their families, new digital tools and education on health and safety measures, and a fundraiser among Group employees in favour of the Protezione Civile, as part of a broader MEF solidarity initiative. The Group's Annual Convention was also completely restyled from a digital perspective, with a live show and an innovative format, which allowed the Group's more than 1,600 people to look back together at 2020 also via remote connection.

Media relations

Ongoing dialogue with all the media, and expansion of target media

Stakeholder engagement activities also involved intensifying dialogue with the media, with a proactive approach to the various activities undertaken, to the extraordinary measures adopted as a result of the pandemic and to the business initiatives, significantly expanding the scope of the media and CDP's recognition as a key player in service of the country.

During the pandemic, the flow of communication was continuously marked by transparency and insight and saw both the consolidation and expansion of the press audience who identified CDP's External Relations department as a useful point of reference for understanding complex issues related to Italy's situation, the measures to tackle the Covid emergency and the extraordinary operations launched by the Group.

This approach was adopted in the presence of a significant expansion of the target media and has helped strengthen awareness among the press of the Group's mission and areas of intervention. The result is also evident in the generous return in terms of press coverage, both at national and local level, but above all in a substantial improvement in quality, clarity and completeness of content and key messages, always focused on illustrating CDP's mission and the 2019-2021 Business Plan.

Sustainability

Sustainable development pillar of the CDP Group's strategy

Two years after the launch of the 2019-2021 Business Plan, sustainable development has become a founding pillar of CDP's strategy. This constantly evolving process involves 7 main areas of action aimed at integrating sustainability into corporate governance, company processes, business activities and corporate culture, in order to ensure a unique positioning for the entire Group, at both national and international level.

The main initiatives underway include (i) integrating environmental, social and governance (ESG) factors into all company processes and internal regulations; (ii) setting qualitative and quantitative objectives and targets, in line with the Sustainability Framework, taking into account the goals of the United Nations 2030 Agenda as well as the structured dialogue on the legitimate expectations of stakeholders ("Materiality Analysis"); (iii) developing and updating Impact Assessment models for funded projects; (iv) monitoring the Group's non-financial performance; (v) promoting a culture of sustainability, both within the Group, by encouraging sustainable and responsible behaviour and providing training courses on sustainability, and externally, by providing support to communities and local areas; (vi) continuous involvement of all the Group's categories of stakeholders, through consultation and engagement, which are key to identifying the most important topics for CDP and developing the materiality matrix; and (vii) providing transparent and increasingly integrated disclosure of information and data on non-financial performance and promoting a distinctive positioning for the Group in the area of sustainability.

The process of integrating ESG factors into company processes includes the publication and adoption of the Sustainability Framework and the Group Procedure on non-financial reporting, which formalises the process of collecting data for the preparation of non-financial reporting documents. In addition, with regard to the International Development Cooperation operations, the Regulation has been published for the management and assessment of environmental and social dimensions in line with the strictest international benchmarks, which was also fundamental for the process of accreditation for the Green Climate Fund. During the year, CDP also published its first Disclosure Statement under the Operating Principles for Impact Management, an initiative promoted by the World Bank Group and involving more than 100 institutions at international level.

With regard to the development and evolution of the sustainability strategy, an internal model has been developed to identify Italy's priorities and the Group's main lines of action, through a statistical analysis of the indicators underlying the 17 sustainable development goals (SDGs) of the 2030 Agenda. The purpose of this tool is to strengthen CDP's ability to define its strategy for promoting sustainable development in line with national and European trends and targets and its mission.

In terms of the Impact Assessment of individual transactions, the ex-ante impact assessment model, "Sustainable Development Assessment - SDA", became fully operational in 2020. This model was integrated into the preliminary review by the Risk Assessment Committee and enabled the assessment of the transactions with private and international cooperation counterparties that were subject to the ordinary funding assessment process. Approximately 85% of the transactions, which included approval by the Board of Directors, were analysed using the SDA scoring model. To improve the efficiency of the ESG assessment process, specific training was provided for all the business units, with over 100 colleagues attending special workshops. Lastly, in the area of ex-post assessment, an Assessment Model has been developed in-house to estimate portfolio impacts on several key variables, such as GDP, additional revenue, employment, GHG emissions, and hazardous waste production.

The monitoring of non-financial performance included the development of an automatic tool for collecting non-financial data, which has enabled the Group to evolve its non-financial reporting process and minimise operational risks by tracking data and information at Group level.

With regard to promoting a culture of sustainability, a training programme on sustainability has been initiated for the entire company population, by providing a compulsory training course and offering specific courses for individual company functions. In addition, as part of the Corporate Social Responsibility initiatives, a number of projects have been launched to raise awareness among employees of the need for a more responsible and sustainable lifestyle. These include the creation of a virtual "marketplace" through which employees can give their used items a second lease of life with a view to an increasingly sustainable and circular approach; the installation of collection stations in the Group's offices for increasingly sustainable waste management; and the launch of a sustainable mobility programme, in collaboration with the Human Resources Department. Also, in addition to the usual flu vaccination, three webinars on the importance of prevention and the adoption of healthy lifestyles, conducted in collaboration with the Umberto Veronesi Foundation, have been added to the "Health and Wellbeing" programme. Lastly, initiatives aimed at supporting communities and local areas included the donation of materials and computer equipment to schools.

In the area of stakeholder engagement, following the Multistakeholder Forum held in 2019, the Group continued the process of consultation and involvement of stakeholders in identifying strategic choices. To this end, the 2019 Materiality Matrix was updated to expand the panel of key stakeholders (not only shareholders, business counterparts, ministries, institutions and partners, but also employees, the financial community, peers, Italian companies, regulators and the media) and to partially revise the material topics to make them more streamlined and more representative of the current and future global situation.

Publication of the CDP Group's first sustainability report

Lastly, the first CDP Group Sustainability Report was published in April, on the basis of the new data collection process set up during 2019 and formalised in the related Group Policies. This report sets out the Group's non-financial performance, the main results achieved in 2019 and the contribution to achieving the sustainable development goals.

In pursuit of its goal of achieving a distinctive positioning, in 2020 CDP confirmed its membership in a number of external initiatives, including, at EU level, the Joint Initiative on Circular Economy (JICE), together with the EIB and the main European national promotional institutions, and, at national level, the *Alleanza per l'Economia Circolare* (Alliance for the Circular Economy), which includes 18 of Italy's leading companies committed to the transition to a circular development model.

As part of the ongoing dialogue with raters and investors, the Group also managed the update of the ESG rating issued by the ISS rating agency by collecting and processing information and data on non-financial performance, which resulted in a substantial increase in the score assigned to CDP.

Institutional relations

Institutional dialogue

In 2020, the institutional relations with: i) national and central institutions (Government, Parliament, the Parliamentary Supervisory Committee on CDP's separate account, independent authorities and other national administrations); ii) local institutions (Regions, Metropolitan Areas, Provinces, Municipalities, and Bank Foundations); and iii) the reference stakeholders (trade associations, institutional investors, foundations, universities, and think tanks) were subject to coordinated management and development.

The institutional activities carried out at national level included meetings between CDP's senior management and the main institutional stakeholders, including Government representatives, the Presidents of the Italian Chamber of Deputies and Senate, parliamentary representatives and the Independent Authority Presidents.

Hearings and parliamentary activities

Support was provided to top management and the business structures during parliamentary hearings and requests for information and memoranda involving CDP representatives, in particular:
- i) Memorandum filed with the Senate Industry Committee on Initiatives to support economic sectors for the Covid-19 emergency;
- ii) Hearing of the Chief Executive Officer, Fabrizio Palermo, at COPASIR on the safeguarding of strategic assets in the context of the Covid-19 emergency;
- iii) Hearing of the Deputy General Manager and Chief Business Officer, Paolo Calcagnini, before the competent parliamentary committees on the role of CDP in the Next Generation EU Project;
- iv) Hearing of the Deputy General Manager and Chief Business Officer, Paolo Calcagnini, before the competent parliamentary committees on the draft MEF decree on the Special-purpose assets fund (Patrimonio Destinato).

The company units were also supported in order to facilitate their dialogue with the related institutional representatives, regarding the projects of interest to the Group (including Arbolia, Piattaforma Cultura, Agritech, progetto Flaminio, Fondo Nazionale Turismo, Scuola Italiana di Ospitalità, and Progetto Targhe).

Support was provided to the business structures involved in the presentation, evaluation and coordination of the projects of the various Ministries and the Investee companies within the Next Generation EU programme, through dialogue with the political and administrative structures of the Italian Prime Minister's Office and the Ministries.

Projects of interest to the group and mous

Support and coordination was provided for the drafting, negotiation and conclusion of memorandums of understanding with central government entities, and in particular:
- i) MOU with the Ministry for the South to support measures for the development of Southern Italy and social cohesion policies;
- ii) MOU with the State Property Agency on initiatives to develop public real estate assets;
- iii) MOU Italia 2030 with Ministry of Economic Development (MISE), Luiss and state-owned companies on the creation of a communications event regarding the main industrial policies for the period 2020-2030;

iv) MOU with Ministry of Education, Universities and Research (MIUR), open to participation by other government entities, on the creation of the Agritech research and venture capital hub;
v) MOU Protocol with the Ministry of Defence (to be signed in 2021), for the launch of a partnership aimed at the enhancement and energy upgrading of military facilities, the possible acquisition of military buildings, the increase in the amount of renewable energy plants in areas used by the Ministry of Defence, and the implementation of the programme for the decommissioning of military facilities.

The institutional dialogue and the related strategies were also implemented as regards the Group's energy transition-related projects (waste-to-fuel, sea energy, and renewables), which involved other Group companies, particularly concerning the dialogue with the independent Regulatory Authorities and the competent Ministries.

Monitoring of regulations affecting the Group

Legislative and institutional initiatives (bills, parliamentary questioning, investigative surveys, round tables, and promotional initiatives) of interest to CDP and the Group companies were also systematically monitored, with over 400 reports in their areas of interest.

With regard to the work of the Parliamentary Supervisory Committee on CDP's separate account, support was provided for the organisation of meetings, by preparing the meeting documentation.

Parliamentary Supervisory Committee

During 2020, the Commission also decided to conduct a series of fact-finding investigations, for which hearings were held of representatives of CDP and other stakeholders with regard to:
- Measures taken by CDP in the context of the Covid-19 emergency
- CDP's role in supporting enterprises
- CDP's role in Italy's infrastructure development
- CDP's role in supporting local finance
- The performance of postal savings

In 2020, CDP Venture Capital SGR – Fondo Nazionale Innovazione began operations and the 2020-2022 Business Plan "From Italy to innovate Italy" was approved. With the support of the Institutional Relations unit, the corporate bodies of the asset management company were provided the structuring and implementation of a strategic plan for the institutional communication and accreditation of the new entity with the main stakeholders.

Operation of CDP Venture Capital SGR – Fondo Nazionale Innovazione

In coordination with the International Affairs and International Business Support structures, support was also provided for contacts with the Ministry of Foreign Affairs and International Cooperation for initiatives relating to the "Pact for Export".

As part of the celebrations for the 170th anniversary of CDP's founding, support was provided for the organisation of the Papal Audience on 5 October 2020, as well as the organisation of various events to present CDP's financial instruments and initiatives. With regard to the institutional activities carried out at local level, meetings for the presentation of the 2019-2021 Business Plan were organised between CDP's top management and the main Local Entity stakeholders, which led to the subsequent signing of memorandums of understanding with several Italian Municipalities, Provinces and Regions (Bergamo and Bologna; Province of Trento; Marche, Molise, Umbria and Abruzzo).

Relations with local areas

Support for the local areas was provided, in collaboration with the other company functions involved, to develop projects of common interest and work together with Italy's main institutional players. The pursuit of these objectives involved the ongoing management and verification of the institutional performance of the approximately 40 city plans and memorandums of understanding signed during the year, including a framework MOU with UPI for the provision of advisory services on school and road building. In particular, support was provided for the promotion and marketing activities for all local events and various projects such as: Italia Comune, Arbolia and GreenIT.

Finally, support was also provided for the dialogue between the company units and the related institutional representatives and the local authorities with regard to projects of significant interest to the CDP Group (e.g. the opening of local offices, real estate renovation and redevelopment projects, and a significant amount of social and student housing projects).

CDP and banking foundations serving local areas

The activities carried out in relation to the banking foundations included participation in the meetings of the Support Committee. By virtue of the collaboration agreement signed with ACRI (Associazione di Fondazioni e di Casse di Risparmio), five local collaboration agreements were signed in 2019 for the opening of CDP Spaces at the premises of: Fondazione CARITRO, Fondazione Cassa di Risparmio di Perugia, Fondazione CARIPARMA, Fondazione di Modena, Fondazione Cassa dei Risparmi di Forlì, and Fondazione Banco di Napoli a Chieti.

Stakeholder monitoring for greater involvement in CDP activities

In collaboration with the other company functions involved, support was provided in the drafting and signing of memorandums of understanding with important stakeholders such as Unioncamere, Confindustria, Assarmatori/Confitarma, Confetra and Confcommercio, for the development of projects of common interest. Dialogue was also initiated with the major association stakeholders regarding agreements that will come into force in 2021 (agreement with Confindustria Energia), in addition to the promotion of the Group's instruments for the production sectors and venture capital (Confcommercio, Confetra, Confitarma/Assoarmatori, Associazioni Turismo, Confagricoltura, Coldiretti, ABI, ADEPP, Assodire, Assopopolari, AIFI, VCHUB, and ItaliaFintech).

The maintenance of relations with institutional investors consisted of the continued management of institutional relations with Assofondipensione, to assist the relevant departments of CDP in implementing the "Real Economy" investment platform project, an initiative dedicated to second-pillar investors, with a portfolio focus on domestic companies. Relations were also managed with the majority of the private pension schemes, to support fundraising on the Group's investment instruments.

In line with the themes of the 2019-2021 Business Plan, such as social housing and energy sustainability, support was provided to the company functions of the business area for the Bonus Edilizi project, involving Ance, Abi and the Italian Federation for Social Housing and Social Construction (Federcasa).

The institutional aspects of the collaboration with the Fondazione per le Olimpiadi Milano-Cortina 2026 were also supported in terms of synergies to support infrastructure, finance, innovation and sponsorship.

As part of the measures to support the Covid-19 crisis, support was provided for the approval of the Extraordinary Plan for the Health Care System and the Civil Defence Department and for the implementation of the first two donation initiatives: surgical masks to the Carabinieri, to protect soldiers engaged in control activities throughout the country; and contribution to the transport costs of the China-Italy humanitarian airlift in collaboration with the Italian Embassy in Beijing and the China-Italy Philanthropy Forum, for the importing of medical supplies and personal protective equipment.

Finally, in collaboration with the other company functions involved, support was provided in setting up the CDP Foundation.

Human Resource Management

Continued investment in new hires aimed at recruiting new skills to support the growing operations of the business functions

In 2020, the Covid-19 emergency modified and accelerated the dynamics already in place within CDP, providing a significant input in developing a new way of working, primarily through the use of remote working, in accordance with the applicable national legislation, with potential for extension to all company employees. The actions needed to develop this type of innovation were effectively calibrated by identifying which tasks could be performed remotely and by equipping staff with the necessary IT and software resources to work efficiently at home. Safety protocols were also drawn up and agreed with the trade union and worker safety representatives on the measures to combat and contain Covid-19 in the CDP Group.

During the year, the alignment of skills in support of the strategic guidelines of the Business Plan continued through significant investment in new hires, in particular to support the growth of the new business lines. Around 3,500 one-to-one interviews were conducted, enabling the recruitment of skills not already present in CDP (e.g. engineers, industrial planners), consequently improving the balance of business skills.

In 2020, around 200 resources were managed in CDP via Hiring, Internships and Secondment. To further cultivate existing professional skills and increase job rotation both internally and within the Group, in 2020 over 100 mobility initiatives were organised and managed to encourage the sharing of skills and experience, enabling the colleagues involved to develop their professional profile and disseminate values, culture and managerial styles. The onboarding process was also virtualised and digitised, to speed up the integration of new resources into CDP.

Despite the period of social distancing, CDP's employer branding activities included participation in over 10 national events consisting of career fairs, testimonials and student orientation initiatives, in collaboration with Italy's leading universities, in order to boost the CDP Group's visibility in the country in accordance with the Business Plan's strategic guidelines.

With regard to training and development, 2020 was characterised by a "distance" version of the training strategy. In particular, the initiatives to accompany people in the new remote working mode included: (i) initiatives to support the development of mindset and digital skills; (ii) group coaching to support management; and (iii) people engagement initiatives.

"Advanced Training" projects were also initiated, including the launch of the CDP Academy, with the involvement of the main investee companies, and the launch of (i) the first CDP Corporate MBA, (ii) the Finance & Markets program and (iii) the Advanced Corporate Finance and Venture Capital Program.

The strengthening of vertical role-based and cross-cutting training programs continued. Specifically, in the area of vertical training, CDP launched new programs on its core skills in partnership with high-level national and international training organisations. The initiatives that contributed to the strengthening of cross-cutting training included the "CDP Graduate Program" and the "JUMP Induction Program" for new employees. Many of the cross-cutting initiatives were designed with the involvement of all the other Group companies with the aim of strengthening a unified culture by standardising the systems and practices adopted.

In response to the emergency, in 2020 CDP launched some initiatives to support the well-being of its employees and their families in better managing their new way of life and the new ways of working.

The first employee app, noi.cdp, an innovative tool designed to provide easy access to personal services directly from smartphones, was launched from the very first days of remote working. The various welfare initiatives introduced included a remote listening and psychological support service for Group employees, aimed at bolstering people's confidence, motivation and peace of mind. An internal medical service was also set up to offer daily medical assistance and first aid services, in addition to launching a vaccination campaign.

New wellness initiatives were set up, including: (i) webinars with medical experts to raise awareness of the importance of prevention, nutrition and healthy eating, and habits to adopt for a healthy lifestyle; (ii) free specialist medical examinations; and (iii) sustainable mobility solutions.

CDP also focused its attention on families through (i) a digital orientation and training programme aimed at helping employees' children choose a university course, increasing children's and young people's digital skills through digital workshops, and helping parents and children cope with their new daily lives; (ii) summer schools aimed at learning more about the most important subject areas; and (iii) the first digital event for employees' children aged between 3 and 13, which involved games and age-appropriate workshops in virtual rooms.

Industrial relations

The Covid-19 emergency not only affected living and working conditions, but also the way business activities were conducted, including those in the Credit sector.

In view of the continuity of banking and financial services required by the various government measures adopted and CDP's strategic role for Italy, an ongoing analysis was conducted from the outset of the emergency — in collaboration with the Italian Banking Association (ABI) and sector trade unions — which led to the agreement of specific, independent protocols at national level and fostered effective dialogue at company and Group level, also going beyond the results of the dialogue formalised in specific agreements.

In line with the provisions of the sector and national agreements, CDP signed protocols, in agreement with the company trade union representatives, on measures to combat and contain the spread of Covid-19, which apply to the entire CDP Group.

Within the Company, climate of collaboration and sharing of company policies

Within the company, the epidemiological emergency strengthened trade union relations, fostering a climate of constructive cooperation and sharing of company policies and consolidating the positive relations with the Trade Union Representatives of the company and the region.

With regard to the main negotiations and agreements concluded, 2020 saw:
- the establishment of the agreement for the payment of the 2019 company bonus (confirming the possibility, for employees who meet the income requirements established in Law 208/2015, to convert their company bonus into flexible benefits);
- the drafting of the memorandum of agreement pursuant to Article 17 of the National Collective Bargaining Agreement on the project for the CDP Group's new logistics hubs in Rome (Via Alessandria and Via Benedetto Croce);
- the signing, and subsequent extensions, of the agreement on the protocols for the measures to combat and contain the spread of Covid-19 in the CDP Group;
- the signing of periodic agreements on video surveillance;
- the submission of the periodic reports pursuant to Article 12 of the National Collective Bargaining Agreement through which the Company provides the trade unions with an update on the relevant company information;
- the extension of the Solidarity Fund for professional retraining and redeployment, to support employment and income for banking personnel (the "Fund").

Within the Group, during the year the competent corporate function was involved in providing important support to companies subject to management and coordination in the definition of certain company agreements and in liaising with national and territorial trade union bodies.

Assessment of remuneration of Directors with specific responsibilities

The policy adopted in accordance with regulatory requirements[32] for the remuneration of the Chairman of the Board of Directors and of the Chief Executive Officer remained unchanged in 2020.

32 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*").

No changes in remuneration policies for the Chairman of the Board of Directors and the CEO

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[33]

(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.

IT Systems and Internal Projects

2020 featured particularly significant challenges for CDP's Information Technology, which is already involved in supporting the implementation of the initiatives of the 2019-21 Business Plan and, at the same time, at the front line of developing technological tools capable of enabling resilient responses to the emergency situation.

Investments in technological upgrades and digitalisation, already underway for some time, made it possible to manage business operations effectively and without disruption since the first days of the Covid-19 health emergency, allowing all the structures to work entirely from home. In particular, new digital and collaboration tools have been designed, contributing to creating a new «Digital Work Experience» capable of enabling smart, remote and "always connected" working approaches.

33 In compliance with article 84 ter of Italian Decree Law no. 69 of 21 June 2013, the total annual remuneration payable to Mr Fabrizio Palermo in his capacity as Chief Executive Officer and General Manager is 823,125.00 euro.

Technological tools to enable resilient responses to the emergency situation

In terms of business products, ICT has been actively involved in creating digital tools to support the "Cura Italia" Decree, the Liquidity Advance for Public Bodies in 2020 and, in 2021, the development of systems to support the new Ecobonus product and the launch of operations of Patrimonio Rilancio.

With specific reference to the initiatives aiming to improve CDP's customer experience, new portals were developed for corporate and public administration customers, which are more usable and easier to use as they integrate information and order functions, notification systems and the possibility of operating in self-service mode.

A group Customer Relationship Management system was also implemented to support the CDP group's commercial, marketing, relationship and institutional activities with a dedicated IT platform.

In the area of corporate data management, where the best market technologies in the field of Big Data & Analytics are already operational, the integration of information assets (also at Group level) was completed by creating a single access point with quality data, ensuring greater usability and with advanced analysis tools making it possible to significantly enhance management reporting.

With regard to the Platforms dedicated to CDP's core business, the first release, dedicated to Corporate financing, of the new system for managing CDP loans to replace the current systems based on obsolete technologies was recently made. This also includes the creation of new systems to support Finance operations, whose scope was significantly increased; re-engineering the platform to manage the chain of payments, with the aim of bringing CDP into line with the Eurosystem's Vision 2020; and developing a single system to manage group accounting. In this context, the technological solution supporting the new Obiettivo 65 Postal Bond was also implemented and the creation of an integrated group accounting system is at an advanced stage.

Technological solutions were also developed to digitalise business processes, integrated with remote signature tools, for a complete digital management of priority processes, generating efficiency in lead times and reducing the environmental impact.

With regard to Cyber Security, numerous actions were introduced to strengthen the Cyber Security structures, with a significant increase in performance in terms of prevention and management of security events. As regards Real Time Security Monitoring & incident handling in particular, a 24x7 Security Operation Center (SOC) was created. Regarding Active Defense, Vulnerability Assessments were carried out and the related remediation plans were adopted. In addition, platforms were adopted to reinforce network, end point and access security, and in the area of Cyber Threat Intelligence, intelligence and accreditation services were activated at external sources.

Finally, a new strategy is being defined to enhance the Datacenter services towards increasingly agile, resilient and best in class solutions, as well as the progressive evolution towards creating a group ICT.

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 controls, rules, procedures, and organisational structures designed to identify, measure or assess, monitor, prevent or mitigate, and — where necessary — communicate to all appropriate levels, the risks assumed or that may be assumed in the various segments, as well as to ensure compliance with applicable regulations, in accordance with corporate strategies and the achievement of targets set by company management.

In particular, the internal control system has been implemented consistently with the establishment of three levels of control.

Internal control system consistent with the establishment of three levels of control

First level controls (line controls) are conducted by operational and administrative structures. 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 the governance, risk management and control processes of CDP and the Group Companies subject to management and coordination, by means of professional and systematic supervision.

The division of the internal control system into the three levels mentioned above is based on sector regulations and applicable best practices, including the recommendations of the main international organisation for the internal auditing profession (Institute of Internal Auditors). With regard to the latter, in July 2020 the Institute of Internal Auditors (IIA) published an update of the "The IIA's Three Lines Model - An update of the Three Lines of Defense" aimed at strengthening the principles underlying the three lines of defence of the internal control system and the coordination and collaboration between the functions that oversee the three levels in order to ensure effective governance and risk management.

Internal Audit: a permanent, independent and objective function

Internal Audit and second-level control functions cooperate to share the different perspectives on risks and controls in order to provide the Corporate Bodies with a single representation of the overall level of risk, coordinate annual activity plans and exchange information on critical issues, inefficiencies, weaknesses or irregularities identified in their respective control activities. Cooperation between these functions is intended to develop synergies and avoid overlaps, while ensuring adequate coverage of control objectives.

Internal Audit, which belongs to the Chief Audit Officer structure, reports hierarchically to the Board of Directors (through its Chairman), which, as a strategic supervisory body, gives the authority to the structure, while guaranteeing its independence. Furthermore, the necessary link between Internal Audit, the body responsible for the management function and management is guaranteed.

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, and assesses the proper functioning of the processes, the safeguard of assets, the reliability and integrity of the accounting and operational information, as well as compliance with internal and external regulations and management guidelines.

For the execution of its activities, each year the Internal Audit function prepares an audit plan and submits it to the Board of Directors for approval. The audit plan is consistent with the applicable regulations, the risks associated with the activities carried out to achieve the company's objectives and incorporates the indications expressed by Top Management or Corporate Bodies. The plan specifies the activities to be carried out and the objectives to be pursued.

Issues identified during each audit engagement are immediately reported to the relevant operational units so they can implement corrective actions. The Internal Audit function notifies

Management, the Board of Directors Risk Committee, the Board of Statutory Auditors, the Supervisory Body, the Chairman and Chief Executive Officer of improvements that can be made to the risk management policies, the instruments used to measure risk, and the various company procedures.

On a quarterly basis, the Internal Audit function reports to the Board of Directors, the Board of Statutory Auditors and the Board of Directors Risk Committee on the work carried out, the main issues identified and the progress made on the corrective actions taken for CDP and the Group subsidiaries subject to management and coordination. On an annual basis, the Internal Audit function also presents its assessment of the overall internal control system.

The control activities 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.

The Internal Audit function also provides support to the work of the Supervisory Body, envisaged by Article 6, paragraph 1, lett. b), of Legislative Decree 231/2001.

The Internal Audit function can also provide advisory services to other corporate functions in order to create added value and improve the risk management and performance of the organisation, without assuming management responsibilities so as to avoid any situation that could potentially influence its independence and objectivity.

Financial and operational risk management systems

In 2020, CDP continued the process of strengthening and updating the risk management methods and systems.

Management of credit risk, rating and scoring

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 that would arise from the defaults of borrowers 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[34]) 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 in-house or by specialised external providers. Specifically, CDP uses rating models for the following asset classes:
- public entities (shadow rating quantitative model);
- banks (shadow rating quantitative model);
- small and medium enterprises (internal quantitative model based on historical default data);
- large enterprises (shadow rating quantitative model);
- project finance (qualitative/quantitative scorecards calibrated on a shadow rating basis).

These models act as a benchmark for 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 developed internal scoring models for specific asset classes, that allow an ordering in terms of relative creditworthiness, by using specific indicators drawn from their financial statements. Furthermore, the E-Rating Workflow (PER - Pratica Elettronica di Rating) system allows to retrace and audit the process in the assignment of a certain value for

34 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.

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, through an early warning engine, potential credit issues on the basis of which an exposure can be assigned to a Watch List class for a stricter monitoring and management of the relationship. Furthermore, some additional features have been developed regarding automatic proposals advanced 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 internal ratings and may lead to an escalation process to the Chief Risk Officer and/or the Internal risk committee, to require that the proposal is submitted also to the Board of Directors to obtain a specific exemption or, in some cases, to the inadmissibility of the transaction. An 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 compute the expected loss, follows a standardised procedure, also tracked in the IT systems. The Loss Given Default is assigned on the basis of an internal evaluation which takes into account the probable recovery time, the characteristics of the counterparty, the nature of the transaction and the relevant guarantees/security package.

Management of operational, liquidity and interest rate risk

Interest rate and inflation risk are measured using the AlgoOne suite by Algorithmics (now part of SS&C Technologies), mainly adopted to analyse the possible changes in financial statement items as a result of 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, the Risk Management Function regularly analyses the volume of liquid assets compared with the volume of demand liabilities and liabilities exposed to the risk of early repayment, verifying compliance with the limits established under the Risk Policy. 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 Function uses the front office application, Murex. This system allows for the specific monitoring and the mark-to-market evaluation of positions (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.

With reference to operational risks CDP has developed a proprietary application (LDC) for the collection of internal data relating to both operational losses already occurred and recorded in the income statement, as well as operational risk events that did not generate an actual loss (near miss events). This application enables the centralised and 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 (Database Italiano Perdite Operative).

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 customisable system of automated messages and alerts.

Moreover, the application "OpRA" was also developed to perform Risk Self-Assessment and follow-ups on the mitigation actions implemented to address the operational risks identified.

In the area of money-laundering risk management, CDP has updated its Group policies and internal procedures in implementation of the Bank of Italy regulations issued during the year. Specifically, to suitably address the increased complexity resulting from the changes in the reference landscape, also considering the greater risks connected to the current pandemic, several project activities have been carried out or in any case launched to strengthen the IT systems supporting the due diligence and monitoring processes, in order to enable the simplification of processes, the sharing of information at Group level, the automation of controls and the traceability of the assessments made, whilst ensuring sufficient levels of effectiveness and efficiency.

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

CDP's 231 model: dynamic, specific and applied

CDP, in January 2006, has adopted an Organisation, Management and Control Model (hereinafter also "231 Model") 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. This document is the result of the assessment of the corporate structure and operations of CDP, with the primary purpose of providing the Company with a Model that constitutes a protection from administrative liability in case predicate offences are committed by senior managers, employees or individuals acting on behalf of CDP and in its name.

The document consists of:
- 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 (referred to also below in short as "SB"); *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 (ii) indicates the safeguards and principles of the Internal Control System aimed at preventing the commission of offences.

Supervisory functions of the Board of Statutory Auditors

The Board of Directors, in the meeting held on 25 June 2020, approved the new version of the 231 Model in order to include:
- the organisational and process changes that the Company has gone through since the last review of the Model in 2019;
- the update of the regulatory framework on the administrative liability of entities;
- the suggestions for improving the Internal Control System made in the previous 231 Action Plan.

In the second half of 2020, a new project for revision of the 231 Model was also launched with the aim of analysing the additional regulatory changes introduced in relation to Legislative Decree 231/01 by Legislative Decree 75 of 14 July 2020 concerning the "Implementation of Directive (EU) 2017/1371 on the fight against fraud to the Union's financial interests by means of criminal law ", in order to verify the possible impacts of these regulatory changes and carry out an appropriate new update of the Model.

In compliance with the provisions of Article 6, paragraph 4-bis, the functions of the Supervisory Body (SB) have been assigned to the Board of Statutory Auditors, a collegiate body composed of five standing members, and two alternates, appointed by the Shareholders' Meeting. The Chairman of the Board of Statutory Auditors acts as 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 and with updating its content and assisting the competent corporate bodies in correctly and effectively implementing the Model. 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" structure, which reports to the Chief Audit Officer.

The "Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01" of CDP and the "Code of Ethics of Cassa Depositi e Prestiti S.p.A. and the companies subject to its management and coordination" are available for consultation on the company intranet, in the "Rules and Functioning" section, under Corporate Rules and Procedures.

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[35], accurate[36], dependable[37] 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[38], 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;

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

- 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.

At Group level, a Policy is in force 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.

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 = potential risk index resulting from the combination of the risk weight and frequency;
OA = overall assessment of 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.

Since the Internal Control System defined by Cassa Depositi e Prestiti to comply with L. 262/05 also places particular attention on managing information systems used to support the administrative-accounting processes, the Parent Company CDP maps and tests the IT General Controls by preparing a matrix of the ITGC controls based on the **COBIT 5** framework. The control system envisaged by the matrix considers three levels of check: Entity, Application and Infrastructure.

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 2020 financial statements of CDP are audited by the Independent Auditors Deloitte & Touche S.p.A., 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.

Pursuant to the resolution of the Shareholders' Meeting dated 19 March 2019, the independent auditing firm Deloitte & Touche S.p.A. was entrusted the auditing mandate for the 2020-2028 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 is 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 May 2020.

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, 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/her 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/her 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[39] and assistance by taking part in the meeting of the Board when invited.

Always upon request, he/she 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.

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 kept by the Compliance function and the Keeper of the Register is the Head of the Compliance function, who may engage one or more substitutes.

39 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.

Code of Ethics

The Code of Ethics of CDP establishes a set of values accepted and shared throughout the entire organisation that explain how CDP conducts its business.

The principles and provisions enshrined in the Code provide a cornerstone for all activities undertaken in pursuit of the company's mission. 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 **6 Statutory/Board Committees**, or provided for by the Articles of Association, composed of one or more board directors.

The company's organisational structure also consists of **5 Managerial Committees of CDP and 5 Managerial Committees of 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 11 meetings in 2020.

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 the 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 23 meetings in 2020.

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 2020.

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 did not hold any meetings in 2020.

Remuneration Committee

Guarantee of appropriate and effective mechanisms of coordination and governance at CDP Group level

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 3 meetings in 2020.

Nomination Committee

The Nomination Committee is a board committee assigned the task of supporting the Board in the process of appointing members of the board of directors and the board of statutory auditors of companies in which CDP has a direct or indirect interest.

Composition and responsibilities

The Nomination Committee is composed of the Chairman of the Board of Directors, the Chief Executive Officer and the Director General of the Treasury.

The Nomination Committee verifies the need for re-election of the members of the corporate bodies, as well as compliance with the principles and criteria of the process for their recruitment and selection, providing opinions on the nomination proposals made by the Chief Executive Officer.

The Committee held 14 meetings in 2020.

2. Managerial Committees of CDP and the Group

The Managerial Committees of CDP and the Managerial Committees of the Group are collective consulting bodies composed of the management of Cassa Depositi e Prestiti S.p.A. and, where applicable, of managerial staff of the CDP Group companies subject to management and coordination.

There are 10 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 and financing).

6. 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.

In 2020, the Decree of the Ministry of the Economy and Finance dated 5 March 2020, which amended paragraph 2 of art. 6 of the Decree of the Ministry of the Economy and Finance dated 5 December 2003, established that, for 2020, interest would be paid to CDP on the amount held on current account no. 29814, at a rate equivalent to the lower of the cost of postal savings incurred by CDP and the average cost of the stock (balance) of national government securities.

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 abovementioned 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 most recently renewed on 14 December 2020 until 31 December 2024, 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 abovementioned 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 2.3 million euro in 2020 for the performance of these services.

On 12 April 2013, an addendum to the above second 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.

On 28 May 2020, CDP and the MEF signed the agreement provided for in Article 115, paragraph 2, of Decree Law no. 34 of 19 May 2020 and, on 10 September 2020, signed the related addendum pursuant to Article 55, paragraph 3, of Decree Law no. 104 of 14 August 2020, governing the management of the "*Fund to ensure the liquidity needed to pay certain, liquid and collectable debts*", set up to tackle the Covid-19 emergency with a total provision of state resources of 12 billion euro for 2020, to be used to grant cash advances to local entities, with a maximum duration of 30 years, specifically for the payment of the entities' debts outstanding at 31 December 2019.

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, paragraph 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, and later extended until 1 January 2021, 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 2,872 million euro at 31 December 2020, compared with 3,482 million euro at the end of 2019.

The assets managed on behalf of the MEF also include:
- 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 5,525 million euro at 31 December 2020, compared with 5,715 million euro at the end of 2019;
- the cash advances granted to local entities under the "Section to ensure the liquidity needed to pay certain, liquid and collectable debts of local authorities and regions and autonomous provinces, for debts other than financial and healthcare debts" of the "Fund to ensure the liquidity needed to pay certain, liquid and collectable debts", which was set up pursuant to Article 115, paragraph 1, of Decree Law no. 34 of 19 May 2020, converted with amendments by Law no. 77 of 17 July 2020 ("Decree Law 34/2020"), the residual debt of which came to 2,089 million euro at 31 December 2020.

The liabilities include the management of the Postal Savings Bonds transferred to the MEF following the transformation of CDP into a joint-stock company (S.p.A.), which at 31 December 2020 totalled 57,833 million euro, compared with 61,615 million euro at 31 December 2019.

In accordance with the abovementioned 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 available funds amounting to 2,637 million euro at 31 December 2020 on the dedicated current accounts; and the territorial agreements and area contracts, which had available funds amounting to 393 million euro.

7. 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 separate document "2020 Integrated Report", approved by the Board of Directors and published together with this annual report.

2

2020 Separate financial statements

Form and content of the Separate financial statements at 31 December 2020

The separate financial statements at 31 December 2020 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
- Part M - Disclosure of leases

The following are also included:
- Annexes
- Report of the Board of Statutory Auditors
- Independent Auditor's Report
- Certification pursuant to Art. 154-*bis* of Legislative decree no. 58/98

In the section "Annexes", we added paragraph 1.1 "Accounting separation statements" (Annex 1.1) and paragraph 1.2 "Disclosure pursuant to Law 124 of 4 August 2017, Art. 1, paragraphs 125-129" (Annex 1.2).

Contents of Separate financial statements

Separate financial statements at 31 December 2020

BALANCE SHEET

Assets (euro)		31/12/2020	31/12/2019
10.	Cash and cash equivalents	1,319	2,945
20.	Financial assets measured at fair value through profit or loss:	3,374,567,520	2,877,621,143
	a) financial assets held for trading	238,759,810	132,354,188
	c) other financial assets mandatorily measured at fair value	3,135,807,710	2,745,266,955
30.	Financial assets measured at fair value through other comprehensive income	13,064,270,807	12,132,370,946
40.	Financial assets measured at amortised cost:	357,881,982,696	337,105,174,693
	a) loans to banks	39,226,451,312	27,030,998,423
	b) loans to customers	318,655,531,384	310,074,176,270
50.	Hedging derivatives	444,687,053	381,346,407
60.	Fair value change of financial assets in hedged portfolios (+/-)	2,531,833,125	1,467,342,668
70.	Equity investments	31,892,214,338	30,708,619,338
80.	Property, plant and equipment	373,384,458	352,570,349
90.	Intangible assets	42,583,786	30,778,670
	- *of which: goodwill*		
100.	Tax assets:	461,763,488	470,532,581
	a) current tax assets	23,944,203	78,805,161
	b) deferred tax assets	437,819,285	391,727,420
120.	Other assets	278,875,476	325,097,376
	Total assets	**410,346,164,066**	**385,851,457,116**

Liabilities and equity (euro)		31/12/2020	31/12/2019
10.	Financial liabilities measured at amortised cost:	378,819,556,956	356,166,295,137
	a) due to banks	45,259,543,320	30,219,811,671
	b) due to customers	312,007,319,904	305,895,813,522
	c) securities issued	21,552,693,732	20,050,669,944
20.	Financial liabilities held for trading	209,820,434	128,929,516
30.	Financial liabilities designated at fair value		
40.	Hedging derivatives	4,320,965,184	2,682,554,691
50.	Adjustment of financial liabilities in hedged portfolios (+/-)	10,352,100	18,698,844
60.	Tax liabilities:	208,176,217	285,024,331
	a) current tax liabilities	19,823,143	105,092,507
	b) deferred tax liabilities	188,353,074	179,931,824
80.	Other liabilities	803,194,183	789,434,298
90.	Staff severance pay	1,017,134	962,548
100.	Provisions for risks and charges:	475,625,125	828,826,174
	a) guarantees issued and commitments	328,619,764	219,382,082
	c) other provisions	147,005,361	609,444,092
110.	Valuation reserves	653,173,211	902,073,725
140.	Reserves	15,962,320,645	15,371,824,233
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 (-)	(322,220,116)	(489,110,970)
180.	Net income (loss) for the year (+/-)	2,774,522,485	2,736,284,081
	Total liabilities and equity	**410,346,164,066**	**385,851,457,116**

INCOME STATEMENT

Items (euro)		2020	2019
10.	Interest income and similar income	7,719,754,617	6,988,054,591
	- *of which: interest income calculated using the effective interest rate method*	*7,994,809,421*	*7,242,285,057*
20.	Interest expense and similar expense	(4,565,186,464)	(4,462,007,713)
30.	**Net interest income**	**3,154,568,153**	**2,526,046,878**
40.	Commission income	409,655,062	391,782,321
50.	Commission expense	(1,408,788,670)	(1,483,724,319)
60.	**Net commission income (expense)**	**(999,133,608)**	**(1,091,941,998)**
70.	Dividends and similar revenues	1,089,038,325	1,423,995,543
80.	Profits (losses) on trading activities	(21,084,673)	(22,386,973)
90.	Fair value adjustments in hedge accounting	23,920,623	(31,274,015)
100.	Gains (losses) on disposal or repurchase of:	873,666,735	743,604,178
	a) financial assets measured at amortised cost	736,876,810	632,736,830
	b) financial assets measured at fair value through other comprehensive income	136,789,925	110,867,348
	c) financial liabilities		
110.	Profits (losses) on financial assets and liabilities measured at fair value through profit or loss:	(100,426,355)	(7,804,414)
	a) financial assets and liabilities designated at fair value		23,869
	b) other financial assets mandatorily measured at fair value	(100,426,355)	(7,828,283)
120.	**Gross income**	**4,020,549,200**	**3,540,239,199**
130.	Net adjustments/recoveries for credit risk relating to:	(151,277,092)	76,749,381
	a) financial assets measured at amortised cost	(151,001,121)	80,839,149
	b) financial assets at fair value through other comprehensive income	(275,971)	(4,089,768)
140.	Gains/losses from changes in contracts without derecognition	(15,223)	(496,967)
150.	**Financial income (expense), net**	**3,869,256,885**	**3,616,491,613**
160.	Administrative expenses:	(190,416,437)	(177,078,353)
	a) staff costs	(123,068,383)	(110,968,473)
	b) other administrative expenses	(67,348,054)	(66,109,880)
170.	Net accruals to the provisions for risks and charges:	(66,911,478)	(60,517,547)
	a) guarantees issued and commitments	(92,017,421)	(10,304,725)
	b) other net accruals	25,105,943	(50,212,822)
180.	Net adjustments to/recoveries on property, plant and equipment	(13,144,005)	(9,057,661)
190.	Net adjustments to/recoveries on intangible assets	(8,900,816)	(5,678,147)
200.	Other operating income (costs)	7,704,767	13,329,498
210.	**Operating costs**	**(271,667,969)**	**(239,002,210)**
220.	Gains (losses) on equity investments		61,346,965
250.	Gains (losses) on disposal of investments	(48,432)	(43,487)
260.	**Income (loss) before tax from continuing operations**	**3,597,540,484**	**3,438,792,881**
270.	Income tax for the year on continuing operations	(823,017,999)	(702,508,800)
280.	**Income (loss) after tax on continuing operations**	**2,774,522,485**	**2,736,284,081**
300.	**Net income (loss) for the year**	**2,774,522,485**	**2,736,284,081**

STATEMENT OF COMPREHENSIVE INCOME

	Items (euro)	2020	2019
10.	**Net income (loss) for the year**	**2,774,522,485**	**2,736,284,081**
	Other comprehensive income net of tax not transferred to income statement	**(241,923,764)**	**61,837,532**
20.	Equity securities designated at fair value through other comprehensive income	(241,923,764)	61,837,532
	Other comprehensive income net of taxes transferred to income statement	**(6,976,750)**	**300,381,496**
120.	Cash flow hedges	(67,229,211)	(8,951,269)
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	60,252,461	309,332,765
170.	**Total other comprehensive income net of tax**	**(248,900,514)**	**362,219,028**
180.	**Comprehensive income (items 10 + 170)**	**2,525,621,971**	**3,098,503,109**

STATEMENT OF CHANGES IN EQUITY: CURRENT FINANCIAL YEAR

(euro)	Balance at 31/12/2019	Changes in opening balance	Balance at 01/01/2020	Allocation of net income for previous year: Reserves	Allocation of net income for previous year: 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	15,371,824,233		15,371,824,233	583,353,060	
b) other					
Valuation reserves:					
a) financial assets measured at fair value through other comprehensive income	737,587,438		737,587,438		
b) cash flow hedge	(3,085,715)		(3,085,715)		
c) other reserves					
- revaluation of property	167,572,002		167,572,002		
Equity instruments					
Treasury shares	(489,110,970)		(489,110,970)		
Net income (loss)	2,736,284,081		2,736,284,081	(583,353,060)	(2,152,931,021)
Equity	**24,950,731,577**		**24,950,731,577**		**(2,152,931,021)**

STATEMENT OF CHANGES IN EQUITY: PREVIOUS FINANCIAL YEAR

(euro)	Balance at 31/12/2018	Changes in opening balance	Balance at 01/01/2019	Allocation of net income for previous year: Reserves	Allocation of net income for previous year: 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	15,341,579,796		15,341,579,796	985,756,577	
b) other					
Valuation reserves:					
a) financial assets measured at fair value through other comprehensive income	366,417,141		366,417,141		
b) cash flow hedge	5,865,554		5,865,554		
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)	2,540,463,436		2,540,463,436	(985,756,577)	(1,554,706,859)
Equity	**24,794,338,321**		**24,794,338,321**		**(1,554,706,859)**

(*) The Shareholders' Meeting of CDP, held on 28th June 2019, approved the distribution of retained earnings reserves totalling 959,862,495.68 euro from 2018's residual profit.

Changes for the period								
	Equity transactions							
Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income at 31/12/2020	Equity at 31/12/2020
								4,051,143,264
								2,378,517,244
7,143,352								15,962,320,645
							(181,671,303)	555,916,135
							(67,229,211)	(70,314,926)
								167,572,002
	166,890,854							(322,220,116)
							2,774,522,485	2,774,522,485
7,143,352	**166,890,854**						**2,525,621,971**	**25,497,456,733**

Changes for the period								
	Equity transactions							
Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution (*)	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income at 31/12/2019	Equity at 31/12/2019
								4,051,143,264
								2,378,517,244
4,350,356			(959,862,496)					15,371,824,233
							371,170,297	737,587,438
							(8,951,269)	(3,085,715)
								167,572,002
		(431,890,854)						(489,110,970)
							2,736,284,081	2,736,284,081
4,350,356		**(431,890,854)**	**(959,862,496)**				**3,098,503,109**	**24,950,731,577**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(euro)	2020	2019
A. OPERATING ACTIVITIES		
1. Operations	**5,849,566,186**	**6,642,352,905**
- net income for the year (+/-)	2,774,522,485	2,736,284,081
- gains (losses) on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	107,830,538	(10,531,452)
- gains (losses) on hedging activities (-/+)	(43,789,513)	31,274,015
- net impairment adjustments (+/-)	275,095,557	(57,249,106)
- net value adjustments to property, plant and equipment and intangible assets (+/-)	22,044,821	14,735,808
- net provisions and other costs/revenues (+/-)	2,046,826	70,649,643
- unpaid charges, taxes and tax credits (+/-)	60,638,645	(250,529,014)
- writedowns/writebacks of equity investments (+/-)		(61,346,965)
- other adjustments (+/-)	2,651,176,827	4,169,065,895
2. Cash generated by/used in financial assets	**(17,627,822,442)**	**(21,772,248,987)**
- financial assets held for trading	(47,228,227)	(47,426,219)
- other financial assets mandatorily measured at fair value	(496,589,127)	(59,958,223)
- financial assets measured at fair value through other comprehensive income	(992,872,758)	(64,784,901)
- financial assets measured at amortised cost	(16,246,581,327)	(21,766,649,050)
- other assets	155,448,997	166,569,406
3. Cash generated by/used in financial liabilities	**19,348,752,205**	**10,405,998,554**
- financial liabilities measured at amortised cost	19,729,055,160	10,759,688,815
- financial liabilities held for trading	47,727,931	51,831,401
- financial liabilities designated at fair value		(500,023,869)
- other liabilities	(428,030,886)	94,502,207
Cash generated by/used in operating activities	**7,570,495,949**	**(4,723,897,528)**
B. INVESTMENT ACTIVITIES		
1. Cash generated by		**10,000**
- sale of property plant and equipment		10,000
2. Cash used in	**(1,210,942,955)**	**(354,751,172)**
- purchase of equity investments	(1,183,595,000)	(326,207,499)
- purchase of property, plant and equipment	(5,900,541)	(13,370,360)
- purchase of intangible assets	(21,447,414)	(15,173,314)
Cash generated by/used in investing activities	**(1,210,942,955)**	**(354,741,172)**
C. FINANCING ACTIVITIES		
- dividend distribution and other allocations	(2,152,931,021)	(2,514,569,355)
Cash generated by/used in financing activities	**(2,152,931,021)**	**(2,514,569,355)**
CASH GENERATED/USED DURING THE YEAR	**4,206,621,973**	**(7,593,208,055)**

RECONCILIATION

Items (*)	2020	2019
Cash and cash equivalents at beginning of the year	**151,126,778,454**	**158,719,986,509**
Total cash generated/used during the year	4,206,621,973	(7,593,208,055)
Cash and cash equivalents: effects of changes in exchange rates	(23,313,942)	
Cash and cash equivalents at end of the year	155,310,086,485	151,126,778,454

(*) 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

The separate financial statements of CDP 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 6th version updated on 30 November 2018, on the "Bank financial statements: presentation formats and rules", which regulates the preparation of the financial statements of banks according to the IFRS International Accounting Standards, supplemented by the provisions set out in the Bank of Italy Communication of 15 December 2020 on the impact of Covid-19 and measures to support the economy and amendments to IAS/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.

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 S.p.A. are subject to statutory audit pursuant to Legislative Decree 39/2010 by the independent auditing firm Deloitte & Touche S.p.A., following award of the audit engagement for the 2020-2028 period by the Shareholders' Meeting in ordinary session of 19 March 2019.

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, Art. 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 as of and for the year ended 31 December 2020 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 2020 and endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Journal L 243 on 11 September 2002.

To the extent applicable, these financial statements have been prepared, as applicable, in accordance with Circular no. 262 of the Bank of Italy of 22 December 2005, as amended[40], which establishes the mandatory financial statement formats and compilation procedures, and also the contents of the notes to the financial statements.

More specifically, on 30 November 2018, with application from financial periods starting on or after 1 January 2019, 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”. In particular, the update of the Circular also took into account the consequent changes in other international accounting standards, including IAS 40 regarding investment property, and the amendment to IFRS 12 “Disclosure of Interests in Other Entities”.

The IFRS applied for preparation of these financial statements are listed 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 amounts related to the current financial year, but also the corresponding comparative values.

The balance sheet, the income statement and the statement of comprehensive income do not contain items having a zero amount as of 31 December 2020 and 31 December 2019.

In the income statement, in the statement of comprehensive income, and in the tables of the notes to the separate financial statements, revenues are shown as positive, while costs are shown as negative 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;
- Interpretative documents on 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;

40 Account has been taken of the Communication of the Bank of Italy dated 15 December 2020, ‘Supplements to the provisions in Circular no. 262 “Bank financial statements: presentation formats and rules”’.

- Documents issued by ESMA, IOSCO and Consob with regard to assessments and disclosures required in respect of the impacts of the Covid-19 outbreak[41].

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 the joint document no. 2 of 6 February 2009 issued by Bank of Italy/Consob/Isvap concerning disclosures on the going concern basis, in compliance with the requirements on the same issue contained in IAS 1 Revised and in accordance with the recommendations provided by ESMA in its Public Statement 71-99-1290 of 11 March 2020, its Public Statement 32-63-972 of 20 May 2020 and its Public Statement 32-63-1041 of 28 October 2020, CDP has performed 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 deems 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 recognised in profit or loss in accordance with the matching principle;
- materiality and aggregation: all items containing assets, liabilities, revenues and expenses 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 period. 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.

Relevant accounting policies and uncertainties about the use of estimates in the preparation of the separate financial statements (in accordance with IAS 1 and the recommendations contained in Bank of Italy/Consob/Isvap Documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010)

The application of certain accounting standards necessarily involves the use of estimates and assumptions that have an effect on the values of assets, liabilities, costs and revenues recognised in the financial statements and on the reporting on potential assets and liabilities.

41 These references are:
- EBA Communication dated 25 March 2020 "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid-19 measures";
- ESMA Communication dated 25 March 2020 "Public Statement. Accounting implications of the Covid 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
- Document of the IFRS Foundation dated 27 March 2020 "IFRS 9 and covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the covid-19 pandemic";
- ECB Letter dated 1 April 2020 "IFRS 9 in the context of the coronavirus (Covid-19) pandemic" addressed to all significant entities;
- EBA Guidelines dated 2 April 2020 "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis";
- Consob warning notice no. 6/20 of April 2020, 'Covid-19 - Drawing attention to financial reporting';
- ESMA Communication dated 20 May 2020 "Implications of the Covid-19 outbreak on the half-yearly financial reports";
- Consob warning notice no. 8/20 dated July 2020, 'Covid-19 - Drawing attention to financial reporting';
- ESMA statement dated 28 October 2020 'European common enforcement priorities for 2020 annual financial reports';
- Consob warning notice no. 1/21 dated February 2021, 'Covid-19 – Measures on support for the economy – Reporting to be provided'.

The underlying assumptions of the estimates take into account all the information available at the date of preparation of the financial statements, as well as hypothesis considered reasonable, also in light of historical experience. Because of their nature, it cannot therefore be excluded that the assumptions made, however reasonable, may not be confirmed in the future scenarios CDP will operate in. The results that will be achieved in the future may therefore differ from the estimates made for the purposes of preparing the financial statements and it may therefore be necessary to make adjustments that cannot be foreseen or estimated to date with respect to the carrying value of the assets and liabilities recognised in the financial statements. In this respect, it should be noted that adjustments to the estimates may be necessary as a result of changes in the circumstances on which the estimates were based, as a result of new information or increased experience.

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 subject to impairment;
- the use of measurement techniques to determine the fair value of financial instruments not listed on an active market;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets and interpretative issues concerning tax treatment;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products;
- the assessment of the recoverability of goodwill and other intangible assets;
- the technical provisions of insurance companies;
- the valuation of work in progress and inventories of raw materials, semi-finished and finished goods;
- the estimate of the liabilities arising from defined-benefit company pension and other post-retirement benefit obligations;
- the quantification of provisions for risks and charges.

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.

Compared to the past, the current market context is marked by profound uncertainty relating to the duration of the effects of the Covid-19 pandemic and the consequent difficulty in predicting the timing and extent of the economic recovery that could take place in the coming years. For further information on the uncertainties of the current context, see also the Report on Operations as well as the section 'Disclosure of Covid–19 impacts' in the Notes to the Financial Statements.

Section 3 - Events subsequent to the reporting date

During the period between the reporting date of these financial statements and their approval by the Board of Directors on 31 March 2021, no events occurred that would require an adjustment to the figures presented in the financial statements at 31 December 2020.

As regards the events concerning the equity investment in SACE, please refer to the considerations reported in Section 4 below.

Section 4 - Other issues

IFRS endorsed at 31 December 2020 and in force since 2021

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 2020, are provided below:
- Commission Regulation (EU) 2019/2014 of 29 November 2019, published in Official Journal L 318 of 10 December 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) 1 and 8. Entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2020;
- Commission Regulation (EU) 2019/2075 of 29 November 2019, published in Official Journal L 316 of 6 December 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) 1, 8, 34, 37 and 38, International Financial Reporting Standards (IFRS) 2, 3, and 6, Interpretations 12, 19, 20 and 22 of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretation 32 of the Standing Interpretations Committee (SIC). Entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2020;
- Commission Regulation (EU) 2020/34 of 15 January 2020, published in Official Journal L 12 of 16 January 2020, amending Regulation (EC) no. 1126/2008 of the Commission, 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 Standard (IAS) 39 and International Financial Reporting Standards (IFRS) 7 and 9. Companies should apply the changes set out in Art.

1, at the latest, from the start of the first financial year that begins on or after 1 January 2020. The main amendments concern the interest rate benchmark reform;
- Commission Regulation (EU) 2020/551 of 21 April 2020, published in Official Journal L 127 of 22 April 2020, 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 International Financial Reporting Standard 3 (Business Combinations). Companies should apply the changes set out in Art. 1, at the latest, from the start of the first financial year that begins on or after 1 January 2020;
- Commission Regulation (EU) 2020/1434 of 9 October 2020, published in Official Journal L 331 of 12 October 2020, 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 Financial Reporting Standard (IFRS) 16.

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 2021)

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 2020:
- Commission Regulation (EU) 2020/2097 of 15 December 2020, published in Official Journal L 425 of 16 December 2020, 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 Financial Reporting Standard (IFRS) 4;
- Commission Regulation (EU) 2021/25 of 13 January 2021, published in Official Journal L 11/7 of 14 January 2021, 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 Standard (IAS) 39 and International Financial Reporting Standards (IFRS) 4, 7, 9 and 16.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at the reporting date of 31 December 2020

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);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
- Amendments to: IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (issued 14 May 2020).

Reorganisation of the SACE group

A summary of the analyses performed in relation to the correct application to the equity investment held in SACE of IFRS 10 - Consolidated Financial Statements, IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations and IAS 10 - Events after the Reporting Period, is provided below.

The analyses performed in the preparation of the CDP Group's half-yearly condensed consolidated financial statements at 30 June 2020 have been updated with regard to the classification and measurement of the controlling equity investment held in SACE.

As regards to the issuance of guarantees from SACE, in accordance with Art. 1 of Decree Law 23/2020 of 8 April 2020 ("Liquidity Decree")[42] converted into Law 40 of 5 June 2020 ("Liquidity Decree")[43], it should be noted that this activity was launched shortly after the Decree Law came into force, and continued with a steady growing trend in the second half of 2020. This activity, examined in light of SACE's overall business, can reasonably be considered not "significant" for the purposes of the provisions of IFRS 10 as its duration is limited to the estimated Covid-19 emergency period and it is essentially neutral with respect to "investee returns"[44]. Assigning this new operational function to SACE does not change the governance of the CDP Group and of SACE itself. The Liquidity Decree requires SACE, where providing such guarantees, to comply with the guidelines of the MEF, which bears all the risks in the event of insolvency of the guaranteed entity. Coordinating the activities in accordance with the aforementioned Art. 1 is merely protective.

42 Art. 1, "*Temporary measures to support the liquidity of companies*" of the Liquidity Decree, defines a new form of operation for SACE, which envisages the issue by SACE of state guarantees in favour of banks, financial institutions and entities authorised to grant credit in Italy, on loans granted by the latter to companies based in Italy. These guarantees could have been issued until 31.12.2020, though this deadline was then further extended by the 2021 Budget Law until 30.6.2021, in line with the European Commission's decisions to extend the "temporary framework" to support the economy.
43 See note 42.
44 The commissions received by SACE in performing the service are aligned to the costs incurred by it for this purpose (as also provided for by the Liquidity Decree, Art. 1, paragraph 2, letter h).

Art. 3 of the Liquidity Decree, to be read in conjunction with Art. 2, introduced some changes to SACE's decision-making and governance structures with regard to the activities performed to support exports and international expansion. In this respect, in general:

- Art. 3 requires that SACE must consult the MEF and the Ministry of Foreign Affairs and International Cooperation with regard to major decisions on international expansion and investment relaunch policies, and that CDP must agree with the MEF, having consulted the Ministry of Foreign Affairs and International Cooperation, its exercise of the voting rights and resolutions relating to the management of the equity investment in SACE;
- pursuant to Art. 2, premium collection activity will be performed by SACE based on the MEF's guidelines, according to a co-insurance mechanism whereby the MEF will natively guarantee 90% of the commitments undertaken by SACE, while SACE will remain responsible for 10% of the guarantees given. Therefore, the risks and benefits of the insurance business, excluding commissions, which will remunerate the commercial and administrative service provided by SACE, will fall mainly on the MEF.

The holistic analysis of the provisions of Art.s 2 and 3 of the Decree and the observation of the progress made in the set-up of tools and mechanisms required by the legislation to enable the MEF to exercise its governance allow us to conclude that the activities envisaged by the Decree may be fully carried out in compliance with the purposes and methods set forth in the legislation only after the reporting date, i.e. 31 December 2020, and as such it cannot reasonably be qualified as "substantive" in the assessment of control under IFRS 10.

Based on the analyses and assessments performed , also with the support of experts, it is argued that CDP still had control over SACE at 31 December 2020, in accordance with IFRS 10. Therefore, CDP continues to qualify SACE as a subsidiary to be included in its scope of consolidation for the purposes of the consolidated financial statements at 31 December 2020, in line with the 2019 financial statements and the half-yearly condensed consolidated financial statements at 30 June 2020.

Art. 67 of Decree Law no. 104 of 14 August 2020, converted, with amendments, into Law no. 126 of 13 October 2020 ("August Decree") relating to the definition of the reorganisation of the SACE group:

- in paragraph 2 requires that, following an agreement between the Ministry of the Economy and Finance and CDP, a decree of the Minister of the Economy and Finance, in agreement with the Minister of Foreign Affairs and International Cooperation, subject to registration by the Court of Auditors, will determine the reorganisation of the SACE group and the value of the equity investments transferred that is deemed appropriate by the parties, without prejudice to the provisions of Art.s 2 and 3 of Decree Law no. 23 of 8 April 2020, converted, with amendments, by Law no. 40 of 5 June 2020, to the extent that these are compatible;
- in paragraph 3 requires that the financial requirements deriving from the payment of the consideration for the transfer under paragraph 2, are met through Government bonds, also specifically issued, up to a maximum amount of 4,500 million.

In this regard, it should be noted that, as at 31 December 2020, the vagueness of the regulatory provisions of the August Decree, the failure to identify the scope of the reorganisation and the consequent absence of any decision by the CDP Board of Directors led to the conclusion that, at year-end, the provisions of IFRS 5 did not apply to the controlling equity investment in SACE. Therefore, on that date, the equity investment was not deemed "available for immediate sale in its present condition". Indeed, the August Decree did not define the scope of the sale, the sale price or the elements of a programme for the sale, while it postponed the definition of the SACE group's new structure to a possible agreement between the Ministry of the Economy and Finance and Cassa Depositi e Prestiti, to be implemented by decree of the Minister of the Economy and Finance, in agreement with the Minister of Foreign Affairs and International Cooperation, subject to registration by the Court of Auditors.

The first few months of the 2021 financial year featured the performance of the activities needed to define the SACE group's new structure, as provided for by Art. 67, paragraph 2, of the August Decree, which led to a hypothetical agreement in the first few days of March, while the ministerial decree has not been issued yet. Therefore, the conditions set out in IFRS 5 are only met starting from that date.

In this regard, the hypothetical agreement, which is included among the events after the reporting date pursuant to IAS 10, did not have any impact on the separate financial statements at 31 December 2020, as there were no indications that the equity investment held in SACE was impaired at the reporting date with respect to the measurement of the recoverable amount under IAS 36. The hypothetical agreement actually provides for a transaction value, defined as fair by a leading independent advisor, that confirms the carrying amount of the equity investment.

Interest Rate Benchmark Reform

In 2013, the G20 tasked the Financial Stability Board (FSB) with carrying out a comprehensive review of the key benchmark rates of the money market and developing plans for their possible replacement in order to enhance their integrity and representativeness for all market participants. In July 2014, the FSB published its recommendations, which essentially set two basic objectives: (1) reform the IBORs (Interbank Offered Rates) benchmark rates, of which LIBOR is one of the most commonly used, in order to strengthen their existing methodologies and make them more consistent with real transactions; (2) develop more robust alternative benchmark rates.

More specifically, the European Union Benchmarks Regulation (Regulation (EU) 2016/1011), published in 2016 and in force since January 2018, set out the new regulatory framework for EURIBOR, LIBOR and EONIA benchmark rates, bringing market indices and the methodology by which they are calculated in line with international standards, aiming to ensure the integrity of benchmarks used in the Eurozone (including benchmark interest rates), thereby reducing the use of discretion, improving governance controls and tackling conflicts of interest. Furthermore, with regard to "critical benchmarks", that are widely used in the markets, Art. 28.2 of the Regulation requires that supervised entities produce robust written plans setting out the actions that they would take in the event that a benchmark materially changes or ceases to be provided, or reflect them in the contractual relationship with the customer.

Recently, Regulation No. 34 "Interest Rate Benchmark Reform", endorsed by the European Commission on 15 January 2020, approved the amendments to IFRS 9, IAS 39 and IFRS 7 issued by the IASB on 26 September 2019 as part of the "Interest Rate Benchmark Reform" project.

This amendment completes the first phase of the IASB's project to find ways to reduce the effects of the interest rate reform on the financial statements, with particular reference to potential impacts before replacing the existing benchmarks. In particular, the IASB has provided for some exceptions to the accounting for hedging relationships, aimed at avoiding the discontinuing effects due to the mere uncertainty of the interest rate reform. Specifically, for the economic relationship to be assessed, the amendments introduced require the entity to assume that the interest rate benchmark for determining the interest rates of the hedged instrument and the hedging instrument has not changed following the rate reform. Applying these amendments, in force since 5 February 2020, is compulsory from 1 January 2020.

In order to assess the significant risks associated with this global reform, and to take appropriate action to ensure an orderly transition to the alternative or reformed benchmark rates before the end of 2021, as required by the EU Benchmarks Regulation (BMR), CDP has set up an internal working group to ensure compliance with the EU Benchmarks Regulation. It has also launched a project to identify and promptly undertake all the initiatives necessary to ensure an orderly transition to the new benchmark rates by managing the prospective termination of the IBORs (Interbank Offered Rates) and the Eonia rate, with regard to both customer relationships and its own organisational and operational structures, and by providing appropriate fallback[45] clauses in contracts. In detail, the project consists of the following macro-activities:
- market liquidity assessment (calculation of exposure, creation of a monitoring dashboard, definition of a transition strategy);
- new benchmark market analysis (analysis of the product range, analysis of the alternative benchmark rate trend, creation of pricing models, design of pilot products, industrialisation of the new product offering);
- identification of pricing models and risk assessment (identification of pricing models, recognition of market data referring to alternative rates, adaptation of models, identification of valuation models, collection of market data referring to alternative rates, identification of impacts, development of forecasting models, adoption of risk assessment models);
- contract mapping (identification of contracts linked to IBORs, recognition of fallback clauses, identification of "linked" contracts (assets/liabilities and related hedging derivative));
- contract review (assessment and review of fallback clauses);
- modification of systems and processes (assessment of operational and technological impact, impact analysis by business area, development of a change management plan);
- customer relationships (cooperating with industry associations, defining a consistent transition model, managing the transition with a structured plan);
- analysis of accounting, tax and other impacts (assessing the reform's impact on hedge accounting, trading derivatives, credit support annexes, etc., identifying models for hedge valuation, analysis of amortised cost calculation models, tax impact analysis).

The reform's impacts on CDP's operations were identified in relation to the following benchmarks:
- EONIA, discontinued in favour of the new Risk-Free rate €STR: CDP is affected in relation to the measurement of the fair value of derivatives, and the remuneration of derivative collateral and Repos[46];
- EURIBOR, whose calculation methodology was already changed in 2019, with no impact on contracts indexed to it;

45 In order to minimise the risk that one or more LIBOR rates or other benchmark rates may be discontinued even though market participants are still exposed to such rate, financial institutions and customers are encouraged to include fallback clauses indicating alternative reference rates (ARRs) to substitute unavailable pre-existing reference rates, or a procedure to be followed to identify one.

46 With reference to the transition to the €STR rate, the European Money Market Association (EMMI), which manages the index, amended the calculation methodology to make it an Eonia tracker back in 2019 (Eonia = €STR+8.5 bps). As regards derivative contracts, the market is uniformly moving towards replacing the Eonia rate with the €STR rate without applying spreads, whereas a single position has not yet been taken with regard to Repo contracts.

- USD LIBOR, gradual phasing out from 2022 onwards, in favour of the compounded Secured Overnight Financing Rate (SOFR): CDP is mainly affected in relation to Export Bank financing and related hedging derivatives (Cross Currency Swaps).

CDP's internal working group has identified two main areas of adjustment:
- rate switch preparation: to manage the switch from the EONIA benchmark to €STR and from USD LIBOR to "compounded SOFR";
- adjustment of fallback clauses: this affects all of CDP's contracts indexed to the benchmarks covered by the reform (i.e. Eonia, Euribor and USD Libor).

With regard to the accounting impacts of replacing EONIA, it should be noted that CDP does not have any derivatives indexed to this benchmark and therefore it expects a small impact on the fair value of derivatives resulting from using the €STR rate instead of EONIA for discounting cash flows. This effect is expected to be offset by monetary compensation of the same amount, with essentially no impact on the income statement.

The notional value of derivative instruments indexed to USD LIBOR that will be affected by the interest rate reform amounts to 2.1 billion US dollars, of which 1.8 billion US dollars relates to derivative instruments designated in hedge accounting relationships.

At 31 December 2020, there were also loans receivable indexed to USD LIBOR, with outstanding debt of approximately 232 million US dollars.

Disclosure of Covid-19 impacts

In preparing the Annual Financial Report at 31 December 2020, CDP and the Group companies are required to consider the impacts of the current economic situation following the Covid-19 outbreak, as well as the related accounting implications with regard to the measurement of assets and liabilities, and the disclosure and assessment on the going concern basis, taking also into account the guidance published by the Bank of Italy, ESMA, IOSCO and Consob, specifically:
- ESMA 32-63-951 statement dated 25 March 2020, 'Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9';
- ESMA 32-63-972 statement dated 20 May 2020 'Implications of the Covid-19 outbreak on the half-yearly financial reports';
- IOSCO OR/02/2020 dated 29 May 2020 'Statement on Importance of Disclosure about Covid-19';
- Consob warning notice no. 6/20 dated 9 April 2020, 'Covid-19 - Drawing attention to financial reporting';
- Consob warning notice no. 8/20 dated 16 July 2020, 'Covid-19 - Drawing attention to financial reporting';
- ESMA 32-63-1041 statement dated 28 October 2020 'European common enforcement priorities for 2020 annual financial reports';
- Communication of the Bank of Italy dated 15 December 2020, 'Supplements to the provisions in Circular no. 262 "Bank financial statements: presentation formats and rules"';
- Consob warning notice no. 1/21 dated 16 February 2021, 'Covid-19 – Measures on support for the economy – Drawing attention to reporting that needs to be provided'.

The aim of this paragraph is to introduce the main areas of focus analysed by the management in order to prepare the Annual Financial Report at 31 December 2020, in consideration of the current reference context characterised by the Covid-19 pandemic. Detailed information on CDP's risk management strategies, objectives and policies, as well as financial position, is provided in the specific sections of these Notes, as referred to below.

See paragraph 4.2.1.4 regarding the business outlook for more information on the impacts of Covid-19 on strategies, objectives and financial performance, the measures adopted to address and mitigate these effects and the business outlook.

Disclosure on going concern, risks, uncertainties and other areas of attention

Going concern

Based on CDP's operations and having considered all information available on its capital structure, available liquidity and financial performance over the medium term, even in the context of the ongoing Covid-19 outbreak, there is no evidence of factors that might in any way affect the ability to continue as a going concern.

Risks

The main risks to which CDP is exposed in conducting its business can be summarised based on the following taxonomy:
- Credit risk: the risk that a debtor will not meet its commitments in relation to a loan or an issued bond;

- Counterparty risk: the risk that a counterparty will not meet its commitments in respect of one or more derivative or treasury transactions;
- Concentration risk: the risk arising from large exposures to individual counterparties, groups of connected counterparties or counterparties carrying out the same activity, belonging to the same economic sector or the same geographical area;
- Liquidity risk: the risk that a financial institution will be unable to meet its commitments due to difficulties in financing itself or in divesting assets, or that it will be unable to monetise assets held in the market without significantly adverse conditions affecting their market price;
- Market risks (interest rate and price risk, exchange rate risk): the risk that negative trends in interest and inflation rates and exchange rates will adversely affect the fair value, earnings or net assets value of a financial institution;
- Equity risk: the risk that negative trends of equity security prices will adversely affect the fair value, earnings or net assets value of a financial institution;
- Reputational risk: the current or prospective risk of a fall in profits, loss of economic value or damage to the institutional role, resulting from a negative perception of the image of CDP by customers, counterparties, shareholders, investors, regulators or other stakeholders;
- Operational risk: the risk that inadequate information systems, operational errors, failures in internal controls or procedures, fraud, lawsuits, judgments or invalid agreements or external events (e.g. earthquakes, epidemics, etc.) may result in losses for a financial institution;
- Country risk: the risk that events occurred in countries other than Italy may result in losses. This does not just refer to the credit risk associated with exposures to the public administration of the foreign country (sovereign risk), but to all exposures regardless of the type of counterparty.

The Covid-19 outbreak has not generated risks other than those reported, as these types of events are considered within the risks already assessed and monitored. In particular, the following key risk areas have been identified:
- Equity risks due to a fall in the price of listed equity investments and a possible drop in the value of the overall portfolio;
- Credit risks due to a possible rise of debtors in financial distress, both on the loans and guarantees portfolio and on debt securities;
- Liquidity risks due to possibly more difficult conditions to raise funding and/or dispose assets when required;
- Operational risks due to restricted use of business premises, business continuity and the risk of employees sick leave.

Although the events linked to Covid-19 are of an unprecedented magnitude, there is currently no evidence to suggest an increase in the risk of CDP being unable to meet its commitments.

For more details on the system to manage the risks assumed or that can be assumed by the Company in the different segments of activities (rules, procedures, human, technological and organisational resources and control activities), reference should be made to “Part E - Information on risks and related hedging policies”.

Significant uncertainties

The global spread of Covid-19 and the resulting impacts on economic activity have increased the level of uncertainty, hence making it more difficult to make quantitative estimates, for example, with regard to possible future losses on receivables measured at amortised cost or cash flows from equity investments, also due to the increased uncertainty in the assumptions and parameters at the basis of the asset valuation analyses.

For CDP, the areas subject to analysis, due to an increased level of uncertainty, are:
- the changes linked to regulatory measures adopted by the Italian Government to support and relaunch the economic-productive system as a result of the epidemiological crisis, for which CDP and the Group Companies have played a key role in implementing the measures or that led to significant changes to the business model of one or more investee companies (Decree Law 23/2020, which, inter alia, requires the termination of CDP management and coordination activity over SACE);
- the acceleration in the energy transition dynamics, with effects on investees that operate in the Oil & Gas sector or in directly related sectors; in this regard, following an analysis of the market discontinuity caused by the Covid-19 outbreak, Eni has announced and recently confirmed its strategic policies up to 2050, confirming the Eni Group’s objective to become the biggest supplier of decarbonised products, contributing to the energy transition process and combining the objectives of profitability and sustainability;
- a possible increase in the insolvency risk in the loan portfolio, in terms of both rating transitions and the higher probability of short-term default.

With reference to the above, it should be noted that:
- the estimates have been made also considering stock prices and market parameters which are subject to fluctuation, even significant, due to the ongoing turbulence and volatility of the markets, also as a result of the Covid-19 outbreak;

- the evaluations were made using forecast data. Such forecasts are, by their nature, random and uncertain in that they are sensitive to changes in macroeconomic variables and to events outside the company's control. They are also based on a set of assumptions linked to future events and actions of management, which may not necessarily happen. In view of the uncertainty surrounding any future event - both as regards the actual occurrence of the event and in terms of when and to what extent it may happen - the differences between actual values and estimated values might be significant, even if the events at the basis of the forecast assumptions were to occur. This limit is even more pronounced in the current situation of uncertainty linked to the future impacts of the Covid-19 outbreak.

It is therefore important to highlight that there is strong uncertainty about the possible duration of the impacts of the pandemic, making it difficult to predict the associated short and medium-term impacts. This significantly increases the complexity and uncertainty of the estimates made, whose results are described in the specific sections referred to, given that the underlying assumptions and conditions might be subject to further review, to take into account developments outside the management's control, thus resulting in unexpected and unforeseeable impacts. Therefore, there is a need to constantly monitor the evolution of these elements in the current context.

Financial instruments and measurement of Expected Credit Losses

The assessment of any significant increase in credit risk (SICR) of CDP is based not only on the information relating to the classification of loans pursuant to banking regulations (e.g. "past due", "forborne") but also on the forward-looking information embedded in its own credit risk management systems in relation to:

- internal ratings, which reflect the forward-looking assessment by CDP analysts of the capacity of each debtor to meet its obligations over the entire life of the financial instruments. Internal ratings holistically incorporate, through an assignment and review process, all available quantitative and qualitative information that is relevant to the assessment, including, for example, up-to-date macroeconomic forecasts, sector dynamics assessments, public ratings issued by the primary agencies, market prices and regulatory measures;
- assigning specific debtors to the different "watchlists", which in some cases may indicate the presence of additional uncertainty factors, typically qualitative, other than the main drivers considered in the internal rating.

Consistent with the characteristics of its loan portfolio, mainly including exposures with public counterparties, banks operating in Italy, large corporations and special-purpose vehicles operating in the infrastructure sector, CDP has noted, as at 31 December 2020, that changes in ratings are limited in terms of cases, the amount and size of the exposures, even including the impacts of Covid-19 on a forward-looking basis.

No changes were deemed necessary in the models for the valuation and measurement of financial instruments related to the pandemic crisis. In particular, CDP has not made changes to its methodology for assessing the significant increase in credit risk, either as a result of Covid-19 or due to other factors, as it considers this methodology to be adequate in the current context.

In measuring Expected Credit Losses, CDP applies the internally-developed methodology, which takes into account the following elements: (i) the estimate of Through-the-Cycle probability of default and (ii) an internal model for estimating the cyclical component of probability of default. The model applied to estimate the cyclical component is based on the main macroeconomic drivers including GDP and employment rate forecasts, with reference to the European area and the USA.

For more details, please refer to the specific "Measurement methods of expected credit losses - Changes due to Covid-19" and "Impacts of the Covid-19 pandemic" paragraphs, contained in "Section 1 - Credit risk" of "Part E – Information on risks and related hedging policies".

Impairment of assets

Equity investments

Based on the consideration that regulators unanimously agree that the impact of Covid-19 constitutes significant evidence of the existence of impairment indicators for many companies, the management was asked to pay particular attention to the effects of Covid-19 in the context CDP operates in, in order to assess the activation of trigger events.

The full impact of Covid-19 on business, in particular referring to the medium and long term, is still unknown, with frequent new data and information and the progressive emergence and evidence of impacts that can be different, even significantly, for each specific segment.

For this reason, in order to determine the recoverable amount of non-financial assets, in the current context of uncertainty, a careful assessment was made based on both external factors (e.g. industry reaction, magnitude of the impact on the sector, benchmark analysis) and internal factors (specific characteristics of the company, ability of the individual company to react within its sector on the basis of its economic-financial situation, etc.) and on reasonable and supportable assumptions developed based on key principles defined also considering the particular historical moment due to the Covid-19 pandemic.

For more details about the assessment of CDP's equity investment portfolio (impairment test), please refer to the information provided in "Section 7 - Equity investments - Item 70".

Other non-financial assets

With regard to other asset classes, it should be noted that no trigger events have been identified as these assets are mainly unrelated assets and not affected by Covid-19.

Other areas of focus

Hedge accounting

The impact of Covid-19 on CDP's existing hedging relationships is currently marginal. A limited number of hedges have been restructured - at a negligible cost - in order to ensure better correlation with the new payment plan for the hedged items. In one case only has the hedging relationship been terminated due to the prospective uncertainty about the future cash flows of the underlying asset.

Employee benefits

There were no changes in the assumptions and variables forming the valuation of employee benefits.

CDP did not identify any legal obligations towards employees relating to Covid-19 for which a liability could be recognised under IAS 19.

Government incentives and taxation

CDP has not benefitted from any of the significant tax incentives provided for in the Covid-19 measures enacted by the Government.

To date there are no significant issues to be reported with regard to the recoverability of deferred tax assets.

Fair value measurement

CDP has no significant impacts with regard to the fair value measurement of financial instruments. For details on fair value measurement, please refer to the specific disclosures included in section "A.4. Disclosures on fair value measurement".

Leases

There are no situations caused by the impacts of Covid-19 that resulted in contractual amendments, suspensions or requests for deferral of lease payments or the granting of discounts.

Contingent liabilities

There are no events that resulted in the need for CDP to make additional provisions for risks and charges and none of its current obligations are likely to result in future cash outflows.

Donations

By resolution of 2 April 2020, the Board of Directors of CDP approved an Extraordinary Programme of Aid to help manage the Covid-19 health emergency ("Extraordinary Programme of Covid-19 Aid") by allocating a sum of 25 million euro to be used for donations to support actions aimed at tackling the health emergency, also through the CDP Foundation. As part of this process, the actions defined in the Extraordinary Programme must be identified in agreement with the relevant national Institutions; an internal CDP Committee must assess them to ensure maximum transparency and reporting; and these must be submitted to the Chief Executive Officer for approval.

In implementation of the above resolution, during May, June and July 2020, CDP:
- purchased 2 million surgical face masks, for an amount totalling 950 thousand euro, which were subsequently donated to the Carabinieri police force;

- made a donation of about 550 thousand euro to the China-Italy Philanthropy Forum, to cover the expenses of three flights of the China-Italy humanitarian airlift, organised through the Italian Embassy in China and aimed at importing healthcare materials to manage the Covid-19 epidemiological emergency.

Through the Extraordinary Programme of Covid-19 Aid, CDP aimed to offer support, including financial support, to institutions, the population and local communities in order to cope with:
- in the short term and as a top priority, the needs linked to the Covid-19 epidemiological emergency and related to health requirements, in order to contribute to combating the emergency; and
- in the medium- to long-term, also depending on the development of the health emergency, the need to support further wider-ranging initiatives in the business sphere, linked, among other things, to innovation, training and research.

Suspension of dividend distribution

The distribution of dividends related to 2020 will be subject to resolution by the Shareholders' Meeting called to approve the separate financial statements of CDP S.p.A.

Implications of Covid-19 on non-financial matters

The main initiatives aimed at addressing the possible impacts of the Covid-19 pandemic on non-financial areas, such as the business model and value creation, social inclusion as well as the support activities implemented by CDP, based on its role in the current context, are reported below.

Organisational impacts

There are three types of organisational impacts:
- with regard to the organisational model, the framework of the business structures was reassessed in order to improve the integration of the strategies and business lines associated with loans and advisory services to businesses and to Public Administration, by raising the level of delegation and autonomy of the structures aiming to speed up decision-making processes;
- with regard to processes, credit granting processes were reviewed with a view to automation and standardisation, in order to provide direct support to a growing number of businesses, making approval times significantly more efficient. In addition, with reference to support tools, actions have been developed and planned to reinforce the digital channels and encourage the use of remote collaboration tools so as to ensure the effectiveness of internal processes;
- with regard to human capital, a process was implemented to identify the areas that need to be quantitatively and qualitatively reinforced to be able to manage the new and/or greater operations associated with the measures put in place and/or planned, also from the viewpoint of staff development, with a significant intensification of training activities, both technical and in relation to soft skills.

CDP initiatives in supporting businesses

The forced closure of many production activities due to the Covid-19 pandemic caused significant liquidity problems for several companies financed by CDP, which in order to mitigate the impact on business continuity, asked CDP to renegotiate certain contractual terms.

As of March 2020, 125 moratoriums on payments have been requested for Italian debtors, mainly pursuant to the "Cura Italia" Decree Law, for an average duration of 12 months and a moratorium amount of approximately 15 million euro on loans granted of approximately 150 million euro. In addition, 15 suspension of checks on financial covenants ('Covenant Holiday') have been requested for about 1 year on a loan portfolio totalling 400 million euro.

The sectors most heavily impacted are represented by automotive components, textile production, agri-food, metalworking and tourism.

As part of the measures introduced by the "Liquidity Decree" to support companies affected by the Covid-19 emergency, loans totalling 870 million euro were disbursed to 65 companies that benefited from the SACE guarantee and the State counter-guarantee ("Garanzia Italia").

With regard to the portfolio of foreign debtors, the sector most heavily impacted up to 31 December 2020 is the cruise shipbuilding industry. As of March 2020, the main European export credit agencies are offering debtors in the cruise sector a 12-month 'Debt Holiday' from principal repayments and a suspension of financial covenants for the same period.

By resolution of the Board of Directors dated 15 May 2020, CDP has joined the Debt Holiday initiative launched by the Italian export credit agency (SACE). Consequently, from 1 July 2020, agreements have been signed to amend existing agreements, thus allowing the suspension of covenants and the deferral of principal repayments due from 1 April 2020 to 31 March 2021 by creating separate tranches to be repaid over the next four years, for a moratorium amount totalling about 320[47] million euro on a loan portfolio of 4[48] billion euro.

In none of the cases above were any of the loan agreements or the underlying financial instruments derecognised by CDP.

CDP initiatives in supporting the Public Administration and Entities

During 2020, CDP supported the Public Administration in response to the Covid-19 health emergency by reinforcing initiatives already in place as part of CDP's recurring operations as well as creating new support measures. For more details please refer to the Report on Operations, section "4. CDP Group's activities":

- the confirmation of the "Liquidity Advances" product in favour of Municipalities, Metropolitan Cities, Provinces, Regions and Autonomous Provinces, which, already in 2019, had made an appreciable contribution to speeding up payments of accrued debts to suppliers and other creditors of the Entities;
- the continuation of the expansion, started at the end of 2019, of the credit access tools offered by CDP, by means of granting loans in favour of Local Authorities and Regions, with the aim of converting existing mortgage loans, pursuant to art. 41, paragraph 2, of law no. 448 of 28 December 2001, in order to benefit from the more favourable interest rates currently offered by the market;
- the management of the "MEF Fund", established to deal with the Covid-19 emergency by Art. 115 of Decree Law no. 34 of 19 May 2020, with a total provision of state resources of 12 billion euro for 2020, to ensure the liquidity needed to pay certain, liquid and collectable debts of the Entities outstanding at 31 December 2019;
- the suspension of the payment of mortgage loan instalments due in 2020 for the first Municipalities affected by the emergency in the Lombardy and Veneto Regions, falling within the so-called red zone pursuant to Decree Law 6 no. of 23 February 2020 and the subsequent implementing Prime Minister's Decree of 23 February 2020;
- the launch of the largest debt renegotiation programme in recent years in favour of Local Authorities, aimed at making available financial resources to be used also to address the needs resulting from the pandemic emergency. Over 3,000 Entities participated in the renegotiation transaction for a total residual debt of approximately 20 billion euro, with a benefit in terms of savings achieved following the payment of lower amortisation instalments, equal to approximately 0.8 billion euro in 2020. In the second half of the year, a further renegotiation transaction was launched on loans to Regions not covered by the renegotiation in the first half of 2020, for a residual debt of around 1.45 billion euro and savings for the entities of around 20 million euro in 2020;
- the management of the measures following the health emergency in favour of the Regions and Local Authorities, relating to deferring the payment of the principal of the amortisation instalments falling due in 2020;
- an initiative to support those entities performing social and welfare activities, which have been severely affected by the Covid-19 pandemic emergency, allowing the payment of the instalments for the year 2020 of the loans granted by CDP to be deferred, at the expense of those entities, without applying additional interest to them. Specifically, the measure provided for the amount of the above-mentioned instalments to be paid in 10 equal half-yearly instalments, for a period of 5 years starting from 2021;
- the possibility for entities with the subjective characteristics set forth in Art. 56, paragraph 2, letter c) of Decree Law no. 18 of 17 March 2020 to suspend the payment of the entire portion (principal and interest) or only the principal of the instalments of outstanding mortgage loans falling due on 30 June 2020, a possibility later extended to instalments falling due on 31 December 2020 under Art. 65 of Decree Law no. 104/2020.

Initiatives for employees

In 2020, the Covid-19 emergency accelerated the development of company processes, heavily focusing on remote working, which has become the main way of working, in accordance with the applicable national legislation, with potential for extension to all company employees.

The actions needed to develop this type of innovation were effectively carried out by checking that the tasks could be performed remotely and by equipping staff with the necessary IT and software resources to work efficiently at home. Safety protocols were also drawn up and agreed with the trade union and worker safety representatives on the measures to combat and contain Covid-19 in the CDP Group.

During 2020, the process of strengthening the workforce continued through significant investment in new hires, in particular to support the growth of the new business lines, the virtualisation and digitisation of the onboarding process and the organisation of specific induction training sessions.

Despite the period of social distancing, CDP's employer branding activities included participation in over 10 national events consisting of career fairs and student orientation days, in collaboration with Italy's leading universities, in order to boost the CDP Group's visibility in the country in accordance with the Business Plan's strategic guidelines.

47 At the Eur/USD exchange rate of 31/12/2020.
48 At the Eur/USD exchange rate of 31/12/2020.

There were also significant initiatives to accompany CDP employees in the new remote working mode, including: (i) initiatives to support the development of mindset and digital skills such as “Smart E-learning for Smart Workers” launched in March and April, the “Digital Webinar” series in June and July and the “Digital Mentoring” in October and December; (ii) Group Coaching to support the management with 93 sessions provided remotely to 100% of the CDP Team managers and (iii) people engagement initiatives.

The strengthening of vertical role-based and cross-cutting training programs continued with a significant increase in training hours per capita of around 45 hours/person. Specifically, in the area of role-based training, CDP launched new programs on its core skills in partnership with high-level national and international training organisations, including the involvement of Group companies, with the aim of strengthening a unified culture by standardising the systems and practices adopted.

In response to the emergency, in 2020 some welfare initiatives were launched to support employees and their families. People’s wellbeing has always been a priority for the CDP Group, which, especially at this stage, is committed to offering tools that help employees better manage their new way of life and the new ways of working implemented in recent months. The main initiatives taken include:

- a new company app, “noi.cdp”, to help employees access personal services even from outside work, directly from their smartphones, with a view to progressively digitising the request flows;
- a remote listening and psychological support service for Group employees, aimed at bolstering people’s confidence, motivation and peace of mind. An internal medical service was also set up to offer daily medical assistance and first aid services;
- wellness initiatives, including “Smart Advice” webinars, “CDP | Health and Wellbeing” webinars, with industry experts to raise awareness of the importance of prevention, nutrition and healthy eating, and habits to adopt for a healthy lifestyle, the Live Training Service with fitness sessions also available on demand; free specialist medical examinations and sustainable mobility solutions;
- a digital orientation and training programme dedicated to families;
- a baby-sitting bonus paid in July 2020, in the form of a welfare credit to employees with children of nursery and infant-school age, for better work-life balance management.

In order to ensure a safe return to work, the following initiatives were also implemented:

- the establishment of an internal Task Force to continuously monitor and assess the situation and to coordinate internal responses to the Covid-19 emergency;
- regular consultations of the “Committee for applying and verifying the rules of the regulatory protocol”, which resulted in various updates of the “Protocol for the measures to combat and contain the spread of Covid-19 in the CDP Group”;
- the establishment of suitable and effective internal communication channels, also at Group level (dedicated e-mail box) that allow all staff to be promptly informed and updated on the measures progressively adopted by the Company, to report cases of infection or possible exposure to the virus and, finally, to receive support for any needs related to their work activities;
- the introduction of desk booking systems for employees to reserve their workstations in the main offices, which are also useful for contact tracing;
- the enhancement of cleaning operations in the offices and the activation of extraordinary sanitation of the premises pursuant to Ministry of Health Circular no. 5443 of 22/02/2020, the installation of temperature sensors at the main access points of the offices, as well as the preparation of horizontal (Safety Pois) and vertical (signs) signage and information material in physical and digital format (tutorials, videos dedicated to Covid-19) that is useful to communicate and inform workers about the measures to be adopted in the offices and when performing work activities to prevent infection;
- the provision of a specific Covid-19 first aid kit at all offices (an overall, two pairs of goggles, two pairs of gloves, three FFP2 masks and bag valve masks) for the safe performance of first aid operations by trained and instructed staff;
- distribution of a “Welcome back kit”: each employee was given a backpack containing a kit of masks, wipes and hand sanitising gel;
- the activation of specific screening activities for the CDP Group personnel to diagnose SARS-CoV-2 infection (blood tests, molecular swab tests, “quick” swab tests) on a voluntary basis and aimed, as a matter of priority, at screening the personnel most present at offices and with more frequent work interactions;
- the performance of the 2020/2021 flu vaccination campaign between November and December, on a voluntary basis, which involved all the resources that had participated in the survey. The campaign made it possible to administer doses to around 370 CDP employees (435 at Group level).

The national fiscal consolidation mechanism

CDP and some of the Group’s Italian companies joined the so-called “national fiscal consolidation” mechanism regulated by Arts. 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.

The tax consolidation scope was extended during 2020 to include the following companies: CDP Venture Capital SGR S.p.A., Quadrifoglio Modena S.p.A. in liquidazione, Alfiere S.p.A. and Residenziale Immobiliare 2004 S.p.A.

As a consequence, at 31 December 2020 the scope of the fiscal consolidation pertaining to CDP consists of the following companies:

1) CDP Equity S.p.A.; 2) Bonafous S.p.A.; 3) Cinque Cerchi S.p.A.; 4) CDP Reti S.p.A.; 5) Fincantieri S.p.A.; 6) Fincantieri Oil & Gas S.p.A.; 7) Isotta Fraschini Motori S.p.A.; 8) SACE S.p.A.; 9) SACE BT S.p.A.; 10) SACE Fct S.p.A.; 11) SACE SRV S.r.l.; 12) SIMEST S.p.A.; 13) FSI Investimenti S.p.A.; 14) FSIA Investimenti S.r.l.; 15) CDP Immobiliare SGR S.p.A.; 16) Fintecna S.p.A.; 17) CDP Immobiliare S.r.l.; 18) CDP Industria S.p.A.; 19) Pentagramma Romagna S.p.A.; 20) Pentagramma Perugia S.p.A.; 21) CDP Venture Capital SGR S.p.A.; 22) Quadrifoglio Modena S.p.A. in liquidazione; 23) Alfiere S.p.A.; 24) Residenziale Immobiliare 2004 S.p.A.

Other information

The Board of Directors' meeting on 31 March 2021 approved CDP's draft financial statements for 2020, 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 Art. 2364 of the Italian Civil Code and the Art.s 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 as of and for the year ended 31 December 2020 have been prepared by applying the same accounting policies as those used for preparation of the separate financial statements for the previous financial year, except for the amendments endorsed and in force with effect from the financial year 2020, 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" including debt securities, equities, loans, units of UCIs included in an Other/Trading business model, and also derivatives not designated as hedging instruments;
b) "Financial assets designated at fair value" including debt securities and loans, measured at profit and loss in accordance with 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 an accounting mismatch;
c) "Other financial assets mandatorily measured at fair value" including 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 by solely payments of principal and interests (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 as hedging instruments, operational hedging derivatives, as well as embedded derivatives in complex financial contracts, whose host contract is a financial liability, which were recognised separately because:
- the financial characteristics and risks are not closely related 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 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 aims to align 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 be both positive and negative, 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 accordance with 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 trade 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 not 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 gains and losses and margins of operational hedging derivatives. The gains and losses 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 significant portion 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 any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining 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 (FVTOCI)

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.

Under this item are also recognised 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 recognising the subsequent changes in the fair value of the instrument through other comprehensive income (FVTOCI option[49]) has been irrevocably exercised.

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 measured 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.

49 Fair Value Through Other Comprehensive Income option.

If these financial assets are derecognised, the cumulative gains or losses, previously recognised in the other 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 an impairment loss 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)[50].

For financial assets that are performing (stages 1 and 2) impairment is calculated based on 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 impairment 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 other 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 significant portion 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 any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining 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.

50 The new rules under Art. 178 of Regulation (EU) no. 575/2013 govern the definition of prudential default of an obligor. Specifically, a default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place:
- objective condition (“past-due criterion”) — the obligor is past due more than 90 consecutive days on any material credit obligation (in the case of approach at obligor level, in order to determine whether the obligation is material reference is made to all the obligations of the same obligor to the institution);
- subjective condition (“*unlikeliness to pay*”) — the institution considers that the obligor is unlikely to pay its credit obligation (or obligations, in the approach at obligor level) without recourse by the institution to actions such as realising security.

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 business and 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 in case of positively verified milestones of the above mentioned works. 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 IFRS.

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) impairment is calculated based on 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 impairment 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.

Non-performing 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 significant portion 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 any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining 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 hedge 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%;
- hedges of a net investment in a foreign operation are accounted for in the same way as cash flow hedges.

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 recognition 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, included in a group of 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 hedges measured with reference to the hedged risk 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 expenses, 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 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 value of the investment in the separate financial statements that exceeds the carrying value, 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)[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 amount is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. If the reasons causing the impairment 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 carrying value that would have existed if no impairment had been previously recognised. Both the impairment 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

The item includes both the operating assets governed by IAS 16 and the investment property governed by IAS 40, as well as inventories of property, plant and equipment governed by IAS 2. Also included are rights of use acquired under a lease and relating to the use of property, plant and equipment (for the lessees[52]), assets granted under an operating lease (for the lessors), as well as leasehold improvements, provided they relate to identifiable and separable property, plant and equipment.

"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 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 income in the comprehensive income (or statement of comprehensive income for financial companies) for the year when the dividend is declared (i.e. dividends declared in 2017, representing the distribution of the net income for 2016, larger than the total comprehensive income for 2017). In order to conduct the impairment test for the reporting 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.

52 Lease liabilities recognised as the lessee in lease transactions are recorded under financial liabilities measured at amortised cost.

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 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%	3.0%
Movables	12.0%	15.0%
Electrical plant	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%

Land and art work are not depreciated 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 impairment indicators are identified, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less any costs of disposal, and the associated value in use of the asset (that is 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 impairment loss 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 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 (3% depreciation rate) 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.

The "right-of-use assets" (RoU) under lease agreements are recognised by the lessee at the commencement date, namely on the date that the asset is made available to the lessee and is initially valued at cost. In order to match the asset consisting of the right of use, the lessee enters a liability corresponding to the current value of the payments due for the lease. The discount rate to be used is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. In the event of operating sublease agreements, the sub-lessor enters the right of use among the Investment property.

The right of use is amortised on a straight-line basis throughout the lease term which includes the non-cancellable period of a lease and the options for renewal, if the lessee has a reasonable certainty of exercising it.

During the lease term, the carrying value of the right of use is adjusted in the event of a change to the lease term or to the lease payments, and also for changes to the lease contract which increase or reduce the scope of the lease.

As regards property, plant and equipment recognised in accordance with IAS 2, these are measured at the lower of cost and net realisable value. The carrying amount of the asset is anyway compared with its recoverable amount, where there is some evidence that shows that the asset may have incurred 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 recognised.

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 Arts. 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 provision 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 provisions 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 time value 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 recognised to the balance sheet. However, they are disclosed in the notes, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The provisions 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 any changes in value 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 significant portion 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". 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 - 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 (Art. 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 (Art. 2120 of the Italian Civil Code).

Interest income and expense

Interest income and expense is recognised in the income statement, on a pro-rata 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 classified as interests.

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.

Business combinations

A business combination involves the transfer of control over a business activity or, more generally, a company.

Business combinations are accounted for using the purchase method, which requires: (i) identification of the acquirer; (ii) measurement of the cost of the combination; (iii) Purchase Price Allocation.

Transactions involving two or more companies or business activities belonging to the Group that are carried out for reorganisation purposes are not considered business combinations. Such transactions ("*business combinations under common control*") are excluded from the scope of application of IFRS 3 and, in the absence of a reference standard, are accounted for based on Assirevi's preliminary interpretations/guidelines, i.e. they are recognised according to the principle of continuity of values when they do not have a significant influence on future cash flows.

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 inferable. 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 Function 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 interest rate and currency 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 consisting 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 2020.

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:
- 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 counterparty credit rating and underlyings;
- 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 euro)	Fair value liabilities (thousands of euro)	Measurement techniques	Non-observable parameters
Debt securities	92,688		Cash flow discounting models	Credit and liquidity spread
Equity securities	47,700		Equity multiple	Equity multiple
Units in collective investment undertakings	3,043,120		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 Risk Management Function. 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.

Asset-Backed Securities

For asset-backed securities that have not passed the SPPI test required by IFRS 9, there is no listing on an active market. Their fair value is established according to model-based prices produced by specialist providers in the sector, which, in view of the assumptions underlying certain relevant parameters for the valuation (such as default and prepayment rates, determining their amortisation profile, and pricing spreads), is classified at level 3 of the fair value hierarchy. Considering the low notional value of the securities and their limited residual life, the analysis of sensitivity to these parameters results in insignificant changes to the value of the assets.

NAV Adjustment

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. In this case, the fair value corresponds to the NAV of the fund, adjusted, if necessary, to take into account certain specific characteristics, purely for illustrative and non-exhaustive purposes, such as elements occurring between the reference date of the last available NAV and the valuation date, transactions on the shares of the fund being valued, any discounts relating to potential illiquidity of the shares held and any other information that may be disclosed by the manager with a significant impact on the fair value of the assets held by the fund.

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) Financial assets/liabilities measured at fair value	31/12/2020			31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss:		238,760	3,135,808		132,354	2,745,267
a) financial assets held for trading		238,760			132,354	
b) financial assets designated at fair value						
c) other financial assets mandatorily at fair value			3,135,808			2,745,267
2. Financial assets measured at fair value through other comprehensive income	13,016,571		47,700	12,085,491		46,880
3. Hedging derivatives		444,687			381,346	
4. Property, plant and equipment						
5. Intangible assets						
Total assets	**13,016,571**	**683,447**	**3,183,508**	**12,085,491**	**513,700**	**2,792,147**
1. Financial liabilities held for trading		209,820			121,144	7,786
2. Financial liabilities at fair value						
3. Hedging derivatives		4,320,965			2,682,555	
Total liabilities		**4,530,785**			**2,803,699**	**7,786**

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							
(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	Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**2,745,267**			**2,745,267**	**46,880**			
2. Increases	**679,961**			**679,961**	**11,671**			
2.1 Purchases	647,170			647,170	998			
2.2 Profits taken to:	32,791			32,791	10,673			
2.2.1 Income statement	32,791			32,791	10,673			
- *of which capital gains*	*25,703*			*25,703*				
2.2.2 Equity	X	X	X	X				
2.3 Transfers from other levels								
2.4 Other increases								
3. Decreases	**289,420**			**289,420**	**10,851**			
3.1 Sales								
3.2 Repayments	157,644			157,644	10,673			
3.3 Losses taken to:	131,776			131,776	178			
3.3.1 Income statement	131,776			131,776	178			
- *of which capital losses*	*131,751*			*131,751*	*178*			
3.3.2 Equity	X	X	X	X				
3.4 Transfers to other levels								
3.5 Other decreases								
4. Closing balance	**3,135,808**			**3,135,808**	**47,700**			

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	**7,786**		
2. Increases	**68**		
2.1 Issues			
2.2 Losses taken to:	68		
2.2.1 Income statement	68		
- *of which: capital losses*			
2.2.2 Equity	X		
2.3 Transfers from other levels			
2.4 Other increases			
3. Decreases	**7,854**		
3.1 Repayments	7,843		
3.2 Buybacks			
3.3 Profits taken to:	11		
3.3.1 Income statement	11		
- *of which: capital gains*			
3.3.2 Equity	X		
3.4 Transfers to other levels			
3.5 Other decreases			
4. Closing balance			

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	31/12/2020				31/12/2019			
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	357,881,983	49,366,554	17,801,826	315,756,017	337,105,175	59,226,682	3,996,804	291,052,957
2. Investment property, plant and equipment	236,292			236,292	236,889			236,889
3. Non-current assets and disposal groups held for sale								
Total	**358,118,275**	**49,366,554**	**17,801,826**	**315,992,309**	**337,342,064**	**59,226,682**	**3,996,804**	**291,289,846**
1. Financial liabilities measured at amortised cost	378,819,557	9,867,903	13,327,720	356,953,112	356,166,295	4,921,302	16,212,418	335,717,418
2. Liabilities associated with non-current assets and disposal groups held for sale								
Total	**378,819,557**	**9,867,903**	**13,327,720**	**356,953,112**	**356,166,295**	**4,921,302**	**16,212,418**	**335,717,418**

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, the so-called "day one profit/loss", cannot be recognised immediately through profit or loss.

Subsequently, such difference must 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)	31/12/2020	31/12/2019
a) Cash	1	3
b) Free deposits with Central Banks		
Total	**1**	**3**

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 178 million euro) and currencies (about 61 million euro).

(thousands of euro) Items/Values	31/12/2020			31/12/2019		
	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		238,760			132,354	
1.1 Trading		238,760			132,354	
1.2 Associated with fair value option						
1.3 Other						
2. Credit derivatives						
2.1 Trading						
2.2 Associated with fair value option						
2.3 Other						
Total (B)		**238,760**			**132,354**	
Total (A + B)		**238,760**			**132,354**	

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

(thousands of euro) Items/Values	31/12/2020	31/12/2019
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 companies		
2. Equity securities		
a) Banks		
b) Other financial companies		
- *of which: insurance companies*		
c) Non-financial companies		
d) Other issuers		
3. Units in collective investment undertakings		
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 (A)		
B. Derivatives		
a) Central counterparties		
b) Other	238,760	132,354
Total (B)	**238,760**	**132,354**
Total (A + B)	**238,760**	**132,354**

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	31/12/2020			31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities			92,688			129,446
1.1 Structured securities						
1.2 Other debt securities			92,688			129,446
2. Equity securities						
3. Units in collective investment undertakings			3,043,120			2,615,821
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
Total			**3,135,808**			**2,745,267**

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	31/12/2020	31/12/2019
1. Equity securities		
of which:		
- *banks*		
- *other financial companies*		
- *non-financial companies*		
2. Debt securities	**92,688**	**129,446**
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies	92,688	129,446
- *of which: insurance companies*		
e) Non-financial companies		
3. Units in collective investment undertakings	**3,043,120**	**2,615,821**
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	**3,135,808**	**2,745,267**

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	31/12/2020			31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	12,449,055			11,248,804		
1.1 Structured securities						
1.2 Other debt securities	12,449,055			11,248,804		
2. Equity securities	567,516		47,700	836,687		46,880
3. Loans						
Total	**13,016,571**		**47,700**	**12,085,491**		**46,880**

Investments in debt securities included in this item, equal to 12,449 million euro, increased with respect to the end of 2019 (+1,200 million euro) and consisted for approximately 10,170 million euro of Italian government securities (+1,391 million with respect to the end of 2019).

Investments in equity securities amounted to approximately 615 million euro (-268 million euro compared to the end of 2019). The decrease is mainly attributable to the effect of the fair value measurement of the equity investment in TIM S.p.A.

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by debtor/issuer

(thousands of euro) Items/Values	31/12/2020	31/12/2019
1. Debt securities	**12,449,055**	**11,248,804**
a) Central banks		
b) General governments	10,707,216	9,361,487
c) Banks	1,045,902	1,157,033
d) Other financial companies	533,631	552,556
- *of which: insurance companies*		
e) Non-financial companies	162,306	177,728
2. Equity securities	**615,216**	**883,567**
a) Banks	41,702	41,881
b) Other issuer:	573,514	841,686
- other financial companies		
- *of which: insurance companies*		
- non-financial companies	573,514	841,686
- 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	**13,064,271**	**12,132,371**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and accumulated impairment

(thousands of euro)	Gross value: Stage 1	Gross value: of which: instruments with low credit risk	Gross value: Stage 2	Gross value: Stage 3	Accumulated impairment: Stage 1	Accumulated impairment: Stage 2	Accumulated impairment: Stage 3	Accumulated partial write off (*)
Debt securities	12,426,099		38,211		(14,749)	(506)		
Loans								
Total 31/12/2020	**12,426,099**		**38,211**		**(14,749)**	**(506)**		
- *of which: non-performing financial assets acquired or originated 31/12/2020*	*X*	*X*			*X*			
Total 31/12/2019	**11,231,436**		**32,347**		**(13,141)**	**(1,838)**		

(*) Value to be shown for information purposes.

3.3a Loans measured at fair value through other comprehensive income subject to Covid-19 support measures: gross value and accumulated impairment

There are no loans measured at fair value through other comprehensive income subject to Covid-19 support measures.

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) Type of transactions/Values	Total 31/12/2020						Total 31/12/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	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	**22,919,752**					**22,919,510**	**13,286,945**					**13,286,945**
1. Fixed-term deposits				X	X	X				X	X	X
2. Reserve requirement	22,900,167			X	X	X	13,286,945			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other	19,585			X	X	X				X	X	X
B. Loans to banks	**16,306,699**			**44,155**		**17,609,657**	**13,744,054**			**673,454**		**13,787,620**
1. Loans	14,463,840					15,734,471	12,184,309					12,894,581
1.1 Current accounts and demand deposits	290,990			X	X	X	138,551			X	X	X
1.2 Fixed-term deposits				X	X	X	64,031			X	X	X
1.3 Other financing	14,172,850			X	X	X	11,981,727			X	X	X
- repurchase agreements				X	X	X				X	X	X
- finance leases				X	X	X				X	X	X
- other	14,172,850			X	X	X	11,981,727			X	X	X
2. Debt securities	1,842,859			44,155		1,875,186	1,559,745			673,454		893,039
2.1 Structured				X	X	X				X	X	X
2.2 Other debt securities	1,842,859			X	X	X	1,559,745			X	X	X
Total	**39,226,451**			**44,155**		**40,529,167**	**27,030,999**			**673,454**		**27,074,565**

Loans to banks totalled 39,226 million euro (+12,195 million euro compared to the end of 2019) and consist mainly of:
- loans for approximately 10,691 million euro (+1,325 million euro compared to 2019);
- the balance on the management account of the Reserve requirement, which decreased to around 22,900 million euro (around +9,613 million euro compared to 2019);
- current account balances of approximately 291 million euro (+152 million euro compared to 2019);
- deposits for Credit Support Annexes (cash collateral) held with banks hedging counterparty risk on derivatives, for approximately 3,502 million euro (approximately +886 million euro compared to 2019);
- debt securities for approximately 1,843 million euro (+283 million euro approximately with respect to 2019).

4.2 Financial assets measured at amortised cost: breakdown by type of loans to customers

(thousands of euro) Type of transactions/Values	Total 31/12/2020						Total 31/12/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	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	**251,581,423**	**185,316**				**270,476,797**	**245,502,199**	**200,971**				**259,749,351**
1.1 Current accounts	5,754			X	X	X	3,094			X	X	X
1.1.1 Cash and cash equivalents held with Central State Treasury	154,976,629			X	X	X	150,947,180			X	X	X
1.2 Repurchase agreements	1,522,479			X	X	X	2,362,762			X	X	X
1.3 Loans	93,383,885	177,626		X	X	X	88,476,467	199,110		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 leases	14,380			X	X	X	15,122			X	X	X
1.6 Factoring				X	X	X				X	X	X
1.7 Other	1,678,296	7,690		X	X	X	3,697,574	1,861		X	X	X
2. Debt securities	**66,888,792**			**49,322,399**	**17,801,826**	**4,750,053**	**64,371,006**			**58,553,228**	**3,996,804**	**4,229,041**
2.1 Structured securities				X	X	X				X	X	X
2.2 Other debt securities	66,888,792			X	X	X	64,371,006			X	X	X
Total	**318,470,215**	**185,316**		**49,322,399**	**17,801,826**	**275,226,850**	**309,873,205**	**200,971**		**58,553,228**	**3,996,804**	**263,978,392**

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 table provides a breakdown of the positions by technical form.

Starting from 1 January 2020, with respect to the cash and cash equivalents held with the Central State Treasury, account no. 29814, called "Cassa DP S.p.A. - Gestione Separata", which comprises the liquidity generated by Separate Account transactions of CDP, the Ministry of the Economy and Finance pays CDP interest based on a rate equal to the lower between:
- the cost of Postal Savings incurred by CDP;
- the average cost of the stock (balance) of national government securities[53].

53 The average cost of the stock (balance) of government securities and the cost of Postal Savings are determined as a forecast for the first half of the year and definitively, possibly adjusted for any difference, for the whole of the year.

The volume of mortgage loans and other financing amounted to approximately 95,247 million euro (+2,872 million euro compared to the end of 2019). Reverse repurchase agreements amounted to approximately 1,522 million euro (-840 million euro compared to the end of 2019).

The volume of debt securities recognised in this item was approximately equal to 66,889 million euro (of which 60,960 million euro in Italian government securities), up by 2,518 million euro with respect to the end of 2019 (of which +1,735 for investments in Italian government securities).

The item also includes finance leases, amounting to approximately 14 million euro, originating at the time of first application of IFRS 16 on leases and subsequently relating to sublease contracts with Group companies that can be classified as finance leases.

4.3 Financial assets measured at amortised cost: breakdown by debtor/issuer of loans to customers

(thousands of euro) Type of transactions/Values	31/12/2020 Stage 1 and 2	Stage 3	Of which: impaired acquired or originated	31/12/2019 Stage 1 and 2	Stage 3	Of which: impaired acquired or originated
1. Debt securities	**66,888,792**			**64,371,006**		
a) General governments	61,921,041			60,177,603		
b) Other financial companies	1,263,636			1,081,850		
- *of which: insurance companies*						
c) Non-financial companies	3,704,115			3,111,553		
2. Loans	**251,581,423**	**185,316**		**245,502,199**	**200,971**	
a) General governments	233,194,335	23,700		227,195,211	20,849	
b) Other financial companies	3,410,140			4,500,647		
- *of which: insurance companies*	*2,320*			*2,569*		
c) Non-financial companies	14,962,322	159,251		13,789,819	177,192	
d) Households	14,626	2,365		16,522	2,930	
Total	**318,470,215**	**185,316**		**309,873,205**	**200,971**	

4.4 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 off (*)
Debt securities	68,399,588		532,275		(76,228)	(123,984)		
Loans	276,666,235		13,046,960	299,404	(270,550)	(477,630)	(114,088)	
Total 31/12/2020	**345,065,823**		**13,579,235**	**299,404**	**(346,778)**	**(601,614)**	**(114,088)**	
- *of which: impaired financial assets acquired or originated 31/12/2020*	*X*	*X*			*X*			
Total 31/12/2019	**324,527,331**		**13,152,213**	**344,500**	**(278,694)**	**(496,646)**	**(143,529)**	

(*) Value to be shown for information purposes.

4.4a Loans measured at amortised cost subject to Covid-19 support measures: 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
1. Loans subject to moratoria compliant with the GL	3,450,846		555		(3,873)	(3)	
2. Loans subject to forbearance measures							
3. New loans	871,868				(2,673)		
Total 31/12/2020	**4,322,714**		**555**		**(6,546)**	**(3)**	

This table shows the loans, with details of gross amount and accumulated impairment, broken down by risk status, subject to Covid-19 support measures. The line "Loans granted in accordance with the GLs" shows the loans subject to a moratorium that fall within the scope of the "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid 19 crisis*" published by the EBA (EBA/GL/2020/02) and as amended and supplemented. The line "New loans" reports the loans which represent new liquidity backed by public guarantees.

Section 5 - Hedging Derivatives - Item 50

5.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	Fair value 31/12/2020			Notional value 31/12/2020	Fair value 31/12/2019			Notional value 31/12/2019
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives		**444,687**		**10,160,472**		**381,346**		**12,997,236**
1) Fair value		432,058		9,997,486		377,201		12,819,205
2) Cash flow		12,629		162,986		4,145		178,031
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**444,687**		**10,160,472**		**381,346**		**12,997,236**

Micro-hedging, fair value and cash flow derivatives that had a positive value as at 31 December 2020 were equal to approximately 445 million euro. There were no macro-hedging derivatives with a positive fair value at the end of the period.

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									
	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Credit	Commodities	Other	Generic	Specific	Generic	
1. Financial assets measured at fair value through other comprehensive income					X	X	X		X	X
2. Financial assets measured at amortised cost		X	125,500		X	X	X	12,629	X	X
3. Portfolio	X	X	X	X	X	X		X		X
4. Other							X		X	
Total assets			**125,500**					**12,629**		
1. Financial liabilities	306,558	X					X		X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities	**306,558**									
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	31/12/2020	31/12/2019
1. Positive fair value change	**2,531,890**	**1,481,927**
1.1 Of specific portfolios:	2,531,890	1,481,927
a) financial assets measured at amortised cost	2,531,890	1,481,927
b) financial assets measured at fair value through other comprehensive income		
1.2 Overall		
2. Negative fair value change	**(57)**	**(14,584)**
2.1 Of specific portfolios:	(57)	(14,584)
a) financial assets measured at amortised cost	(57)	(14,584)
b) financial assets measured at fair value through other comprehensive income		
2.2 Overall		
Total	**2,531,833**	**1,467,343**

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	31/12/2020	31/12/2019
1. Financial assets measured at amortised cost	14,225,863	13,629,556
2. Financial assets measured at fair value through other comprehensive income		
3. Portfolio		
Total	**14,225,863**	**13,629,556**

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					
CDP Equity S.p.A.	Milan	Milan	100.00%	100.00%	**4,429,715**
SACE S.p.A.	Rome	Rome	100.00%	100.00%	**4,251,174**
CDP Reti S.p.A.	Rome	Rome	59.10%	59.10%	**2,017,339**
CDP Industria S.p.A.	Rome	Rome	100.00%	100.00%	**1,556,998**
Fintecna S.p.A.	Rome	Rome	100.00%	100.00%	**944,354**
CDP Immobiliare S.r.l.	Rome	Rome	100.00%	100.00%	**464,591**
ITsART S.p.A.	Milan	Milan	51.00%	75.74%	**6,245**
CDP Immobiliare SGR S.p.A.	Rome	Rome	70.00%	70.00%	**1,400**
C. Companies subject to significant influence					
Eni S.p.A.	Rome	Rome	25.96%	25.96%	**15,281,632**
Poste Italiane S.p.A.	Rome	Rome	35.00%	35.00%	2,930,258
Redo SGR S.p.A.	Milan	Milan	30.00%	30.00%	6,000
Elite S.p.A.	Milan	Milan	15.00%	15.00%	2,508
Europrogetti & Finanza S.p.A. in liquidazione	Rome	Rome	31.80%	31.80%	
Total					**31,892,214**

At 31 December 2020, equity investments amounted to approximately 31,892 million euro, up on the 2019 year-end balance (about +1,184 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)	31/12/2020	31/12/2019
A. Opening balance	**30,708,619**	**30,316,282**
B. Increases	**1,183,595**	**2,100,022**
B.1 Purchases	1,183,595	2,006,975
- *of which: business combinations*		*1,680,767*
B.2 Writebacks		93,047
B.3 Revaluations		
B.4 Other increases		
C. Decreases		**1,707,685**
C.1 Sales		1,675,626
- *of which: business combinations*		*1,675,626*
C.2 Writedowns		31,700
C.3 Impairment losses		
C.4 Other decreases		359
D. Closing balance	**31,892,214**	**30,708,619**
E. Total revaluations		
F. Total writedowns	**1,755,037**	**1,755,037**

During 2020, CDP's main investments included:
- the increase in the investment in CDP Equity (about 1,118 million euro), aimed at pursuing its business support activities and used mainly to provide financial support to the subsidiary Ansaldo Energia and to the Open Fiber investment plan, the subscription of the funds promoted by the subsidiaries CDP Venture Capital Sgr and FII Sgr as well as the support to the development of infrastructure initiatives in the energy sector;
- payments in favour of CDP Immobiliare (for approximately 53 million euro), aimed at investment transactions on the existing portfolio;
- the initial capitalisation of ITsART (for approximately 6 million euro), a company founded by CDP and its industrial partner Chili with the support of the Ministry of Cultural Heritage and Assets and Tourism to seize the opportunities for digitisation of the performing arts and culture sectors and the equity investment in Redo Sgr (6 million euro) aimed at the development of social housing, university building and urban regeneration projects with a social impact.

7.6 Commitments relating to joint operations

As at 31 December 2020, there were no commitments relating to joint operations.

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

CDP's equity investment portfolio includes listed and unlisted companies of major national interest, which are also pivotal in the promotional activity of supporting the growth and international expansion of businesses and the development of infrastructure. In its capacity as a National Promotional Institution, CDP invests in companies' share capital, mainly over a long-term horizon.

At each reporting date, CDP conducts an assessment to detect the presence of indicators of impairment under IAS 36 and of any additional indicators, where applicable, also considering the indications of national and international regulators on financial reporting relating to risks, uncertainties, estimates, assumptions and assessments as well as the difficulties related to the impacts of the health crisis due to the spread of Covid-19. In this regard, the global spread of Covid-19 and the resulting impacts on economic activity have increased the level of uncertainty, hence making it more complex to make quantitative estimates, for example, cash flows from equity investments, also due to the increased uncertainty in the assumptions and parameters at the basis of the asset valuation analyses.

Specifically, in light of the above, note that:
- the estimates have been made also considering stock prices and market parameters which are subject to fluctuation, even significant, due to the ongoing turbulence and volatility of the markets, also as a result of the Covid-19 outbreak;
- the evaluations were made using forecast data. Such forecasts are, by their nature, random and uncertain in that they are sensitive to changes in macroeconomic variables and to events outside the company's control. They are also based on a set of assumptions linked to future events and actions of management, which may not necessarily happen. In view of the uncertainty surrounding any future event - both as regards the actual occurrence of the event and in terms of when and to what extent it may happen - the differences between actual values and estimated values might be significant, even if the events at the basis of the forecast assumptions were to occur. This limit is even more pronounced in the current situation of uncertainty linked to the future impacts of the Covid-19 outbreak.

It is therefore important to highlight that there is strong uncertainty about the possible duration of the impacts of the pandemic, making it difficult to predict the associated short and medium-term impacts. This significantly increases the complexity and uncertainty of the estimates made, given that the underlying assumptions and conditions might be subject to further review, to take into account developments outside the management's control, thus resulting in unexpected and unforeseeable impacts. Therefore, there is a need to constantly monitor the evolution of these elements in the current context.

For further details, please refer to the more extensive description in part A.1 of Section 4 - Other issues and A.2 - The main financial statement items, of Notes to the Financial Statements.

The indicators of impairment (so-called triggers) and objective evidence of impairment are assessed on the basis of information taken from public sources or of any additional information received by the investees.

Specifically, at 31 December 2020, impairment triggers activated on all the equity investments in CDP's portfolio with the exception of Poste Italiane, CDP Reti, CDP Immobiliare Sgr, ITsART and Redo Sgr.

The following summary table lists of the equity investments recognised in the separate financial statements and accounted for using the cost approach, with indication of the carrying value and the methods used to calculate the recoverable amount for the purpose of the impairment test:

(thousands of euro) Company name	Carrying amount	Recoverable amount	Methodology used
SACE S.p.A.	4,251,174	Fair value	Transaction in progress
CDP Equity S.p.A.	4,429,715	Value in use	Adjusted equity
Fintecna S.p.A.	944,354	Value in use	Adjusted equity
CDP Industria S.p.A.	1,556,998	Value in use	Adjusted equity
CDP Immobiliare S.r.l.	464,591	Value in use	Adjusted equity
Eni S.p.A.	15,281,632	Value in use	Sum of the parts (DCF for the main business unit E&P)

Eni

The recoverable amount of the equity investment in Eni was measured at value in use based on the discounted cash flow method for the main business unit (Exploration & Production) and taking into account the value of the other residual business units, so as to reflect the specificity of the different business segments it operates in. More specifically:

- for the Exploration & Production sector, the largest, the discounted cash flow (unlevered DCF) method was used, based on a closed portfolio model which develops and measures the entirety of the group's oil and natural gas reserves until stocks are exhausted over a specific multi-stage forecast period that extends until 2050 (without components of value in perpetuity):
  - production volumes were calculated starting from current proven reserves communicated by Eni and on the assumption that by 2035 about 80% of the proven and unproven reserves (i.e. possible and probable, adequately risked) will be produced, in line with what was declared by Eni. While production volumes after 2035 have been calculated on the assumption that proven and uncertain reserves will be exhausted in 2050;
  - sales prices were calculated on the basis of the geographical macro-area the mineral reserves belong to, taking into account the spread between the unit sales prices published by Eni and the value of Brent for oil or the virtual trading point (VTP) for gas, at the expected values of the two indices. These values are aligned with the updated scenario for the crude oil in question published by Eni in its 2021-2024 strategic plan, which highlights a Brent price of 61.2 Usd/bbl and a virtual trading point price of 181 euro/kcm for 2024;
  - unit operating costs were estimated on a constant basis by geographical macro-area of mineral reserves, taking into account technological progress and the resulting cost efficiency process;
  - investments were estimated in a differentiated manner for proven reserves and possible/probable reserves by referring to the current expenditure per barrel produced – including development costs – that Eni incurs in areas where it has historically been present, and prospectively considering an improvement in efficiency in real terms;
  - The WACC was estimated applying the Capital Asset Pricing Model for the cost of equity and based on the cost of the company's indebtedness for debt. The capital structure was estimated starting from a panel of comparable companies, adjusted to take into account the specificity of E&P;
- mainly considering the limited contribution to the overall value in use of the equity investment and the significant sensitivity of the results to long-term forecasts in the current context of uncertainty connected with the expected energy transition process, for sectors other than "Exploration & Production", net invested capital was used as the best estimate of recoverable amount, except for the investment in Eni Gas & Luce, for which the multiples method of a panel of comparable listed companies (P/E multiple) was used.

The impairment test found that the recoverable amount was essentially in line with the carrying value of the equity investment in the separate financial statements, and consequently its carrying amount value was confirmed. Sensitivity analyses were performed on the main assumptions and variables used in estimating the value in use, with particular reference to the Brent prices for oil and VTP for gas as well as the WACC discount rate, which show that any even minor negative changes in the main assumptions at the basis of the test would result in recoverable amount lower than the carrying value of the equity investment, not factoring in effects of the consequential actions that the company's management could implement.

SACE

In accordance with IAS 36, the recoverable amount of the equity investment held in SACE was identified as the fair value. The calculation was made on the basis of the hypothesis of agreement defined in the context of the reorganisation of the SACE group provided for by Law Decree no. 104 of 2020 (so-called "August Decree"). In particular, the transaction value, defined at the level of hypothesis of agreement and considered fair by a primary independent advisor, confirms the current book value of the investment.

CDP Equity

In accordance with IAS 36 and given CDP Equity's status as a holding company, the recoverable amount was determined by estimating the company's NAV at 31 December 2020, prepared with the support of an independent appraiser. The recoverable amount of the companies and vehicles invested in by CDP Equity was determined by adopting the methodologies used in valuation practice and based on the specific nature of the individual asset (e.g. DCF, DDM, Transactions).

The impairment test found that the recoverable amount was higher than the carrying value of the equity investment and, consequently, the book value of the equity investment was confirmed.

Fintecna

In accordance with IAS 36 the recoverable amount was calculated of the equity investment based on the equity at 31 December 2020, adjusted for the differences found between the current values of the assets and liabilities and the corresponding carrying amounts, net of the related tax effects (adjusted equity). Specifically, given the nature of Fintecna's business, which is mainly engaged in managing litigation and liquidation activities, net equity was adjusted to take into account the cash flows connected with this activity. In particular, in order to determine the recoverable amount and the above-mentioned adjustments, alternative scenarios were envisaged for the main values, defined on the basis of management's forecasts and the application of prudential assumptions.

The impairment test found that the recoverable amount was higher than the carrying value of the equity investment and, consequently, the carrying amount of the equity investment was confirmed.

CDP Immobiliare

In accordance with IAS 36, the recoverable amount of the equity investment was determined based on the company's equity at 31 December 2020. In particular, given the nature of CDP Immobiliare's business (as a company engaged in the leveraging of its real estate assets and, at the same time, a holding company) and its financial and operating characteristics, the recoverable amount of the equity investment was estimated using the equity method, adjusted to account for: (i) the current values of assets and liabilities and (ii) the prospective net income flows not reflected in the estimate of the current values of the assets and liabilities.

The impairment test found that the recoverable amount was essentially in line with the carrying value of the equity investment and, consequently, the carrying amount of the equity investment was confirmed.

CDP Industria

In accordance with IAS 36 the recoverable amount was calculated starting from the company's equity at 31 December 2020, adjusted to account for the current value of the equity investments held in Saipem and Fincantieri.

The impairment test found that the recoverable amount was higher than the carrying value of the equity investment and, consequently, the carrying amount of the equity investment was confirmed.

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	31/12/2020	31/12/2019
1. Owned	**106,686**	**103,850**
a) Land	62,276	62,276
b) Buildings	31,131	31,720
c) Movables	3,023	2,440
d) Electrical plant	2,774	1,779
e) Other	7,482	5,635
2. Right of use acquired under leases	**30,406**	**11,831**
a) Land		
b) Buildings	29,081	11,690
c) Movables		
d) Electrical plant	101	141
e) Other	1,224	
Total	**137,092**	**115,681**
- *of which: obtained via the enforcement of the guarantees received*		

The item “rights of use acquired under a lease” contains the values recorded as a result of applying the IFRS 16 on leases, in relation to operating leases for which CDP is the lessee.

8.2 Investment property: breakdown of assets measured at cost

(thousands of euro) Assets/Values	31/12/2020				31/12/2019			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	**225,414**			**225,414**	**225,301**			**225,301**
a) Land	55,130			55,130	55,130			55,130
b) Buildings	170,284			170,284	170,171			170,171
2. Right of use acquired under leases	**10,878**			**10,878**	**11,588**			**11,588**
a) Land								
b) Buildings	10,878			10,878	11,588			11,588
Total	**236,292**			**236,292**	**236,889**			**236,889**
- *of which: obtained via the enforcement of the guarantees received*								

Investment property consists of a property leased out during the previous financial year.

The item “rights of use acquired under a lease” contains the values recorded as a result of applying the IFRS 16 on leases, in relation to property operating leases for which CDP is the lessee, for the portion subject to subsequent sublease to Group companies, classifiable as an operating lease.

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	**62,276**	**65,739**	**13,439**	**13,729**	**31,259**	**186,442**
A.1 Total net writedowns		(22,329)	(10,999)	(11,809)	(25,624)	(70,761)
A.2 Opening net balance	**62,276**	**43,410**	**2,440**	**1,920**	**5,635**	**115,681**
B. Increases		**27,343**	**1,243**	**1,958**	**5,315**	**35,859**
B.1 Purchases		26,350	682	1,352	5,315	33,699
B.2 Capitalised improvement costs		9				9
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		984	561	606		2,151
C. Decreases		**10,541**	**660**	**1,003**	**2,244**	**14,448**
C.1 Sales						
C.2 Depreciation		3,628	618	997	834	6,077
C.3 Writedowns for impairment recognised in:						
a) equity						
b) income statement						
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:		563				563
a) investment property		563	X	X	X	563
b) non-current assets and disposal groups held for sale						
C.7 Other changes		6,350	42	6	1,410	7,808
D. Closing net balance	**62,276**	**60,212**	**3,023**	**2,875**	**8,706**	**137,092**
D.1 Total net writedowns		(25,699)	(11,074)	(12,674)	(26,456)	(75,903)
D.2 Closing gross balance	**62,276**	**85,911**	**14,097**	**15,549**	**35,162**	**212,995**
E. Measurement at cost						

The following items are recorded with reference to the rights of use acquired under a lease:

- rights of use originating during the period, reported under item "B.1 purchases" amounting to 26,350 thousand euro for buildings, 25 thousand euro for electronic plant and 1,425 thousand euro for other tangible assets;
- depreciation in the income statement amounting to 2,045 thousand euro for buildings, 66 thousand euro for electronic plant and 200 thousand euro for other tangible assets;
- transfers to rights of use for investment purposes amounting to 563 thousand euro, based on entering into operating sublease agreements with Group companies;
- reduction in the value of the right of use resulting from contractual changes and/or entering into sublease agreements of a financial nature with Group companies, with simultaneous recognition of a lease receivable in the item financial assets measured at amortised cost, reported under item "C.7 Other changes", equal to 6,350 thousand euro.

8.7 Investment property: changes for the year

(thousands of euro)	Total Land	Total Buildings
A. Opening gross balance	**55,130**	**203,197**
A.1 Total net writedowns		(21,438)
A.2 Opening net balance	**55,130**	**181,759**
B. Increases		**6,470**
B.1 Purchases		
B.2 Capitalised improvement costs		5,907
B.3 Fair value gains		
B.4 Writebacks		
B.5 Positive exchange rate differences		
B.6 Transfers from operating property		563
B.7 Other changes		
C. Decreases		**7,067**
C.1 Sales		
C.2 Depreciation		7,067
C.3 Fair value losses		
C.4 Writedowns for impairment		
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		
D. Closing net balance	**55,130**	**181,162**
D.1 Total net writedowns		(28,505)
D.2 Closing gross balance	**55,130**	**209,667**
E. Measurement at fair value	**55,130**	**181,162**

Investment property is measured at cost.

The following items are recorded with reference to the rights of use acquired under a lease:
- transfers from rights of use of a functional nature, equal to 563 thousand euro;
- depreciation in the income statement amounting to 1,273 thousand euro.

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 2020 and at 31 December 2019 and no movements occurred during the year.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown by category

(thousands of euro) Assets/Values	31/12/2020		31/12/2019	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill		X		X
A.2 Other intangible assets	**42,584**		**30,779**	
A.2.1 Assets carried at cost:	42,584		30,779	
a) internally-generated intangible assets				
b) other assets	42,584		30,779	
A.2.2 Assets carried at fair value:				
a) internally-generated intangible assets				
b) other assets				
Total	**42,584**		**30,779**	

9.2 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				**66,532**		**66,532**
A.1 Total net writedowns				(35,753)		(35,753)
A.2 Opening net balance				**30,779**		**30,779**
B. Increases				**21,447**		**21,447**
B.1 Purchases				21,447		21,447
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				**9,642**		**9,642**
C.1 Sales						
C.2 Writedowns:				8,901		8,901
- Amortisation	X			8,901		8,901
- 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				741		741
D. Closing net balance				**42,584**		**42,584**
D.1 Total net writedowns				(44,654)		(44,654)
E. Closing gross balance				**87,238**		**87,238**
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)	31/12/2020	31/12/2019
Deferred tax assets recognised in income statement	**399,834**	**379,972**
Provisions for risks and charges	89,152	68,362
Writedowns on loans	184,921	205,807
Property, plant and equipment / intangible assets	3,001	2,925
Exchange rate differences	26,731	3,897
Realignment of values pursuant to Decree Law 98/2011	95,109	98,051
Other temporary differences	920	930
Deferred tax assets recognised in equity	**37,985**	**11,755**
Financial assets measured at fair value through other comprehensive income	115	5,100
Cash flow hedge	37,870	6,655
Total	**437,819**	**391,727**

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) measurement of financial assets through other comprehensive income and cash flow hedging derivatives. Deferred tax assets 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 adoption of this standard, related to the expected losses recognised on loans to customers. On this issue, we note that, pursuant to Law no. 145 of 30 December 2018, this reserve becomes deductible for IRES and IRAP purposes in ten years.

10.2 Deferred tax liabilities: breakdown

(thousands of euro)	31/12/2020	31/12/2019
Deferred tax liabilities recognised in income statement	**22,769**	**36,114**
Capital gains on financial assets measured at fair value through profit or loss - units in collective investment undertakings	7,597	8,191
Gains/losses on exchange rates	14,187	26,933
Other temporary differences	985	990
Deferred tax liabilities recognised in equity	**165,584**	**143,818**
Financial assets measured at fair value through other comprehensive income	162,457	138,688
Other	3,127	5,130
Total	**188,353**	**179,932**

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: i) the measurement at fair value of financial assets through profit or loss; ii) the measurement of foreign currency receivables and payables; iii) the measurement at fair value of financial assets through other comprehensive income; iv) the measurement of cash flow hedging derivatives.

10.3 Changes in deferred tax assets (recognised in the income statement)

(thousands of euro)	31/12/2020	31/12/2019
1. Opening balance	**379,972**	**381,430**
2. Increases	**69,892**	**30,691**
2.1 Deferred tax assets recognised during the year:	69,892	30,691
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	69,892	30,691
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**50,030**	**32,149**
3.1 Deferred tax assets derecognised during the year:	50,030	32,149
a) reversals	50,030	32,149
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases:		
a) transformation into tax credits under Law 214/2011		
b) other		
4. Closing balance	**399,834**	**379,972**

10.4 Changes in deferred tax liabilities (recognised in the income statement)

(thousands of euro)	31/12/2020	31/12/2019
1. Opening balance	**36,114**	**24,977**
2. Increases	**3,809**	**11,722**
2.1 Deferred tax liabilities recognised during the year:	3,809	11,722
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	3,809	11,722
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**17,154**	**585**
3.1 Deferred tax liabilities derecognised during the year:	17,154	585
a) reversals	17,154	574
b) due to change in accounting policies		
c) other		11
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**22,769**	**36,114**

10.5 Changes in deferred tax assets (recognised in equity)

(thousands of euro)	31/12/2020	31/12/2019
1. Opening balance	**11,755**	**97,965**
2. Increases	**31,215**	**11,100**
2.1 Deferred tax assets recognised during the year:	31,215	11,100
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	31,215	11,100
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**4,985**	**97,310**
3.1 Deferred tax assets derecognised during the year:	4,985	97,310
a) reversals	4,985	97,310
b) writedowns for supervening non-recoverability		
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**37,985**	**11,755**

10.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euro)	31/12/2020	31/12/2019
1. Opening balance	**143,818**	**84,484**
2. Increases	**24,868**	**78,923**
2.1 Deferred tax assets recognised during the year:	24,868	78,923
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	24,868	78,923
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**3,102**	**19,589**
3.1 Deferred tax assets derecognised during the year:	3,102	19,589
a) reversals	3,102	19,589
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**165,584**	**143,818**

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 transactions/Values	31/12/2020	31/12/2019
Trade receivables and advances to public entities	159,194	165,985
Payments on account for withholding tax on postal passbooks	78,286	78,286
Receivables due from subsidiaries on consolidated taxation mechanism	857	41,309
Other receivables due from subsidiaries	11,637	11,351
Accrued income and prepaid expenses	13,607	9,895
Advances to suppliers	2,373	2,276
Leasehold improvements and expenses	2,366	2,634
Other tax receivables	499	775
Advances to personnel	167	176
Other items	9,889	12,410
Total	**278,875**	**325,097**

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 “national fiscal consolidation” mechanism;
- “Other” mainly refers to items being processed, which were mostly completed after the reporting date.

Liabilities

Section 1 - Financial liabilities measured at amortised cost - Item 10

Financial liabilities measured at amortised cost mainly include the Postal funding stock carried out by issuing Passbook savings accounts and Postal savings bonds. At 31 December 2020 the Postal funding stock amounted to 274,575,226,031 euro (+ 9,507,895,170 euro compared to the end of 2019).

1.1 Financial liabilities measured at amortised cost: breakdown by type of amounts due to banks

(thousands of euro) Type of transactions/Values	31/12/2020				31/12/2019			
	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	**19,608,631**	**X**	**X**	**X**	**2,483,946**	**X**	**X**	**X**
2. Due to banks	**25,650,912**	**X**	**X**	**X**	**27,735,866**	**X**	**X**	**X**
2.1 Current accounts and demand deposits		X	X	X		X	X	X
2.2 Time deposits	2,019,101	X	X	X	1,815,156	X	X	X
2.3 Loans	22,613,231	X	X	X	25,597,019	X	X	X
2.3.1 Repurchase agreements	17,726,595	X	X	X	21,591,003	X	X	X
2.3.2 Other	4,886,636	X	X	X	4,006,016	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
2.5 Lease liabilities		X	X	X		X	X	X
2.6 Other payables	1,018,580	X	X	X	323,691	X	X	X
Total	**45,259,543**		**522,181**	**44,945,792**	**30,219,812**		**590,966**	**29,691,345**

The item "Due to central banks", amounting to 19.6 billion euro, essentially relates to the credit facilities granted by the ECB. The increase compared to the end of 2019 (+17.1 billion euro) is due to the participation in the TLTRO III programme[54] for 4.6 billion euro and the participation in the PELTRO programme[55] for 15 billion euro, with the early repayment of the TLTRO-II programme for about 2.5 billion euro.

Repurchase agreements were equal to 17,727 million euro (-3,864 million euro compared to 2019).

Other loans, equal to 4,887 million euro (+881 million euro on 2019), relate to credit lines received from the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).

Term deposits, of 2,019 million euro (+204 million euro on 2019) refer to the balance of passbook savings accounts and postal savings bonds held by banks.

The item "Other payables" mainly refers to Credit Support Annex contracts to hedge counterparty risk on derivatives of around 1,016 million euro (+693 million euro on 2019).

54 Targeted Longer-Term Refinancing Operations.
55 Pandemic Emergency Longer-Term Refinancing Operations.

1.2 Financial liabilities measured at amortised cost: breakdown by type of amounts due to customers

(thousands of euro) Type of transactions/Values	31/12/2020 Carrying amount	31/12/2020 Fair value Level 1	31/12/2020 Fair value Level 2	31/12/2020 Fair value Level 3	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3
1. Current accounts and demand deposits	3,446,459	X	X	X	5,584,775	X	X	X
2. Time deposits	280,838,203	X	X	X	276,266,703	X	X	X
3. Loans	23,212,478	X	X	X	19,605,860	X	X	X
3.1 Repurchase agreements	23,212,478	X	X	X	19,605,860	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. Lease liabilities	54,015	X	X	X	39,208	X	X	X
6. Other payables	4,456,165	X	X	X	4,399,268	X	X	X
Total	**312,007,320**			**312,007,320**	**305,895,814**			**305,895,814**

The item includes mainly:

- postal savings bonds at amortised cost of 169,442 million euro (+7,591 million euro on 2019), net of those held by banks;
- the balance of passbook savings accounts of 103,114 million euro (+1,721 million euro on 2019), net of those held by banks;
- the balance of MEF's liquidity management transactions (OPTES), 6,997 million euro, with a substantial decrease with respect to 2019 (-5,001 million euro);
- the repurchase agreements, equal to 23,212 million euro (+ 3,607 million euro compared to 2019);
- the amounts not yet disbursed at year end on loans granted to beneficiaries, whose disbursement is subject to progress with the investments financed, of 4,037 million euro (-32 million euro on 2019);
- deposits of investees, of 4,739 million euro, as a result of the cash pooling system with the Parent Company CDP, as part of management and coordination activities (-1,912 million euro on 2019);
- deposits for Credit Support Annexes to hedge counterparty risk on derivatives, for approximately 137 million euro (+53 million euro on 2019);
- the funds received on deposit from Ministries and local authorities to be managed as part of specific agreements, equal to 96 million euro (-13 million on 2019);
- the balance of the Government Securities Amortisation Fund of 13 million euro (-40 million euro compared to 2019);
- lease liabilities for 54 million euro (+15 million euro compared to 2019), whose value is determined by the values of first application of the IFRS 16 and the value of contracts originated subsequently, in which CDP act as a lessee.

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.

In view of the persistence of a scenario of low and in particular negative rates on short to medium maturities, the percentage impact of credit spreads on total interest rates remains high, as already highlighted in previous years. Since this factor contributes to increasing the 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) Type of securities/Values	31/12/2020 Carrying amount	31/12/2020 Fair value Level 1	31/12/2020 Fair value Level 2	31/12/2020 Fair value Level 3	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3
A. Securities								
1. Bonds:	18,333,348	9,867,903	9,585,433		17,251,899	4,921,302	12,821,346	130,259
1.1 structured	50,721		41,057		50,970		55,489	
1.2 other	18,282,627	9,867,903	9,544,376		17,200,929	4,921,302	12,765,857	130,259
2. Other securities:	3,219,346		3,220,106		2,798,771		2,800,106	
2.1 structured								
2.2 other	3,219,346		3,220,106		2,798,771		2,800,106	
Total	**21,552,694**	**9,867,903**	**12,805,539**		**20,050,670**	**4,921,302**	**15,621,452**	**130,259**

Securities issued at 31 December 2020 were equal to 21,553 million euro (+1,502 million euro compared to 2019). This item also comprises:

- bonds issued under the "Euro Medium Term Notes" (EMTN) and "Debt Issuance Programme" (DIP) programmes, with a stock of 12,187 million euro (+1,838 million euro compared to the end of 2019). In 2020 issues were completed totalling 2.95 billion euro. These include:
  - the issue of the 1 billion euro Covid-19 Social Response Bond, whose proceeds have been earmarked to support the extraordinary plan of measures implemented by CDP in favour of businesses and local authorities to tackle the pandemic;
  - the issue of a 750 million euro Social Housing Bond to support social and affordable housing interventions;
  - the issue of a 750 million euro Social Bond focused on supporting Italian enterprises investing in research, development and innovation and those that have been hit hard by the Covid-19 emergency.
- 2 bonds reserved for individuals, for a total of 2,964 million euro (essentially stable compared to the end of 2019), with a nominal value of 1,500 million euro each, aimed at diversifying the sources of funding of the Separate Account;
- 4 bonds guaranteed by the Italian government, entirely subscribed by Poste Italiane, for a total carrying amount of 3,057 million euro. This amount decreased by 755 million euro compared with the end of 2019 due to the redemption of one of the bonds issued with a nominal value of 750 million euro. At the end of 2020 there are: 2 bond issued in December 2017 for a nominal value of 1,000 million euro, 2 issued in March 2018 for a total nominal value of 2,000 million euro;
- the issue of the first 1 billion Renminbi Panda bond (125 million euro at the year-end exchange rate) to finance, both directly and through Chinese banks or Chinese branches of Italian banks, branches or subsidiaries of Italian companies established in China, to support their growth. The issue, for institutional investors operating in China, is part of an issuance plan for 5 billion Renminbi approved by the People's Bank of China;
- the stock of commercial paper with a carrying amount of 3,219 million euro (+420 million euro on the 2019 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

There are no structured debts at 31 December 2020. At the end of 2019, structured debts amount to approximately 1,080 million euro, comprising postal savings bonds indexed to equity baskets from which the embedded derivative has been separated, reaching maturity during the year.

1.6 Lease liabilities

The following table shows the information required by IFRS 16, paragraphs 58 and 53 g).

(thousands of euro) Time bands	31/12/2020 Payment due for leasing	31/12/2019 Payments due for leasing
Up to 1 year	6,119	6,463
More than 1 year to 2 years	6,688	4,417
More than 2 years to 3 years	6,725	4,347
More than 3 years to 4 years	6,414	4,583
More than 4 years to 5 years	6,241	4,687
More than 5 years	26,656	19,265
Total payments due for leasing	**58,843**	**43,762**
Reconciliation with lease liabilities		
Unpaid interest expense (-)	(4,828)	(4,554)
Lease liabilities	**54,015**	**39,208**

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	31/12/2020					31/12/2019				
	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			209,820					121,144	7,786	
1.1 Trading	X		209,820		X	X		121,144		X
1.2 Associated with fair value option	X				X	X				X
1.3 Other	X				X	X			7,786	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**		**209,820**		**X**	**X**		**121,144**	**7,786**	**X**
Total (A + B)	**X**		**209,820**		**X**	**X**		**121,144**	**7,786**	**X**

(*) Fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date.

The item includes the negative fair value of interest rate derivatives for approximately 210 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

This item has a nil balance.

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 hierarchy level

(thousands of euro)	Fair value 31/12/2020			Notional value 31/12/2020	Fair value 31/12/2019			Notional value 31/12/2019
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives		**4,320,965**		**31,303,527**		**2,682,555**		**29,618,621**
1) Fair value		4,005,675		28,495,074		2,493,003		27,617,115
2) Cash flow		315,290		2,808,453		189,552		2,001,506
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**4,320,965**		**31,303,527**		**2,682,555**		**29,618,621**

Micro-hedging, fair value and cash flow derivatives, with a negative fair value as at 31 December 2020, were approximately equal to 1,828 million euro, while macro-hedging derivatives with a negative fair value, related to loan portfolios, were approximately equal to 2,493 million euro.

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

	Fair value							Cash flow		
	Specific									
(thousands of euro) Operations/Type of hedging	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Credit	Commo-dities	Other	Generic	Specific	Generic	Investment in foreign operation
1. Financial assets measured at fair value through other comprehensive income	51,087				X	X	X	2,131	X	X
2. Financial assets measured at amortised cost	1,445,347	X			X	X	X	258,592	X	X
3. Portfolio	X	X	X	X	X	X	2,492,843	X		X
4. Other							X		X	
Total assets	**1,496,434**						**2,492,843**	**260,723**		
1. Financial liabilities	16,398	X					X	54,567	X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities	**16,398**							**54,567**		
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	31/12/2020	31/12/2019
1. Positive adjustments of financial liabilities	10,352	18,699
2. Negative adjustment of financial liabilities		
Total	**10,352**	**18,699**

This item reports the net change in the value of the postal savings bonds portfolio subject to macro-hedging 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

(thousands of euro) Type of transactions/Values	31/12/2020	31/12/2019
Charges for postal funding service	433,122	451,638
Tax payables	178,661	195,293
Amounts due to subsidiaries on consolidated taxation mechanism	111,990	52,624
Other amounts due to subsidiaries	1,074	1,698
Trade payables	37,364	36,653
Items being processed	13,326	32,437
Due to social security institutions	6,015	5,163
Amounts due to employees	4,985	6,081
Other	16,657	7,847
Total	**803,194**	**789,434**

This item shows liabilities that cannot be classified under the previous items. It is analysed as follows:

- the payable to Poste Italiane of about 433 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 179 million euro, mainly regarding the substitute tax levied on interest paid on postal savings products;
- the payables to other group companies as part of the national fiscal consolidation mechanism (approximately euro 112 million).

Section 9 - Staff severance pay - Item 90

9.1 Staff severance pay: changes for the year

(thousands of euro)	31/12/2020	31/12/2019
A. Opening balance	**963**	**1,036**
B. Increases	**57**	**119**
B.1 Provision for the year	32	46
B.2 Other increases	25	73
C. Decreases	**3**	**192**
C.1 Severance payments		189
C.2 Other decreases	3	3
D. Closing balance	**1,017**	**963**

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

(thousands of euro) Items/Values	31/12/2020	31/12/2019
1. Provisions for credit risk relating to commitments and financial guarantees issued	328,620	219,382
2. Provisions on other guarantees issued and other commitments		
3. Company pensions and other post-retirement benefit obligations		
4. Other provisions:	147,005	609,444
4.1 fiscal and legal disputes	80,260	539,151
4.2 staff costs	66,033	69,581
4.3 other	712	712
Total	**475,625**	**828,826**

As at 31 December 2020, provisions for risks and charges were 476 million euro, down on the previous financial year (-353 million euro).

Provisions for credit risk from commitments and financial guarantees issued were 329 million euro, up by 109 million euro compared to the end of 2019 (of which approximately +93 million euro for the provisions for impairment for the year and +16 million euro for change in the value of financial guarantees issued).

Other provisions for risks and charges stand at 147 million euro. In January 2020 the Court of Rome, by judgment of first instance, had ordered CDP to pay in favour of Fondazione Cariverona a sum of about 432 million euro, plus interest. In June 2020 the parties reached a settlement, the terms of which provided for the payment of 265 million euro by CDP to Fondazione Cariverona.

Therefore the decrease in the provisions for legal expenses compared to the end of 2019 is mainly attributable to using the provision to pay the amount agreed in the settlement (-265 million euro) and the release of the surplus of the provision recognised at the end of 2019 (about -186 million euro).

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			**609,444**	**609,444**
B. Increases			**31,430**	**31,430**
B.1 Provision for the year			31,430	31,430
B.2 Changes due to passage of time				
B.3 Changes due to changes in discount rate				
B.4 Other increases				
C. Decreases			**493,869**	**493,869**
C.1 Use during the year			290,976	290,976
C.2 Changes due to changes in discount rate				
C.3 Other decreases			202,893	202,893
D. Closing balance			**147,005**	**147,005**

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
1. Commitments to disburse funds	44,140	85,615	194	129,949
2. Financial guarantees issued	198,602	69		198,671
Total	**242,742**	**85,684**	**194**	**328,620**

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 2020, 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 2020, the Company held treasury shares with a value of about 322 million euro, compared to a value of 489 million euro at the end of 2019, with a decrease of approximately 167 million euro due to the settlement agreement reached with Cariverona.

The treasury shares were purchased by CDP during 2013 as part of the liquidation of the shares held at the time by two Foundations, as a result of them exercising the right of withdrawal as set forth in the articles of association in force at the time. Cariverona, one of the Foundations that exercised the withdrawal, subsequently started a dispute with CDP, challenging the amount liquidated at the time. With the judgment of first instance of the Court of Rome in January 2020, CDP was ordered to pay Cariverona the sum of approximately 432 million euro, plus interest, in addition to the amount already paid in 2013. Since the value attributed to the treasury shares at the time of their purchase was recalculated, at 31 December 2019 the value of the treasury shares in the portfolio was increased as recognised in the provision for risks and charges.

On 25 June 2020, CDP and Cariverona signed a settlement agreement, under which and in full settlement of the dispute, Cariverona waived the receivable assessed by the Court of Rome in its judgment above mentioned (amounting to approximately 432 million euro, plus interest of approximately 19 million euro, for a total of approximately 451 million euro) against payment by CDP of 265 million euro.

As a result of the settlement agreement, the excess portion of the provision for risks and charges amounting to 186 million euro was released, of which 167 million euro recognised as reduction in the value of the treasury shares in the portfolio and 19 million euro recognised under item 170 "Net provisions for risks and charges" in the income statement.

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	31/12/2020	31/12/2019
Income reserves	**15,962,321**	**15,371,824**
Legal reserve	810,229	810,229
Other	15,152,092	14,561,595

The following information is provided in accordance with Art. 2427.7-*bis* of the Italian Civil Code.

(thousands of euro) Items/Values	Balance at 31/12/2020	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)	160,990	B (***)	160,990
- Other income reserves (net of treasury shares)	14,668,882	A, B, C	14,668,882
Valuation reserves			
- Reserve on financial assets measured at fair value through other comprehensive income	555,916		
- Property revaluation reserve	167,572	A, B	167,572
- CFH reserve	(70,315)		
Total	**22,722,934**		**18,186,190**

(*) A = capital increase; B = loss coverage; C = distribution to shareholders.
(**) Pursuant to Art. 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 Art. 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, paragraph 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)	Nominal value on commitments and financial guarantees issued				
	Stage 1	Stage 2	Stage 3	31/12/2020	31/12/2019
1. Commitments to disburse funds	**25,316,319**	**1,359,522**	**3,528**	**26,679,369**	**28,116,344**
a) Central banks					20,000
b) General governments	8,820,064	50,466	732	8,871,262	8,609,738
c) Banks	784,895	568		785,463	572,618
d) Other financial companies	2,429,174			2,429,174	1,114,650
e) Non-financial companies	13,276,718	1,308,488	2,796	14,588,002	17,798,428
f) Households	5,468			5,468	910
2. Financial guarantees issued	**1,641,486**	**1,713**		**1,643,199**	**1,093,648**
a) Central banks					
b) General governments	374,362			374,362	224,404
c) Banks					
d) Other financial companies	5,649			5,649	2,372
e) Non-financial companies	1,261,475	1,713		1,263,188	866,872
f) Households					

This table shows the commitments to disburse funds and the financial guarantees that are subject to the rules of impairment in IFRS 9.

2. Other commitments and other guarantees issued

(thousands of euro)	Nominal value	
	31/12/2020	31/12/2019
1. Other guarantees issued	**164,877**	**181,452**
- *of which: non performing exposures*		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
e) Non-financial companies	164,877	181,452
f) Households		
2. Other commitments	**4,540,312**	**2,955,391**
- *of which: non performing exposures*		
a) Central banks		
b) General governments		
c) Banks	75,327	87,207
d) Other financial companies	4,253,836	2,807,985
e) Non-financial companies	211,149	60,199
f) Households		

The table above shows commercial guarantees issued, commitments to subscribe units in collective investment undertakings, and commitments to capitalise investee companies that are not subject to the rules of impairment in IFRS 9.

3. Assets pledged as collateral for own debts and commitments

(thousands of euro) Portfolios	31/12/2020	31/12/2019
1. Financial assets designated at fair value through profit or loss		
2. Financial assets at fair value through other comprehensive income	3,393,000	2,118,500
3. Financial assets measured at amortised cost	82,411,089	67,352,506
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. Management and intermediation services on behalf of third parties

(thousands of euro) Type of service	31/12/2020
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	1,873,311
1. securities issued by the reporting bank	
2. other securities	1,873,311
c) Third-party securities deposited with third parties	1,873,311
d) Own securities portfolio deposited with third parties	78,779,913
4) Other transactions	
Management on behalf of third parties in separate accounts on the basis of specific agreements:	
- Postal savings bonds managed on behalf of the MEF (1)	57,832,577
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	2,871,769
- 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)	5,556,846
- Cash advances - Public administration payables (Decree Law 30 of 19 May 2020) (3)	2,094,568
- Revolving Fund for development cooperation (3)	4,797,659
- Funds for Social and Public Residential Building (4)	2,636,509
- Funds of Public Entities and Other Entities deposited pursuant to D.Lgt. 1058/1919 and Law 1041/1971 (4)	1,121,901
- Kyoto Fund (3)	625,390
- Funds for Territorial Agreements and Area Contracts - Law 662/1996, Art. 2 (207) (4)	392,994
- Funds for the natural gas infrastructure programme for the South Law 784/1980, Law 266/1977 and Law 73/1998 (4)	84,018
- Ministry of Universities and Research - Student Housing - Law 388/2000 (4)	69,083
- Minimal Environmental Impact Fund (4)	27,158
- MATTM Fund (Ministry of the Environment and Protection of the Land and Sea) and Climate and Sustainable Development Italian Platform (4)	55,782
- MIPAAF Fund (Ministry for Agricultural, Food and Forestry Policies)– guarantee platform to support olive oil producers (4)	7,991
- EURECA Fund – guarantee platform to support SMEs in the Emilia-Romagna Region (4)	4,649
- Funds for international cooperation - EGRE project (4)	1,766
- Funds for international cooperation - Archipelagos project (4)	486
- Funds for international cooperation - Blending EU - PASPED project (4)	65

(1) The figure shown represents the amount at the reporting date.
(2) The figure shown represents the outstanding principal, at the reporting date, of the loans managed on behalf of the MEF.
(3) The figure shown represents the sum of outstanding principal of the loans disbursed and the remaining funds available on the dedicated current accounts at the reporting date.
(4) The figure shown represents the remaining funds available on the dedicated current accounts at the reporting date.

5. Financial assets offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of 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: Financial instruments (D)	Correlated amounts not offset in financial statement: Cash deposits received as guarantee (E)	Net amount 31/12/2020 (F = C - D - E)	Net amount 31/12/2019
1. Derivatives	666,087		666,087	491,816	171,975	2,296	3,384
2. Repurchase agreements	1,522,479		1,522,479	1,522,479			3,526
3. Securities lending							
4. Other							
Total 31/12/2020	**2,188,566**		**2,188,566**	**2,014,295**	**171,975**	**2,296**	**X**
Total 31/12/2019	**2,861,495**		**2,861,495**	**2,711,276**	**143,309**	**X**	**6,910**

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		666,087
	20. Financial assets measured at fair value through profit or loss	*221,400*
	50. Hedging derivatives	*444,687*
2. Repurchase agreements		1,522,479
	40. Financial assets measured at amortised cost	*1,522,479*
3. Securities lending		
4. Other		

For details of the valuation criteria used for the financial assets shown in the table above, see Section A of the Accounting Policies.

6. Financial liabilities offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of 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: Financial instruments (D)	Correlated amounts not offset in financial statement: Cash deposits pledged as guarantee (E)	Net amount 31/12/2020 (F = C - D - E)	Net amount 31/12/2019
1. Derivatives	4,530,786		4,530,786	491,816	4,036,128	2,842	3,768
2. Repurchase agreements	40,939,072		40,939,072	40,939,072			91,802
3. Securities lending							
4. Other							
Total 31/12/2020	**45,469,858**		**45,469,858**	**41,430,888**	**4,036,128**	**2,842**	**X**
Total 31/12/2019	**44,000,561**		**44,000,561**	**41,272,074**	**2,632,917**	**X**	**95,570**

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		4,530,786
	20. Financial liabilities held for trading	*209,821*
	40. Hedging derivatives	*4,320,965*
2. Repurchase agreements		40,939,072
	10. Financial liabilities measured at amortised cost	*40,939,072*
3. Securities lending		
4. Other		

For details of the valuation criteria used for the financial liabilities shown in the table above, see Section A of the Accounting Policies.

7. Securities lending transactions

This item has a nil balance.

8. Disclosure on joint operations

As at 31 December 2020, CDP had no joint-control operations in place.

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	2020	2019
1. Financial assets measured at fair value through profit or loss	1,441			1,441	1,579
1.1 Financial assets held for trading					
1.2 Financial assets designated at fair value					
1.3 Other financial Assets mandatorily measured at fair value	1,441			1,441	1,579
2. Financial assets measured at fair value through other comprehensive income	89,208		X	89,208	122,967
3. Financial assets measured at amortised cost	1,348,528	6,332,358		7,680,886	6,942,222
3.1 Loans to banks	16,206	225,232	X	241,438	240,961
3.2 Loans to customers	1,332,322	6,107,126	X	7,439,448	6,701,261
4. Hedging derivatives	X	X	(276,496)	(276,496)	(256,197)
5. Other assets	X	X			387
6. Financial liabilities	X	X	X	224,716	177,097
Total	**1,439,177**	**6,332,358**	**(276,496)**	**7,719,755**	**6,988,055**
of which:					
- *interest income on non-performing assets*		*3,331*		*3,331*	*4,479*
- *interest income on finance leases*		*391*		*391*	*428*

Interest income accrued in 2020 was approximately 7,720 million euro. It mainly included:

- interest income on loans to banks and customers, amounting approximately to 6,332 million euro;
- interest income on debt securities amounting to about euro 1,439 million;
- interest income on financial liabilities that, due to negative remuneration, have resulted in a component with opposite sign (interest income), amounting to about 225 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 2020, this amount is negative for around 276 million euro.

The item includes interest income on non-performing assets of approximately 3.3 million euro.

Interest income accrued on finance leases, relating to sublease contracts to Group companies, amounted to approximately 0.4 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 for about 49,047 thousand euro.

1.3 Interest expense and similar expense: breakdown

(thousands of euro) Items/Technical forms	Debts	Securities	Other	2020	2019
1. Financial liabilities measured at amortised cost	(4,261,453)	(376,034)		(4,637,487)	(4,551,595)
1.1 Due to central bank		X	X		
1.2 Due to banks	(122,675)	X	X	(122,675)	(105,506)
1.3 Due to customers	(4,138,778)	X	X	(4,138,778)	(4,075,407)
1.4 Securities issued	X	(376,034)	X	(376,034)	(370,682)
2. Financial liabilities held for trading					(161)
3. Financial liabilities designated at fair value					
4. Other liabilities and provisions	X	X	(107)	(107)	(7)
5. Hedging derivatives	X	X	104,949	104,949	122,730
6. Financial assets	X	X	X	(32,541)	(32,975)
Total	**(4,261,453)**	**(376,034)**	**104,842**	**(4,565,186)**	**(4,462,008)**
- *of which: interest expense on lease liabilities*	*(988)*			*(988)*	*(953)*

The item mainly comprises interest expense and similar expense on Postal savings bonds and Passbook savings accounts for euro 4,175,116,089. Residually interest expense includes:

- securities issued, amounting to around 376 million euro;
- deposits of investee companies of around 21 million euro;
- credit facilities granted by the EIB and the CEB amounting to around 29 million euro;
- financial assets that, due to negative remuneration, have resulted in a component with opposite sign (interest expense), amounting to about 33 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 2020, this amount is positive for around 105 million euro.

The item includes financial expenses accrued on lease liabilities recognised as a consequence of applying the IFRS 16, equal to about 1 million euro, relating to contracts in which CDP act as a lessee.

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 11,264 thousand euro.

1.5 Differentials on hedging transactions

(thousands of euro) Items	2020	2019
A. Positive differences on hedging transactions	122,985	139,826
B. Negative differences on hedging transactions	(294,532)	(273,293)
C. Balance (A - B)	**(171,547)**	**(133,467)**

Section 2 – Commissions - Items 40 and 50

2.1 Commission income: breakdown

(thousands of euro) Type of services/Amounts	2020	2019
a) Guarantees issued	21,721	19,281
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	387,934	372,501
Total	**409,655**	**391,782**

The commission income earned by CDP during the year amounted to around 410 million euro (+18 million euro on 2019).

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);
- structuring and disbursement of loans for around 84 million euro;
- guarantees issued of around 22 million euro.

The residual contribution to the balance of the item includes commissions earned for the management of the Revolving Fund for International Cooperation & Development Finance, the Kyoto Fund, the Revolving Fund supporting enterprises and investment in research (FRI), and other services rendered.

2.3 Commission expense: breakdown

(thousands of euro) Services/Amounts	2020	2019
a) Guarantees received	11,772	8,311
b) Credit derivatives		
c) Management and intermediation services:	1,394,650	1,472,909
1. Trading of financial instruments		
2. Trading of currency		
3. Management of portfolios:	1,630	1,494
3.1 own portfolio	1,630	1,494
3.2 third-party portfolio		
4. Custody and administration of securities		
5. Placement of financial instruments	1,393,020	1,471,415
6. Door-to-door selling of financial instruments, products and services		
d) Collection and payment services	1,829	1,784
e) Other services	538	720
Total	**1,408,789**	**1,483,724**

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 1,393,019,698 euro, other than the expense similar to transaction costs and consequently included in the carrying amount of 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.

Section 3 - Dividends and similar revenues - Item 70

3.1 Dividends and similar revenues: breakdown

(thousands of euro)	2020		2019	
Items/Revenues	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value		7,556		13,597
C. Financial assets measured at fair value through other comprehensive income	15,037		247	
D. Equity investments	1,066,445		1,410,152	
Total	**1,081,482**	**7,556**	**1,410,399**	**13,597**

This item comprises dividends and similar revenues whose distribution was approved in 2020. They mainly arise from the equity investments held in Eni (around 515 million euro), CDP Reti (around 253 million euro), Poste Italiane (around 215 million euro), SACE (70 million euro), and Fintecna (around 13 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**	**(12,224)**
4. Derivatives	**61,336**	**37,247**	**63,118**	**29,081**	**(8,861)**
4.1 Financial derivatives:	61,336	37,247	63,118	29,081	(8,861)
- on debt securities and interest rates	61,336	37,175	63,118	29,012	6,381
- on equity securities and equity indices		72		69	3
- on currencies and gold	X	X	X	X	(15,245)
- other					
4.2 Credit derivatives					
Total	**61,336**	**37,247**	**63,118**	**29,081**	**(21,085)**

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	2020	2019
A. Income on:		
A.1 Fair value hedges	51,406	98,788
A.2 Hedged financial assets (fair value)	1,617,527	2,026,031
A.3 Hedged financial liabilities (fair value)	61,000	66,939
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	153,738	43,177
Total income on hedging activities (A)	**1,883,671**	**2,234,935**
B. Expense on:		
B.1 Fair value hedges	1,656,605	2,141,296
B.2 Hedged financial assets (fair value)	24,148	15,228
B.3 Hedged financial liabilities (fair value)	25,274	66,508
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	153,723	43,177
Total expense on hedging activities (B)	**1,859,750**	**2,266,209**
C. Net gain (loss) on hedging activities (A - B)	**23,921**	**(31,274)**

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

6.1 Gains (losses) on disposal or repurchase: breakdown

(thousands of euro) Items/P&L items	2020 Gains	2020 Losses	2020 Net gain (loss)	2019 Gains	2019 Losses	2019 Net gain (loss)
A. Financial assets						
1. Financial assets measured at amortised cost	737,074	(197)	736,877	634,094	(1,357)	632,737
1.1 Loans to banks	7		7	820	(2)	818
1.2 Loans to customers	737,067	(197)	736,870	633,274	(1,355)	631,919
2. Financial assets measured at fair value through other comprehensive income	138,799	(2,009)	136,790	129,284	(18,417)	110,867
2.1 Debt securities	138,799	(2,009)	136,790	129,284	(18,417)	110,867
2.2 Loans						
Total assets (A)	**875,873**	**(2,206)**	**873,667**	**763,378**	**(19,774)**	**743,604**
B. Financial liabilities measured at amortised cost						
1. Due to banks						
2. Due to customers						
3. Securities issued						
Total liabilities (B)						

At 31 December 2020, the balance of the item was positive for approximately 874 million euro. It mainly refers to the net profit on the sale of debt securities recorded among the Loans to customers (+733 million euro) and of debt securities in the portfolio of financial assets measured at fair value through other comprehensive income (+137 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

No net changes to the value of financial assets and liabilities designated at fair value were recognised.

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	**25,703**	**5,646**	**131,751**	**24**	**(100,426)**
1.1 Debt securities		5,646	226	24	5,396
1.2 Equity securities					
1.3 Units in collective investment undertakings	25,703		131,525		(105,822)
1.4 Loans					
2. Foreign currency financial assets: exchange rate differences	**X**	**X**	**X**	**X**	
Total	**25,703**	**5,646**	**131,751**	**24**	**(100,426)**

The balance of the item, negative for approximately 100 million euro, comprises the negative result for about 106 million euro deriving from the fair value measurement of the units of UCI recognised under financial assets mandatorily measured at fair value and the positive result of approximately 5 million euro, mainly arising from realised gains on debt securities.

Section 8 - Net adjustments/recoveries for credit risk - Item 130

This item, negative for approximately 151 million euro, represents the net balance between adjustments and recoveries 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	Writedowns Stage 1 and 2	Writedowns Stage 3 Write-off	Writedowns Stage 3 Other	Writebacks Stage 1 and 2	Writebacks Stage 3	2020	2019
A. Loans to banks	**(20,769)**			**10,630**		**(10,139)**	**16,460**
Loans	(18,416)			9,799		(8,617)	17,635
Debt securities	(2,353)			831		(1,522)	(1,175)
- *of which: impaired loans acquired or originated*							
B. Loans to customers	**(202,362)**		**(2,459)**	**32,116**	**31,843**	**(140,862)**	**64,379**
Loans	(178,903)		(2,459)	19,700	31,843	(129,819)	210,379
Debt securities	(23,459)			12,416		(11,043)	(146,000)
- *of which: impaired loans acquired or originated*							
Total	**(223,131)**		**(2,459)**	**42,746**	**31,843**	**(151,001)**	**80,839**

8.1a Net adjustments for credit risk relating to loans measured at amortised cost subject to Covid-19 support measures: breakdown

(thousands of euro) Type of operation/P&L items	Net adjustments Stage 1 and 2	Net adjustments Stage 3 Write-off	Net adjustments Stage 3 Other	2020
1. Loans subject to moratoria compliant with the GL	(383)		17	(366)
2. Loans subject to forbearance measures				
3. New loans	(2,673)			(2,673)
Total 31/12/2020	**(3,056)**		**17**	**(3,039)**

The table shows the net adjustments for credit risk recognised on loans subject to Covid-19 support measures. The line "Loans granted in accordance with the GLs" shows the net adjustments recognised on loans subject to a moratorium that fall within the scope of the "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid 19 crisis*" published by the EBA (EBA/GL/2020/02) and as amended and supplemented. The line "New loans" reports the net adjustments recognised on loans which represent new liquidity backed by public guarantees.

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	Writedowns Stage 1 and 2	Writedowns Stage 3 Write-off	Writedowns Stage 3 Other	Writebacks Stage 1 and 2	Writebacks Stage 3	2020	2019
A. Debt securities	(6,703)			6,427		(276)	(4,090)
B. Loans							
To customers							
To banks							
- *of which: impaired financial assets acquired or originated*							
Total	**(6,703)**			**6,427**		**(276)**	**(4,090)**

8.2a Net adjustments for credit risk relating to loans measured at fair value with impact on the overall profitability subject to Covid-19 support measures: breakdown

There are no loans measured at fair value with impact on the overall profitability subject to Covid-19 support measures.

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 amortised cost		**(15)**	**(15)**
Loans		**(15)**	**(15)**
- to banks			
- to customers		(15)	(15)
Debt securities			
- to banks			
- to customers			
Total		**(15)**	**(15)**

The balance of the item is negative for approximately 15 thousand euro. It represents the loss 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 renegotiated cash flows, 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	2020	2019
1) Employees	**127,134**	**114,600**
a) Wages and salaries	91,970	82,684
b) Social security costs	339	317
c) Staff severance pay	651	537
d) Pension costs	19,469	18,423
e) Allocation to staff severance pay	32	46
f) Provision for retirement and similar provisions:		
- defined contribution		
- defined benefit		
g) Payments to external supplementary pensions funds:	7,383	6,186
- defined contribution	7,383	6,186
- defined benefit		
h) Costs arising from share-based payment arrangements		
i) Other employee benefits	7,290	6,407
2) Other personnel in service	**709**	**716**
3) Board of Directors and Board of Auditors	**1,635**	**1,311**
4) Retired personnel		
5) Recovery of expenses for employees seconded to other companies	**(8,659)**	**(7,476)**
6) Reimbursement of expenses for third-party employees seconded to the company	**2,249**	**1,817**
Total	**123,068**	**110,968**

10.2 Average number of employees by category

(number)	
Employees	**940**
a) Senior management	104
b) Middle management	478
- *of which: grade 3 and 4*	*259*
c) Other employees	358
Other personnel	**7**

10.4 Other employee benefits

(thousands of euro) Type of expense/Values	2020	2019
Food coupons	1,999	1,593
Insurance policies	3,043	2,368
Contributions to mortgage loan interest	671	572
Other benefits	1,577	1,874
Total	**7,290**	**6,407**

10.5 Other administrative expenses: breakdown

(thousands of euro) Type of expense/Values	2020	2019
Professional and financial services	13,064	12,842
IT costs	23,636	23,145
General services	8,797	7,125
Publicity and marketing expenses	5,243	3,512
- *of which: mandatory publicity*	*510*	*696*
Information resources and databases	5,569	4,875
Utilities, duties and other expenses	8,406	9,643
Corporate bodies	449	441
Other personnel-related expenses	2,184	4,527
Total	**67,348**	**66,110**

Costs relating to rental and hire contracts outside the scope of the accounting rules of IFRS 16 (i.e. short term, low value, etc.) amount to approximately 2 million euro and are included in the item "Utilities, duties and other expenses".

Audit fees and fees for non-audit services

As required by Art. 149-*duodecies* of Consob Issuers' Regulation no. 11971, the 2020 audit fees and fees for non-audit services are given below, provided by the auditors and the entities belonging to its network.

(thousands of euro) Type of services	Deloitte & Touche S.p.A.	Other companies Deloitte network
Auditing	306	
Certification services	144	
Other services		
Total	**450**	

Amounts net of VAT, ancillary 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			
(thousands of euro)	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	Net result 2020	Net result 2019
Commitments to disburse funds	(106,376)	(102)	14,115	2,643	(89,720)	(8,548)
Financial guarantees issued	(7,179)		3,769	1,113	(2,297)	(1,757)
Total	**(113,555)**	**(102)**	**17,884**	**3,756**	**(92,017)**	**(10,305)**

11.2 Net provisions for other commitments and other guarantees issued: breakdown

No net provisions were recorded for other commitments and other guarantees issued both for 2020 and for the previous financial year.

11.3 Net provisions for other risks and charges: breakdown

(thousands of euro)	2020 Provisions	2020 Reversal of excess	2020 Net result	Total 2019
Legal and fiscal disputes	(4,031)	29,137	25,106	(50,213)
Staff costs				
Other				
Total	**(4,031)**	**29,137**	**25,106**	**(50,213)**

The balance of this item, positive for around 25 million euro, refers to the net balance of provisions and the reversal of excess provisions largely attributable to the outcome of the settlement reached in June 2020 with Fondazione Cariverona.

Section 12 - Net adjustments to/recoveries on property, plant and equipment - Item 180

12.1. Net adjustments to property, plant and equipment: breakdown

(thousands of euro) Assets/P&L items	Depreciation (A)	Writedowns for impairment (B)	Writebacks(C)	Net result (A + B - C)
A. Property, plant and equipment				
1. For operations:	(6,077)			(6,077)
- owned	(3,766)			(3,766)
- right of use acquired under leases	(2,311)			(2,311)
2. For investment:	(7,067)			(7,067)
- owned	(5,794)			(5,794)
- right of use acquired under leases	(1,273)			(1,273)
3. Inventories	X			
Total	**(13,144)**			**(13,144)**

This item includes, among others, the amortisation of the rights of use acquired under a lease, recognised in application of the IFRS 16.

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	Depreciation (A)	Writedowns for impairment (B)	Writebacks (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned:	(8,901)			(8,901)
- internally generated by the company				
- other	(8,901)			(8,901)
A.2 Right of use acquired under leases				
Total	**(8,901)**			**(8,901)**

Section 14 - Other operating income (costs) - Item 200

14.1 Other operating costs: breakdown

(thousands of euro) Type of costs/Figures	2020	2019
Charges from adjustment of balance sheet items	45	67
Depreciation of leasehold improvements	268	268
Other	11,893	566
Total	**12,206**	**901**

14.2 Other operating income: breakdown

(thousands of euro) Type of costs/Figures	2020	2019
Income for company engagements to employees	1,648	1,320
Rental income	14,089	8,095
Recovery of expenses	1,004	488
Income for services rendered to Group companies	2,256	1,516
Income from adjustment of balance sheet items	24	1,291
Other	890	1,520
Total	**19,911**	**14,230**

The item “Rental income” includes income from the lease contracts in which CDP acts as a lessor.

Section 15 - Gains (losses) on equity investments - Item 220

15.1 Gains (losses) on equity investments: breakdown

(thousands of euro) P&L Items/Values	2020	2019
A. Gains		**93,047**
1. Revaluations		
2. Gains on disposals		
3. Writebacks		93,047
4. Other		
B. Losses		**(31,700)**
1. Writedowns		
2. Impairments		(31,692)
3. Losses on disposals		(8)
4. Other		
Net gain (loss)		**61,347**

No gains or losses on equity investments were recognised during the year.

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	2020	2019
A. Land and buildings		
Gains from disposal		
Losses from disposal		
B. Other assets	**(48)**	**(43)**
Gains from disposal		1
Losses from disposal	(48)	(44)
Net gain (loss)	**(48)**	**(43)**

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		2020	2019
1.	Current taxes (-)	(884,036)	(699,940)
2.	Change in current taxes from previous years (+/-)	27,811	10,026
3.	Reduction of current taxes for the year (+)		
3.*bis*	Reduction of current taxes for the year due to tax credits pursuant to Law 214/2011 (+)		
4.	Change in deferred tax assets (+/-)	19,862	(1,458)
5.	Change in deferred tax liabilities (+/-)	13,345	(11,137)
6.	**Taxes for the year (-) (- 1 +/- 2 + 3 + 3.*bis* +/- 4 +/- 5)**	**(823,018)**	**(702,509)**

In 2020, current taxes consist of 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, when submitting the tax return.

The change in deferred tax assets is mainly due to (i) the deductibility of impairment losses on loans to customers (including those recognised upon First Time Adoption of IFRS 9), (ii) impairment loans to banks, (iii) changes in the provisions for risks and charges and (iii) the measurements of foreign currency receivables and payables and (iv) the irrelevance of valuations of receivables and payables in foreign currency.

On the other hand, the change in deferred tax liabilities is mainly due measurements on foreign currency receivables and payables suspended in previous years.

19.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euro)	2020	Tax rate
Income (loss) before taxes	**3,597,540**	
IRES Theoretical tax liability (27.5% rate)	**(989,324)**	**-27.5%**
Permanent increases		
- non-deductible interest expense		
- writedowns of equity investments		
- other non-deductible costs	(1,470)	-0.04%
Temporary increases		
- impairment adjustments of loans		
- other temporarily non-deductible costs	(80,696)	-2.2%
Permanent decreases		
- tax exempt dividends	282,537	7.9%
- ACE benefit	31,117	0.9%
- income from the national and global tax consolidation mechanism		
- other changes	709	0.02%
Temporary decreases	46,074	1.3%
IRES Actual tax liability	**(711,053)**	**-19.8%**

(thousands of euro)	2020	Tax rate
Taxable income for IRAP purposes	**3,264,852**	
IRAP Theoretical tax liability (5.57% rate)	**(181,852)**	**-5.57%**
- deductible costs for staff costs	6,338	0.2%
- other changes	2,531	0.1%
IRAP Actual tax liability	**(172,983)**	**-5.3%**

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		2020	2019
10.	**Net income (loss) for the year**	**2,774,522**	**2,736,284**
	Other comprehensive income not transferred to income statement		
20.	Equity securities at fair value through other comprehensive income:	(269,349)	61,581
	a) fair value changes	(269,349)	66,166
	b) transfer to other equity items		(4,585)
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	27,425	257
	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:	(100,447)	(13,374)
	a) fair value changes	(94,523)	(12,802)
	b) transfers to income statement	(5,924)	(572)
	c) other changes		
	- *of which, result of net positions*		
140.	Hedging instruments (not designated elements):		
	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:	90,023	459,555
	a) fair value changes	226,537	566,332
	b) transfers to income statement	(136,514)	(106,777)
	- impairment adjustments	276	4,090
	- gains/losses on disposal	(136,790)	(110,867)
	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	3,448	(145,800)
190.	**Total other comprehensive income**	**(248,900)**	**362,219**
200.	**Comprehensive income (items 10 + 190)**	**2,525,622**	**3,098,503**

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.

The risk management system takes into account the specific characteristics of the activity carried out by CDP, 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 representation of the overall risk profile and solidity of CDP to the Board of Directors. As part of this mandate, the CRO coordinates the activities of the Risk Management (RM), Risk Advisory and Policies, Compliance and Anti-Money Laundering, and Risk Operations Functions. RM is responsible for supporting the CRO with the management and monitoring of all types of risk, 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, initially approved by the Board of Directors in 2010 and subsequently updated as necessary. The risks can be divided into 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 reputational risks. The Risk Policy is updated semi-annually and is made up by a main document (the Risk Policy itself) and a set of related annexes, each focusing on a specific category of risk (e.g. interest rate risk) or on an 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.

The structure of the statutory, board and management committees is established at both company and Group level. This includes the committees responsible for risk, which were given their respective different responsibilities, in compliance with the principles adopted.

The Board of Directors' Risk Committee has control and guidance functions in the field of risk management and assessment of new investment products. Two technical and advisory committees, the Risk Governance Committee and the Risk Assessment Committee, act as a support to management and to the decision-making bodies. The Risk Governance Committee is responsible for (i) aspects related to defining and controlling CDP's overall risk profile, (ii) compliance of new products with that risk profile and (iii) relevant aspects for the management of liquidity contingency situations. The Risk Assessment Committee, on the other hand, is responsible for (i) assessing transactions and activities, also in respect of concentration, economic and financial sustainability and risk, (ii) assessing proposals to manage specific non-performing loans and credit disputes, (iii) assessing proposals for impairment of loans or equity investments and (iv) periodically reviewing the risk profile of counterparties in the portfolio.

RM verifies compliance with the limits set by the Board of Directors and the operating limits established by the Chief Executive Officer, recommending corrective measures to the Risk Governance Committee or to the Risk Assessment Committee, according to their responsibilities, that might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and contributing to 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, which prevails in terms of share of assets, primarily features exposures to the Italian Government and Local Authorities. CDP is also authorised to grant cash advances to local authorities, within the scope of the treasury service provided by Poste Italiane. This activity is focused on municipalities with up to 5,000 inhabitants and its risk profile is in line with the traditional lending activity.

Over the last years, an increasingly important role has been played by exposures under the Separate Account to the main banking groups operating in Italy, through which CDP conveys various kinds of lending, in particular loans to SMEs and in order to support 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 to date are essentially not exposed to credit risk (as they are secured by a guarantee of last resort by the State), and those assumed under International Financing and Export Bank operations. The Separate Account may also finance energy efficiency improvement projects and loans granted to support International Cooperation activities, which have recently started with 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.

Since the approval of the 2019-2021 Business Plan, operations in the Mid corporate segment have assumed greater importance in terms of number of transactions, reflecting CDP's more widespread presence in Italy and the strategic objective to support the growth of this type of counterparties, especially in 2020. However, in terms of amount, these exposures correspond to a very small portion of the loan portfolio.

In 2020, following the Covid-19 emergency, CDP supported Italian enterprises, together with the banking system, granting medium/long-term loans under the Ordinary Account, backed by the SACE Garanzia Italia instrument. Again under the Ordinary Account, Italian enterprises also received support with short-term liquidity facilities up to 18 months.

In 2020, CDP also continued to develop interventions on platforms covered by the investments plan of the European Fund for Strategic Investments (the so-called Juncker Plan), while maintaining alignment with CDP's ordinary 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 defines the lending process and the roles of the involved units.

Risk Operations assesses the proposals advanced by CDP business units, as well as the most significant transactions submitted for a governance opinion by the subsidiaries; it is also responsible for assigning internal ratings and estimating the Loss Given Default. 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 for internal estimates of the recovery rate for individual financing transactions. Risk Operations is also responsible for the periodic review of the loan portfolio, regarding the evolution of the counterparty's financial situation and developments in their industry/sector, manages and monitors bad loans and analyses counterparties for the purposes of internal or regulatory classification.

Risk Advisory & Policies provides advisory support to CDP's business units and to Group companies in the phase of definition of the contents of business solutions and the most significant transactions. It carries out risk assessments regarding equity and real estate transactions that require a governance opinion. It also assists the Chief Risk Officer in the definition and update of the guidelines related to Group-level risk policies.

Risk Management is responsible for the methodologies used to determine the risk-adjusted pricing, for the monitoring of the risk-adjusted return, and for the measurement of portfolio concentration. Risk Management regularly monitors the overall performance of loan portfolio risk, also to identify corrective measures designed to optimise the risk/return profile.

With regard to credit risk, the responsibilities of Risk Management 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;
- formulating opinions on specific loan transactions in the specific cases detailed in the policies;
- defining, selecting and implementing models, methods and instruments of the internal rating system.

With regard to non-performing counterparties, Risk Operations reviews any restructuring proposal – where necessary with the support of other structures for more complex cases – while Risk Management performs a second-level control. Contractual amendment requests for performing loans ("waivers") are managed instead by the transactions-management structures of the business units.

As mentioned above, the Risk Assessment Committee is a technical and advisory body supporting the decision-making bodies. One of its duties is to give mandatory, non-binding opinions on financing transactions, both on creditworthiness and the adequacy of the applied contractual terms and conditions. The Risk Assessment Committee, whose composition varies according to the type and significance of the transactions, consists of the Chief Risk Officer and the heads of the structures reporting directly to him, the Chief Financial Officer, the Deputy General Manager and Chief Legal Officer, the Head of the relevant Business Department, or the persons appointed by them.

To monitor the risks at group level, a specific governance process is foreseen for the most significant transactions in terms of risk. In these cases, a non-binding opinion must be obtained from the Parent Company, which is prepared by the Group Risk Assessment Committee. In particular, the aforesaid Committee provides opinions on the Group's risk monitoring and assessment systems, and on risk policies and Group transactions with a significant 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, by 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.

CDP uses a validated proprietary model to calculate credit risk at portfolio level for the Ordinary Account and for loans to private-sector parties under the Separate Account portfolio, with the exclusion of the liquidity funds provided in support of the economy via the banking system. CDP also uses this model to calculate the economic capital associated with the entire loan portfolio, with the sole exception of exposures, direct or indirect, to the State.

Risk Management 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.

Risk Management also conducts stress tests on the level of risk in the loan portfolio, based on assumptions of generalised deterioration in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increased correlation parameters.

Risk Management regularly monitors the net current and potential future exposure to banks in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. Risk Management 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 set in the CDP Risk Policy. Similarly, Risk Management ensures 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 internally or by specialised providers, specific for the classes of CDP counterparties, including their size, legal form, and sector of activity. In detail, for Small and Mid Corporate counterparties, CDP has developed an internal rating model for enterprises, which includes independent modules that are activated according to the information available and the different stages of the loan process (pre-screening and targeting, origination, monitoring). CDP continuously assesses the possibility to expand its set of models with other models that can also be used for other categories of customers, according to a criterion of importance and priority.

In line with the practice of the rating agencies, the rating scale adopted by CDP is divided into 21 classes, 10 of which are for "investment grade" positions and 11 for "speculative grade". A class is also used for counterparties in default. Given the limited number of historical defaults in the CDP portfolio, also considering the type of borrowers, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using data acquired from a specialised provider.

Since 2018, as part of the implementation of 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 entities also for risk-adjusted pricing), to monitor the performance of the loan portfolio; to calculate provisions; for the limits framework and to measure the absorption of economic capital. The risk assessment assigned to the counterparty is updated at least annually. However, it is reviewed at any time during the year whenever events occur, or information is acquired, that have the potential to significantly affect the credit rating.

2.3 Measurement methods of expected credit losses

Since 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 prescribes the classification and measurement of financial instruments.

The Standard has introduced 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, introduced since 2018, 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 loss. The aim of this new approach to impairment is to ensure more timely recognition of losses compared to the previous IAS 39-compliant model, in which the losses were recognised if objective evidence of impairment losses after initial recognition of the asset was found. Conversely, the new model prescribes 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 measured based on the expected loss over a time horizon of up to one year;
- stage 2: this stage involves performing financial assets whose credit quality has significantly deteriorated since initial recognition. These financial assets are measured 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 non-performing financial assets: 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 compliance 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; consequently, that portfolio 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 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 into account, among other things, 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 the internal ratings as a benchmark was taken due, among other things, to the lack of significant 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 whose age and relative amount provide evidence of a possible deterioration of creditworthiness;
- classification of positions as forborne.

The existence of these elements ensures a gradual approach in classification, in order to reduce the likelihood of an instrument being classified to stage 3 without having 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, hold no more, 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 allowed 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 of the recommendations of 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 undesirable effects 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, to calculate the expected loss one must use 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 both 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 uses in measuring risks also due to 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 take into account 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 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 to the 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 in the relevant committees (Internal Risk Committee, at managerial level, and the Board Risk Committee) and was finally approved by the Board of Directors.

Organisational and process adjustments were also developed to meet the increased data needs with respect to IAS 39.

Changes due to Covid-19

The global spread of Covid-19 and the resulting impacts on economic activity have increased the level of uncertainty, hence quantitative estimates regarding, for example, possible future losses on receivables measured at amortised cost or cash flows from equity investments or real estate assets became more difficult. For CDP, the areas in which there is an increased level of uncertainty are mainly:
- regulatory changes linked to measures adopted to respond to the health emergency, which might result in significant changes to the business model of one or more investee companies (e.g. with regard to Decree Law 23/2020);
- a possible acceleration in the energy transition dynamics, with effects on investees that operate in the Oil & Gas sector or in related sectors;
- a possible increase in the insolvency risk in the loan portfolio, in terms of both rating transitions and the higher probability of short-term default.

With particular regard to this latter area — and to the application of IFRS 9 — no additional changes were deemed necessary in the valuation and measurement models for financial instruments related to the pandemic crisis.

Assessment of the significant increase in credit risk (SICR)

CDP has not made changes to its methodology for assessing the significant increase in credit risk, either as a result of Covid-19 or due to other factors, as it considers this methodology to be sufficiently broad and therefore adequate in the current context.

Consistent with the characteristics of its loan portfolio, mainly including exposures with public counterparties, banks operating in Italy, large corporations and special-purpose vehicles operating in the infrastructure sector, CDP has noted, as at 31 December 2020, that changes in internal ratings are limited in term of cases, in the amount and size of the exposures, even including the impacts of Covid-19 on a forward-looking basis.

Measurement of expected credit losses

In measuring Expected Credit Losses, CDP applies the internally-developed methodology, which considers:
- a reliable estimate of through-the-cycle probability of default, which incorporates not only historical data but also forward-looking information to ensure the reliability of the estimates even in situations of serious crisis, across the entire life of the financial instruments;
- an internal model for estimating the cyclical component of probability of default, to produce forward-looking estimates of point-in-time parameters.

The model applied to estimate the cyclical component is based on the main macroeconomic drivers including GDP and employment rate forecasts, with reference to the European area and the USA. In spite of the good news on the approval and mass rollout of the vaccines, considering the ongoing uncertainties, the forward-looking projections - starting from market consensus forecasts and the International Monetary Fund's forecasts - predict a relatively slow recovery for GDP - in mid-2022 - and for the employment rate - by the end of 2023.

The internally used method has not changed and, in particular, no sector-based adjustments were made since it was deemed that alternative methods would not be more reliable in the current phase and might, at least potentially, introduce higher risks of arbitrariness.

2.4 Credit risk mitigation techniques

CDP mitigates the credit risk with respect to lending operations by using techniques commonly adopted in the banking industry.

A significant number of the credit exposures of CDP in the Separate Account consists of special-purpose cash loans in favour of public local entities supported by payment orders to the Treasurers ("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. New SME Fund), 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 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 an excessive incidence in the total debt, CDP takes part in 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.

CDP has a credit quality monitoring system that ensures, through an early warning system, the prompt flagging up of credit events that indicates potential problems (based on information from both internal and external sources), and assigns the counterparty a specific internal Watch List class depending on the level of importance of the identified signals, also activating the assessment process for the purposes of regulatory classification. This system also operates on the regulatory status, with specific indicators that enable the generation of regulatory classification proposals, in particular as 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.

Impacts of the Covid-19 pandemic

The impact of the Covid-19 pandemic on CDP's credit risk is not yet clearly observable but, so far, it seems somewhat limited considering that CDP's portfolio is primarily made up of public entities, infrastructure projects and large-sized corporate counterparties - operating in sectors like energy generation, distribution and transmission - which, to date, have been less affected by fall in demand, business interruptions and, more generally, higher costs associated with the health emergency. In any case, CDP has conducted a credit review of its portfolio and, where necessary, has made adjustments to the internal rating and/or has placed some counterparties, belonging to the sectors most affected by the emergency, in an internal Watch List.

3. Non-performing credit exposures

3.1 Management strategies and policies

During 2020 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.

CDP has structures dedicated to the monitoring and management of non-performing exposures, which cover all phases of the life cycle of non-performing loans, from careful monitoring of the performing portfolio through to credit recovery. The monitoring, carried out by the Credit Monitoring function with the aid of the other organisational units involved, is aimed at detecting the first signs of deterioration in the counterparty's credit quality, as well as identifying the corrective measures needed to manage the potential deterioration of the exposures. The recovery of non-performing exposures, carried out by the "Restructuring & Non-Performing" and "Disputes and Credit Recovery" structures, is aimed at maximising earnings and financial results, by pursuing extra-judicial solutions as deemed appropriate. These may include restructuring arrangements or settlement agreements having a positive impact on recovery times and the level of costs incurred.

The return to non-defaulted status of credit exposures 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. In particular, during 2020 the largest debt renegotiation programme in recent years was launched in favour of local authorities, aimed at freeing up financial resources to be used also to address the needs resulting from the pandemic emergency.

Please refer to the more detailed information in paragraphs 4.1.1 and 4.1.2 of the Report on Operations.

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.

For more details on the possible influence of these transactions in the process of assessment of the SICR and the measurement of expected losses, please refer to the paragraph "Changes due to Covid-19" contained in "Section 1 - Credit risk" della "Part E - Information on risks and related hedging policies", as well as "Disclosure of Covid-19 impacts" contained in "Section 4 - Other issues".

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	51,250	113,948	20,118	7,704	357,688,963	357,881,983
2. Financial assets measured at fair value through other comprehensive income					12,449,055	12,449,055
3. Financial assets designated at fair value						
4. Other financial assets mandatorily measured at fair value					92,688	92,688
5. Financial assets held for sale						
Total at 31/12/2020	**51,250**	**113,948**	**20,118**	**7,704**	**370,230,706**	**370,423,726**
Total at 31/12/2019	**59,445**	**128,557**	**12,969**	**153,577**	**348,128,877**	**348,483,425**

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 31/12/2020	Net exposure 31/12/2019
Financial assets measured at amortised cost:				
Bad debts				
Unlikely to pay	40,970	(13,143)	27,827	35,468
Non-performing past-due exposures				
Performing past-due exposures				
Other performing exposures	542,571	(124,460)	418,111	416,121
Total forborne exposures at 31/12/2020	**583,541**	**(137,603)**	**445,938**	**X**
Total forborne exposures at 31/12/2019	**608,636**	**(157,047)**	**X**	**451,589**

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			
	Gross exposure	Accumulated impairment	Net exposure	Accumulated partial write off (*)	Gross exposure	Accumulated impairment	Net exposure	Total (net exposure)
1. Financial assets measured at amortised cost	299,404	(114,088)	185,316		358,645,059	(948,392)	357,696,667	357,881,983
2. Financial assets measured at fair value through other comprehensive income					12,464,310	(15,255)	12,449,055	12,449,055
3. Financial assets designated at fair value					X	X		
4. Other financial assets mandatorily measured at fair value					X	X	92,688	92,688
5. Financial assets held for sale								
Total at 31/12/2020	**299,404**	**(114,088)**	**185,316**		**371,109,369**	**(963,647)**	**370,238,410**	**370,423,726**
Total at 31/12/2019	**344,500**	**(143,529)**	**200,971**		**348,943,327**	**(790,319)**	**348,282,454**	**348,483,425**

(*) 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			238,760
2. Hedging derivatives			444,687
Total at 31/12/2020			**683,447**
Total at 31/12/2019			**513,700**

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	3	737	1,585			5,379			148,803
2. Financial assets measured at fair value through other comprehensive income									
3. Financial assets held for sale									
Total at 31/12/2020	**3**	**737**	**1,585**			**5,379**			**148,803**
Total at 31/12/2019	**138,357**		**5,909**			**9,311**			**160,676**

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	Financial assets held for sale	Of which: individual impairment	Of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	Of which: individual impairment	Of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	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	**278,694**	**13,141**			**291,835**	**496,646**	**1,838**			**498,484**	**143,529**			**143,471**	**58**		**210,855**	**4,680**	**3,847**	**1,153,230**
Increases resulting from financial assets acquired or originated	127,812	5,898			133,710	244,474				244,474	42			42			55,279	1,059		434,564
Derecognitions other than write-offs	(61,569)	(4,441)			(66,010)	(203,118)				(203,118)	(3,988)			(3,985)	(3)		(10,015)	(4,272)	(1,478)	(288,881)
Net adjustments/ recoveries for credit risk (+/-)	2,337	151			2,488	63,610	(1,332)			62,278	(25,464)			(25,437)	(27)		2,209	84,217	(2,175)	123,553
Changes in contracts without derecognition																				
Changes in estimation method																				
Write-offs not recognised directly through profit or loss											(31)			(31)						(31)
Other changes	(494)				(494)												(15,586)			(16,080)
Closing accumulated impairment and provisions	**346,780**	**14,749**			**361,529**	**601,612**	**506**			**602,118**	**114,088**			**114,060**	**28**		**242,742**	**85,684**	**194**	**1,406,355**
Recoveries from collection on financial assets subject to write-off											7			7						7
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	769,739	145,904	189	19,404	25,916	2,078
2. Financial assets measured at fair value through other comprehensive income						
3. Financial assets held for sale						
4. Commitments to disburse funds and financial guarantees issued	1,319,095	687		4,044	1,691	167
Total 31/12/2020	**2,088,834**	**146,591**	**189**	**23,448**	**27,607**	**2,245**
Total 31/12/2019	**310,764**	**521,140**	**640**	**2,347**	**9,627**	**7,565**

A.1.5a Loans subject to Covid-19 support measures: transfers between various credit risk stages (gross values)

(thousands of euro) Portfolios/risk stages	Gross 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
A. Loans measured at amortised cost	**555**					**353**
A.1 Subject to moratoria compliant with the GL	555					353
A.2 Subject to forbearance measures						
A.3 New loans						
B. Loans measured at fair value through other comprehensive income						
B.1 Subject to moratoria compliant with the GL						
B.2 Subject to forbearance measures						
B.3 New loans						
Total at 31/12/2020	**555**					**353**

This table shows the gross value of loans, subject to Covid-19 support measures, outstanding at the balance sheet date, broken down by portfolio, when the risk stage at which the exposures are included at the year-end is different from the stage at which the exposures were included at the start of the year (or at the initial recognition date if later than the start of the year). The line "A1 granted in accordance with the GLs" shows the loans subject to a moratorium that fall within the scope of the "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid 19 crisis*" published by the EBA (EBA/GL/2020/02) and as amended and supplemented.

A.1.6 On-balance sheet and off-balance sheet exposures to banks: gross and net amounts

(thousands of euro) Type of Loans/Values	Gross exposure		Accumulated impairment and provisions	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 exposures		X			
- *of which: forborne exposures*		*X*			
d) Performing past-due exposures	X				
- *of which: forborne exposures*	*X*				
e) Other performing exposures	X	40,319,323	(46,970)	40,272,353	
- *of which: forborne exposures*	*X*				
Total (A)		**40,319,323**	**(46,970)**	**40,272,353**	
B. Off-balance-sheet credit exposures					
a) Non-performing		X			
b) Performing	X	1,168,129	(2,977)	1,165,152	
Total (B)		**1,168,129**	**(2,977)**	**1,165,152**	
Total (A + B)		**41,487,452**	**(49,947)**	**41,437,505**	

(*) Value to be shown for information purposes.

A.1.7 On-balance sheet and off-balance sheet exposures to customers: gross and net amounts

(thousands of euro) Type of Loans/Values	Gross exposure		Accumulated impairment and provisions	Net exposure	Accumulated partial write off (*)
	Non-performing	Performing			
A. On-balance-sheet credit exposures					
a) Bad debts	110,559	X	(59,309)	51,250	
- *of which: forborne exposures*		*X*			
b) Unlikely to pay	166,960	X	(53,012)	113,948	
- *of which: forborne exposures*	*40,970*	*X*	*(13,143)*	*27,827*	
c) Non-performing past-due exposures	21,885	X	(1,767)	20,118	
- *of which: forborne exposures*		*X*			
d) Performing past-due exposures	X	7,933	(229)	7,704	
- *of which: forborne exposures*	*X*				
e) Other performing exposures	X	330,874,801	(916,448)	329,958,353	
- *of which: forborne exposures*	*X*	*542,571*	*(124,460)*	*418,111*	
Total (A)	**299,404**	**330,882,734**	**(1,030,765)**	**330,151,373**	
B. Off-balance-sheet credit exposures					
a) Non-performing	3,528	X	(194)	3,334	
b) Performing	X	33,537,547	(325,449)	33,212,098	
Total (B)	**3,528**	**33,537,547**	**(325,643)**	**33,215,432**	
Total (A + B)	**302,932**	**364,420,281**	**(1,356,408)**	**363,366,805**	

(*) Value to be shown for information purposes.

A.1.7a Loans subject to Covid-19 support measures: gross and net amounts

(thousands of euro) Type of Loans/Values	Gross exposure	Accumulated impairment and provisions	Net exposure
A. Bad debts			
a) Subject to moratoria compliant with the GL			
b) Subject to forbearance measures			
c) New loans			
B. Unlikely to pay credit exposures			
a) Subject to moratoria compliant with the GL			
b) Subject to forbearance measures			
c) New loans			
C. Non-performing past-due credit exposures			
a) Subject to moratoria compliant with the GL			
b) Subject to forbearance measures			
c) New loans			
D. Performing past due positions	**895**	**(4)**	**891**
a) Subject to moratoria compliant with the GL	895	(4)	891
b) Subject to forbearance measures			
c) New loans			
E. Other performing positions	**4,322,374**	**(6,545)**	**4,315,829**
a) Subject to moratoria compliant with the GL	3,450,506	(3,872)	3,446,634
b) Subject to forbearance measures			
c) New loans	871,868	(2,673)	869,195
Total (A + B + C + D + E)	**4,323,269**	**(6,549)**	**4,316,720**

This table shows the loans, with details of gross amount and accumulated impairment, for the different categories of non-performing/performing assets, subject to Covid-19 support measures. The lines "a) granted in accordance with the GLs" show the loans subject to a moratorium that fall within the scope of the "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid 19 crisis*" published by the EBA (EBA/GL/2020/02) and as amended and supplemented. The lines "c) new loans" report the loans that represent new liquidity backed by public guarantees.

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	**118,406**	**211,786**	**14,308**
- *of which: exposures assigned but not derecognised*			
B. Increases	**12,419**	**10,314**	**23,099**
B.1 Transfers from performing exposures		5,634	22,263
B.2 Transfers from impaired financial assets acquired or originated			
B.3 Transfers from other categories of non-performing exposures	11,239	98	
B.4 Changes in contracts without derecognition			
B.5 Other increases	1,180	4,582	836
C. Decreases	**20,266**	**55,140**	**15,522**
C.1 Transfers to performing exposures		10,659	10,056
C.2 Write-off		31	
C.3 Repayments	20,266	32,791	5,368
C.4 Credit disposals			
C.5 Losses from disposals		102	
C.6 Transfers to other categories of non-performing exposures		11,239	98
C.7 Changes in contracts without derecognition			
C.8 Other decreases		318	
D. Closing gross exposure	**110,559**	**166,960**	**21,885**
- *of which: exposures assigned but not derecognised*			

A.1.9*bis* 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	**78,036**	**530,600**
- *of which: exposures assigned but not derecognised*		
B. Increases	**2,478**	**15,367**
B.1 Transfers from performing not forborne exposures		
B.2 Transfers from performing forborne exposures		X
B.3 Transfers from non-performing forborne exposures	X	8,478
B.4 Transfers from non-performing not forborne exposures	190	1,818
B.5 Other increases	2,288	5,071
C. Decreases	**39,544**	**3,396**
C.1 Transfers to performing not forborne exposures	X	
C.2 To performing forborne exposures	8,478	X
C.3 To non-performing forborne exposures	X	
C.4 Write-off		
C.5 Collections	31,066	3,396
C.6 Credit disposal		
C.7 Losses on disposal		
C.8 Other decreases		
D. Closing gross exposure	**40,970**	**542,571**
- *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

(thousands of euro) Items/Categories	Bad debts		Unlikely to pay		Non-performing past-due exposures	
	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures
A. Opening accumulated impairment	**58,961**		**83,229**	**42,568**	**1,339**	
- *of which: exposures assigned but not derecognised*						
B. Increases	**783**		**905**	**520**	**1,667**	
B.1 Writedowns from non-performing financial assets acquired or originated		X		X		X
B.2 Other writedowns	221		587	305	1,651	
B.3 Losses on disposal			102			
B.4 Transfers from other categories of non-performing positions	562		3		1	
B.5 Changes in contracts without derecognition						
B.6 Other increases			213	215	15	
- *of which: transfers from non-forborne positions*				*148*		
C. Decreases	**435**		**31,122**	**29,945**	**1,239**	
C.1 Writebacks from valuations			73	73	1	
C.2 Writebacks from collection	435		30,092	29,872	1,235	
C.3 Gains on disposal						
C.4 Write-off			31			
C.5 Transfers to other categories of non-performing positions			563		3	
C.6 Changes in contracts without derecognition						
C.7 Other decreases			363			
D. Closing accumulated impairment	**59,309**		**53,012**	**13,143**	**1,767**	
- *of which: exposures assigned but not derecognised*						

A.2 Classification 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						Not rated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**2,331,404**	**2,525,757**	**266,753,838**	**18,716,802**	**3,869,336**	**2,304,189**	**62,443,137**	**358,944,463**
- Stage 1	2,331,404	2,525,757	260,956,307	17,053,881	3,869,336	2,289,640	56,039,499	345,065,824
- Stage 2			5,797,531	1,662,921		14,549	6,104,234	13,579,235
- Stage 3							299,404	299,404
B. Financial assets measured at fair value through other comprehensive income	**577,153**	**127,230**	**10,993,657**	**369,092**		**397,178**		**12,464,310**
- Stage 1	577,153	127,230	10,993,657	361,321		366,738		12,426,099
- Stage 2				7,771		30,440		38,211
- Stage 3								
C. Financial assets held for sale								
- Stage 1								
- Stage 2								
- Stage 3								
Total (A + B + C)	**2,908,557**	**2,652,987**	**277,747,495**	**19,085,894**	**3,869,336**	**2,701,367**	**62,443,137**	**371,408,773**
- *of which: impaired financial assets acquired or originated*								
D. Commitments to disburse funds and financial guarantees issued	**1,786,083**		**7,093,947**	**1,475,979**	**15,193**	**115,455**	**17,835,911**	**28,322,568**
- Stage 1	1,786,083		7,093,947	175,979	15,193	114,887	17,771,716	26,957,805
- Stage 2				1,300,000		568	60,667	1,361,235
- Stage 3							3,528	3,528
Total (D)	**1,786,083**		**7,093,947**	**1,475,979**	**15,193**	**115,455**	**17,835,911**	**28,322,568**
Total (A + B + C + D)	**4,694,640**	**2,652,987**	**284,841,442**	**20,561,873**	**3,884,529**	**2,816,822**	**80,279,048**	**399,731,341**

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 leases	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	9,296,672	9,264,477			13,766	2,867,748						6,382,963				9,264,477
- *of which: non-performing*																
1.2 Partially secured																
- *of which: non-performing*																
2. Secured off-balance-sheet credit exposures																
2.1 Fully secured	17,698	17,505			14,724							2,781				17,505
- *of which: non-performing*																
2.2 Partially secured	100,000	98,906			72,853											72,853
- *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 leases	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	8,996,615	8,945,263	349,420		1,522,035	738,173						4,984,348	94,910	110,643	1,116,519	8,916,048
- *of which: non-performing*	*149,446*	*125,960*	*56,856*			*8,644*						*47,156*			*5,835*	*118,491*
1.2 Partially secured	5,862,269	5,850,962				35,192						5,106,091	20,020	12,421	149,958	5,323,682
- *of which: non-performing*																
2. Secured off-balance-sheet credit exposures																
2.1 Fully secured	3,844,781	3,838,195	172,321			123,603						3,335,138			203,199	3,834,261
- *of which: non-performing*	*2,795*	*2,675*	*1,147*									*1,483*			*45*	*2,675*
2.2 Partially secured	6,904,794	6,895,675				2,301						5,924,224			13,402	5,939,927
- *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.

It should be noted that CDP holds equity instruments that were not previously granted by the debtor as collateral for loans disbursed but originate from the conversion of impaired financial assets, recognised in the financial statements at zero value under "Financial assets measured at fair value through other comprehensive income" when they were obtained and maintained at this value at 31 December 2020.

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 companies)		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)					48,289	(55,698)	201	(134)
- *of which: forborne exposures*										
A.2 Unlikely to pay	7,495	(35,566)					104,561	(16,971)	1,892	(475)
- *of which: forborne exposures*							*27,431*	*(12,747)*	*396*	*(396)*
A.3 Non-performing past-due exposures	13,445	(1,494)					6,401	(262)	272	(11)
- *of which: forborne exposures*										
A.4 Performing exposures	305,822,592	(653,880)	5,300,095	(5,355)	2,320	(7)	18,828,743	(257,339)	14,627	(103)
- *of which: forborne exposures*							*418,111*	*(124,460)*		
Total (A)	**305,846,292**	**(694,417)**	**5,300,095**	**(5,355)**	**2,320**	**(7)**	**18,987,994**	**(330,270)**	**16,992**	**(723)**
B. Off-balance-sheet credit exposures										
B.1 Non performing exposures	659	(73)					2,675	(121)		
B.2 Performing exposures	9,200,686	(155,231)	5,870,649	(7,614)			16,062,833	(162,578)	5,442	(26)
Total (B)	**9,201,345**	**(155,304)**	**5,870,649**	**(7,614)**			**16,065,508**	**(162,699)**	**5,442**	**(26)**
Total (A + B) at 31/12/2020	**315,047,637**	**(849,721)**	**11,170,744**	**(12,969)**	**2,320**	**(7)**	**35,053,502**	**(492,969)**	**22,434**	**(749)**
Total (A + B) at 31/12/2019	**306,068,265**	**(783,684)**	**10,117,100**	**(4,875)**	**2,569**	**(3)**	**36,107,071**	**(322,083)**	**35,331**	**(441)**

B.2 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	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	51,250	(59,309)								
A.2 Unlikely to pay	113,948	(53,012)								
A.3 Non-performing past-due exposures	20,118	(1,767)								
A.4 Performing exposures	320,214,118	(904,234)	3,192,516	(3,812)	3,493,435	(3,756)	1,813,124	(2,577)	1,252,864	(2,298)
Total (A)	**320,399,434**	**(1,018,322)**	**3,192,516**	**(3,812)**	**3,493,435**	**(3,756)**	**1,813,124**	**(2,577)**	**1,252,864**	**(2,298)**
B. Off-balance-sheet credit exposures										
B.1 Non performing exposures	3,334	(194)								
B.2 Performing exposures	21,721,073	(312,767)	1,507,057	(1,088)	4,702,080	(5,024)	2,226,600	(2,426)	982,800	(4,144)
Total (B)	**21,724,407**	**(312,961)**	**1,507,057**	**(1,088)**	**4,702,080**	**(5,024)**	**2,226,600**	**(2,426)**	**982,800**	**(4,144)**
Total (A + B) at 31/12/2020	**342,123,841**	**(1,331,283)**	**4,699,573**	**(4,900)**	**8,195,515**	**(8,780)**	**4,039,724**	**(5,003)**	**2,235,664**	**(6,442)**
Total (A + B) at 31/12/2019	**334,972,784**	**(1,093,516)**	**4,014,480**	**(3,851)**	**8,654,723**	**(8,664)**	**3,657,632**	**(4,017)**	**1,028,148**	**(1,035)**

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 the 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 exposures										
A.4 Performing exposures	36,761,322	(46,000)	3,461,051	(341)			28,673		21,307	(629)
Total (A)	**36,761,322**	**(46,000)**	**3,461,051**	**(341)**			**28,673**		**21,307**	**(629)**
B. Off-balance-sheet credit exposures										
B.1 Non performing exposures										
B.2 Performing exposures	833,831	(2,977)	331,321							
Total (B)	**833,831**	**(2,977)**	**331,321**							
Total (A + B) at 31/12/2020	**37,595,153**	**(48,977)**	**3,792,372**	**(341)**			**28,673**		**21,307**	**(629)**
Total (A + B) at 31/12/2019	**26,185,060**	**(39,434)**	**2,460,857**	**(311)**			**92,004**	**(1)**	**128,446**	**(355)**

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 2020, 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 B.2, 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

	Securitised assets (end-period figure)		Collections in the year		% of securities redeemed (end-period figure)					
					Senior		Mezzanine		Junior	
(thousands of euro) Securitisation vehicle	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
CPG - Società di cartolarizzazione a r.l.		56,036		31,804						

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

(thousands of euro)	Financial assets assigned recognised in full: Book value	Of which: subject to securitisation	Of which: subject to sales agreements with repurchase arrangements	Of which: impaired	Financial liabilities associated: Book value	Of which: subject to securitisation	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	**2,572,754**		**2,572,754**		**2,523,720**		**2,523,720**
1. Debt securities	2,572,754		2,572,754		2,523,720		2,523,720
2. Equity securities				X			
3. Loans							
E. Financial assets measured at amortised cost	**36,220,516**		**36,220,516**		**37,551,159**		**37,551,159**
1. Debt securities	36,220,516		36,220,516		37,551,159		37,551,159
2. Loans							
Total 31/12/2020	**38,793,270**		**38,793,270**		**40,074,879**		**40,074,879**
Total 31/12/2019	**37,867,858**		**37,867,858**		**38,869,881**		**38,869,881**

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 assets assigned but not derecognised: fair value

(thousands of euro)	Fully recognised	Partially recognised	Total 31/12/2020	Total 31/12/2019
A. Financial assets held for trading				
1. Debt securities				
2. Equity securities				
3. Loans				
4. Derivatives				
B. Other 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	**2,572,754**		**2,572,754**	**1,418,794**
1. Debt securities	2,572,754		2,572,754	1,418,794
2. Equity securities				
3. Loans				
E. Financial assets measured at amortised cost (fair value)	**39,362,133**		**39,362,133**	**37,685,522**
1. Debt securities	39,362,133		39,362,133	37,685,522
2. Loans				
Total financial assets	**41,934,887**		**41,934,887**	**39,104,316**
Total associated financial liabilities	**40,074,879**		**40,074,879**	**38,869,881**
Net value 31/12/2020	**1,860,008**		**1,860,008**	**X**
Net value 31/12/2019	**234,435**		**X**	**234,435**

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 2020, 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 option risk. 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 the 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 pre-existing before 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 the 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 balance sheet items that are sensitive to interest rates, quantifying their reaction to small changes (sensitivity analysis) and to major shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and 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 measures VaR both over short time horizons – such as over one day or ten days – and annually, which is more suited to 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 valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is then used for backtesting, thanks to its larger sample dataset available over that interval.

VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. Despite the limits of any composite metric based on historical scenarios, VaR also has two significant strengths:
- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry);
- it makes it possible, through the backtesting process, to check the hypotheses underpinning not only the calculation of the daily VaR but also the entire simulation.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation 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 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. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance function.

The measurement and the monitoring of interest rate risk are performed by Risk Management and discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methods and receives periodic reports on the results achieved.

Price risk regards the possibility that the net economic value, profitability or the book equity of CDP could be adversely affected by variables associated with equities, 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 provides a proxy of the risk that the listed and liquid securities – even when they are not recognised at their current fair value – do not recover any potential loss over time. It is calculated based on hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments in the long term.

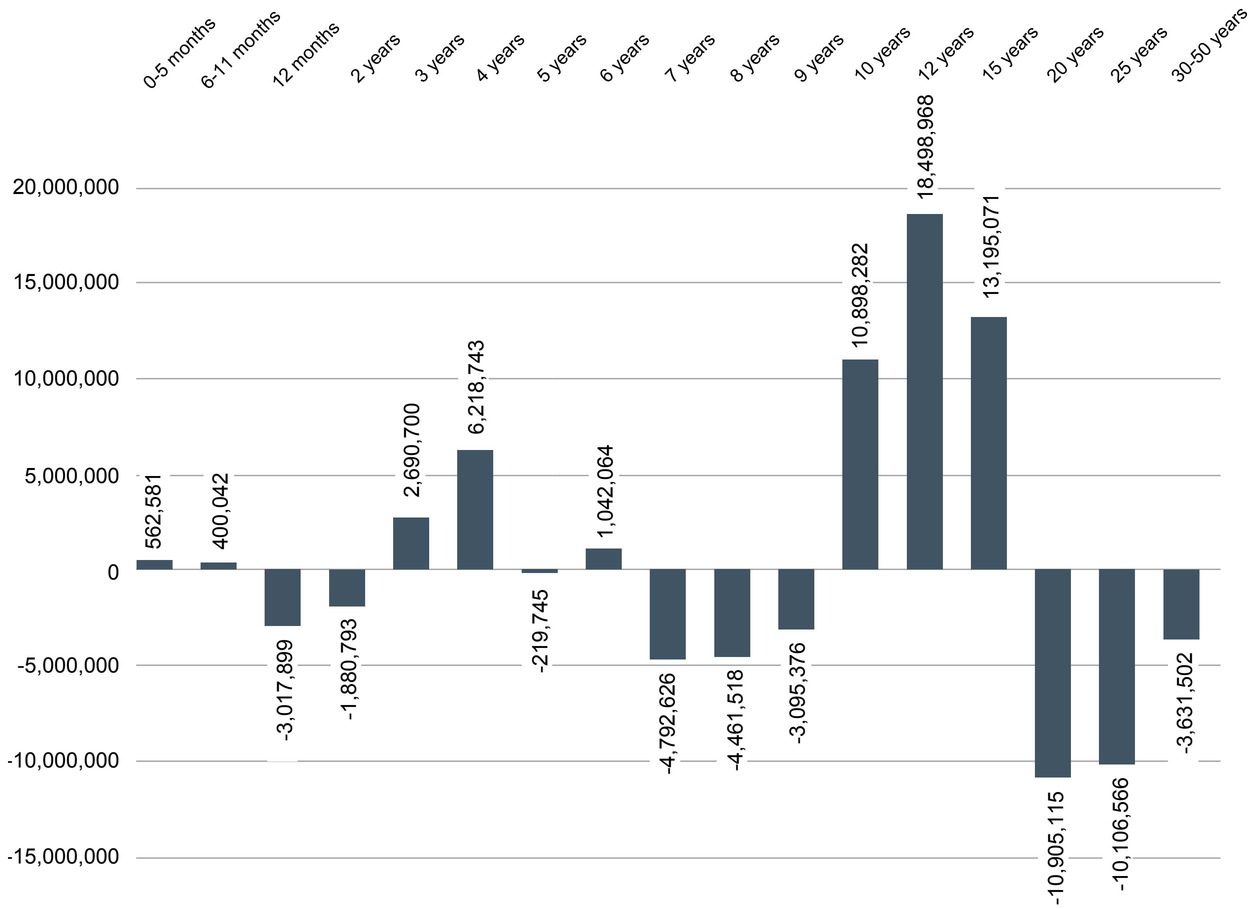
Quantitative disclosures

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

The following figure shows an analysis of CDP's interest rate risk sensitivity based on internal models, in line with the economic value approach.

Sensitivity to zero-coupon rates by maturity (increase of 1 basis point)

Market figures at 31/12/2020



Sensitivity to zero-coupon rates: increase/decrease of 100 basis points

Market figures at 31/12/2020

(millions of euro) Variation of zero coupon rates	Effect on economic value
Increase of 100 bps	+791
Decrease of 100 bps	-1,223

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 early repayment options exist, the hedging strategy might leave a small portion of the exchange rate 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

With regard to the exposure to the US Dollar, there was a residual component of unhedged exchange rate risk at 31 December 2020. This is mainly associated with refinancing operations of assets denominated in US dollars, in the short and medium term.

With regard to the exposure to the Yen, the exchange rate risk arising from a bond issue denominated in Yen is fully hedged through a Cross Currency Swap, which makes the net cash flows paid by CDP equivalent to those of a fixed-rate issue denominated in Euro.

With regard to the exposure to the Renminbi, there was a residual component of unhedged exchange rate risk at 31 December 2020, linked to the reinvestment of the liquidity raised through a bond issue in that currency completed in 2019.

Impacts of the Covid-19 pandemic

With regard to CDP's exposure to market risks, the Covid-19 outbreak has not uncovered impacts other than those previously reported, as the events observed fall within the risks already mapped and monitored.

Without prejudice to the uncertainty regarding the prospective impacts of the health emergency, at present there is no evidence that could indicate a significant increase in these risks.

Quantitative disclosures

1. Breakdown of assets, liabilities and derivatives by currency

(thousands of euro) Items	Currency		
	Us dollar	Chinese renminbi	Yen
A. Financial assets	**3,751,811**	**124,638**	
A.1 Debt securities	310,569		
A.2 Equity securities			
A.3 Loans to banks	85,805	42,439	
A.4 Loans to customers	3,355,437	82,199	
A.5 Other financial assets			
B. Other assets			
C. Financial liabilities	**505,561**	**126,523**	**59,502**
C.1 Due to banks	418,565		
C.2 Due to customers			
C.3 Debt securities	86,996	126,523	59,502
C.4 Other financial liabilities			
D. Other liabilities			
E. Financial derivatives			
- Options			
+ long positions			
+ short positions			
- Other derivatives			
+ long positions			59,293
+ short positions	3,166,204		
Total assets	**3,751,811**	**124,638**	**59,293**
Total liabilities	**3,671,765**	**126,523**	**59,502**
Difference (+/-)	**80,046**	**(1,885)**	**(209)**

Section 3 - The 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	31/12/2020				31/12/2019			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets
1. Debt securities and interest rates		**5,192,350**	**40,000**			**4,412,350**	**40,000**	
a) Options								
b) Swaps		5,192,350	40,000			4,412,350	40,000	
c) Forwards								
d) Futures								
e) Other								
2. Equity securities and equity indices						**775,250**	**1,058,632**	
a) Options						775,250	1,058,632	
b) Swaps								
c) Forwards								
d) Futures								
e) Other								
3. Foreign currencies and gold		**1,782,224**				**772,654**		
a) Options								
b) Swaps		235,692						
c) Forwards		1,546,532				772,654		
d) Futures								
e) Other								
4. Commodities								
5. Other								
Total		**6,974,574**	**40,000**			**5,960,254**	**1,098,632**	

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

(thousands of euro) Type of derivatives	31/12/2020				31/12/2019			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets
1. Positive fair value								
a) Options						4,154		
b) Interest rate swap		160,282	17,360			105,839	14,969	
c) Cross currency swap		28,357						
d) Equity swap								
e) Forward		32,761				7,392		
f) Futures								
g) Other								
Total		**221,400**	**17,360**			**117,385**	**14,969**	
2. Negative fair value								
a) Options							7,786	
b) Interest rate swap		209,820				120,809		
c) Cross currency swap								
d) Equity swap								
e) Forward						335		
f) Futures								
g) Other								
Total		**209,820**				**121,144**	**7,786**	

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			17,360
- 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		2,541,715	1,336,635	1,314,000
- positive fair value		25,534	7,793	126,955
- negative fair value		167,326	42,308	186
2) Equity securities and equity indices				
- notional value				
- positive fair value				
- negative fair value				
3) Foreign currencies and gold				
- notional value		1,782,224		
- positive fair value		61,118		
- 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 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	1,112,000	3,034,350	1,086,000	5,232,350
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on foreign currencies and gold	1,782,224			1,782,224
A.4 Financial derivatives on commodities				
A.5 Other financial derivatives				
Total at 31/12/2020	**2,894,224**	**3,034,350**	**1,086,000**	**7,014,574**
Total at 31/12/2019	**5,176,536**	**1,274,350**	**608,000**	**7,058,886**

B. Credit derivatives

There were no credit derivatives.

3.2 Accounting hedges

Qualitative disclosures

Within the scope of its Asset Liability Management policies, CDP, where possible, makes use of "natural hedges" between assets and liabilities exposed to the same risks, also with a view to minimising recourse to hedging through derivatives. CDP's transactions in derivatives have the sole purpose of risk hedging, mainly for interest rate, exchange rate and liquidity risk. 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.

A. Fair value hedges

Fair value hedges are 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. CDP implements both micro and macro fair value hedges.

In the micro fair value hedge, the hedged item is one or more individually selected contracts, exposed proportionately to the same risk and hedged with one or more derivatives. In some cases the hedged item is a subset of the cash flows of these contracts, specifically selected according to duration and/or amount (partial term hedge). CDP applies micro hedges in the Separate Account and Ordinary Account, to:
- fixed-rate loans (loans/mortgages);
- fixed-rate asset securities, possibly inflation-linked;
- liability bonds.

In the macro fair value hedge, the hedged item consists of portfolios of homogeneous loans in Separate Account exposed to interest rate risk. These hedges differ from micro hedges since the hedged item does not match the flows (or part of the flows) of a specific loan that is being hedged (or an aggregate of similar loans), and the explicit relationship 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 the interest payments of the hedged item with floating-rate interest payments that are linked to the 6M Euribor index or, to a lesser extent and for specific ALM purposes, to the 3M Euribor and 6M USD Libor indices.

B. Cash flow hedges

Cash flow hedges are risk hedges associated with the variability of cash flows, whose objective is the stabilisation of the expected flows. CDP implements the following cash flow hedges in relation to:
- EUR/USD exchange rate risk of asset securities in the Separate Account;
- EUR/JPY exchange rate risk of liability bonds in the Separate Account;
- interest rate risk of liability bonds in the Separate Account and Ordinary Account;
- inflation rate risk of asset securities in the Separate Account;
- sale or purchase price fluctuation risk of asset securities in the Separate Account.

Exchange rate risk hedges are performed through the use of Cross Currency Swaps which exchange the foreign currency flows of the securities with fixed-rate cash flows in euro.

Interest-rate risk hedges are performed by using Interest Rate Swaps which exchange cash flows indexed to the Euribor (3M or 6M) or the European inflation index with fixed-rate cash flows in euro.

Price fluctuation risk hedges are performed by using Bond Forward instruments.

C. Hedging of foreign investments

Currently there are no foreign investment hedges.

D. Hedging instruments

The hedging instruments used by CDP for fair value hedge strategies are mainly vanilla Interest Rate Swaps which exchange fixed-rate flows with floating-rate flows indexed to the Euribor, plus any 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 fair value hedging relationships have amortising profiles that mirror those of the loans/securities or groups of similar loans hedged, generally with spot starting date. The partial term relationships are used to hedge specific curve segments. These can have amortising or bullet profiles and, in some cases, forward start date. Swaps originated as macro hedges typically have bullet profiles and spot start date. All swaps have payment frequency that is the same as the refixing frequency, except in some cases for any initial or final periods.

In a limited number of cases, CDP has taken out fair value hedges through Cross Currency Swaps, which exchange floating-rate cash flows indexed to the USD Libor for floating-rate flows indexed to the Euribor (with a market spread, if any), to hedge the interest rate and exchange rate risks associated with the granting of US Dollar loans within the Export Bank system.

Cash flow variability hedging due to the exchange rate, interest rate and inflation rate risks are obtained by using Interest Rate and Cross Currency Swaps which have amortising profiles and payment frequencies that mirror those of securities hedged. Bond Forward instruments are used to hedge the price risk.

All hedging derivatives are traded Over the Counter (OTC), concluded with market counterparties with whom ISDA agreements are in place, where netting is used to reduce exposure, together with the high frequency exchange of collateral.

E. Hedged items

The existing accounting hedges at the end of 2020 were carried out on asset and liability items, such as loans, receivables and bonds.

Within the scope of fair value hedges, hedged items are typically 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. This results in an item that presents:
- capital flows of the hedged bond/loan;
- interest flows of the hedged bond/loan net of the hedge spread;
- only in the event of IRS with forward starting date, 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 by using the hypothetical derivative method, i.e. the derivative that is the ideal hedging instrument for the risks being hedged and whose main terms are aligned with those of the hedged item, regardless of the hedge actually implemented and net of the counterparty risk inherent in the derivative closed on the market.

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	31/12/2020				31/12/2019			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets
1. Debt securities and interest rates		**40,020,726**				**40,982,705**		
a) Options								
b) Swaps		39,861,566				40,982,705		
c) Forwards		159,160						
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		**1,443,273**				**1,633,152**		
a) Options								
b) Swaps		1,443,273				1,633,152		
c) Forwards								
d) Futures								
e) Other								
4. Commodities								
5. Other								
Total		**41,463,999**				**42,615,857**		

A.2 Financial derivatives held for hedging: gross positive and negative fair value - breakdown by product

	Positive and negative fair value							
	31/12/2020				31/12/2019			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
(thousands of euro) Type of derivatives	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets
1. Positive fair value								
a) Options								
b) Interest rate swap		306,558				363,642		
c) Cross currency swap		138,129				17,704		
d) Equity swap								
e) Forward								
f) Futures								
g) Other								
Total		**444,687**				**381,346**		
2. Negative fair value								
a) Options								
b) Interest rate swap		4,306,177				2,675,688		
c) Cross currency swap		12,020				6,867		
d) Equity swap								
e) Forward		2,768						
f) Futures								
g) Other								
Total		**4,320,965**				**2,682,555**		

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		32,890,909	7,129,817	
- positive fair value		200,882	105,676	
- negative fair value		3,559,060	749,886	
2) Equity securities and equity indices				
- notional value				
- positive fair value				
- negative fair value				
3) Foreign currencies and gold				
- notional value		918,191	525,082	
- positive fair value		81,425	56,704	
- negative fair value		12,019		
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	3,738,817	9,658,023	26,623,886	40,020,726
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on foreign currencies and gold	1,220,994	81,493	140,786	1,443,273
A.4 Financial derivatives on commodities				
A.5 Other financial derivatives				
Total at 31/12/2020	**4,959,811**	**9,739,516**	**26,764,672**	**41,463,999**
Total at 31/12/2019	**2,941,904**	**11,928,115**	**27,745,838**	**42,615,857**

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		35,432,624	8,466,452	1,354,000
- net positive fair value		226,416	113,469	144,315
- net negative fair value		3,726,386	792,194	186
2) Equity securities and equity indices				
- notional value				
- net positive fair value				
- net negative fair value				
3) Foreign currencies and gold				
- notional value		2,700,415	525,082	
- net positive fair value		142,542	56,704	
- net negative fair value		12,020		
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[56]” and “funding liquidity risk[57]”.

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 run-off 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 function, and monitoring liquidity gaps at short, medium and long term, which is performed by RM.

Management of treasury activities by the Finance function enables CDP to raise funds using repos, for both the Separate and Ordinary Account.

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.

Impacts of the Covid-19 pandemic

With regard to CDP’s exposure to liquidity risk, the Covid-19 outbreak has not uncovered impacts other than those previously reported, as the events observed fall within the risks already mapped and monitored.

Since the start of the health emergency, CDP has intensified its monitoring of this area, with the aim of promptly detecting any situations at risk and evaluating corrective action.

Without prejudice to the uncertainty regarding the prospective impacts of the health emergency, there is currently no evidence to suggest an increase in the risk of CDP being unable to meet its commitments.

56 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.
57 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
A. On-balance-sheet assets	**160,021,828**	**363,510**	**29,541**	**785,420**	**3,440,532**	**7,885,344**	**7,660,748**	**49,631,202**	**115,439,609**	**22,900,177**
A.1 Government securities		7,663	25,443	2,673	3,251,268	6,967,749	4,693,365	22,582,192	31,607,044	
A.2 Other debt securities	49,020	332	102	34,995	12,082	231,058	241,743	4,367,948	4,731,894	
A.3 Units in collective investment undertakings	3,043,120									
A.4 Loans:	156,929,688	355,515	3,996	747,752	177,182	686,537	2,725,640	22,681,062	79,100,671	22,900,177
- banks	336,542				750	1,375	596,602	3,308,762	10,281,596	22,900,177
- customers	156,593,146	355,515	3,996	747,752	176,432	685,162	2,129,038	19,372,300	68,819,075	
B. On-balance-sheet liabilities	**108,998,009**	**11,317,489**	**4,368,981**	**7,362,827**	**10,547,777**	**16,660,855**	**18,995,598**	**170,311,552**	**29,970,855**	
B.1 Deposits and current accounts:	108,881,856	472,919	2,724,064	5,502,271	2,973,459	6,586,838	3,273,832	149,599,068	10,494,151	
- banks	606,673					1,363		1,348,048	66,812	
- customers	108,275,183	472,919	2,724,064	5,502,271	2,973,459	6,585,475	3,273,832	148,251,020	10,427,339	
B.2 Debt securities			1,050,000	40,000	190,000	2,785,000		8,031,142	9,158,293	
B.3 Other liabilities	116,153	10,844,570	594,917	1,820,556	7,384,318	7,289,017	15,721,766	12,681,342	10,318,411	
C. Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of capital:										
- long positions	630,237			573,539	369,428	2,246,280		90,752	150,013	
- short positions				570,451	351,901	2,080,866		81,493	139,987	
C.2 Financial derivatives without exchange of capital:										
- long positions			375		42,147	43,692	83,263			
- short positions			468	815	15,106	154,640	192,510			
C.3 Deposits and loans to receive:										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds:										
- long positions	21,927,878						4,250,000	50,000	152	
- short positions	21,927,878						4,250,000	50,000	152	
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

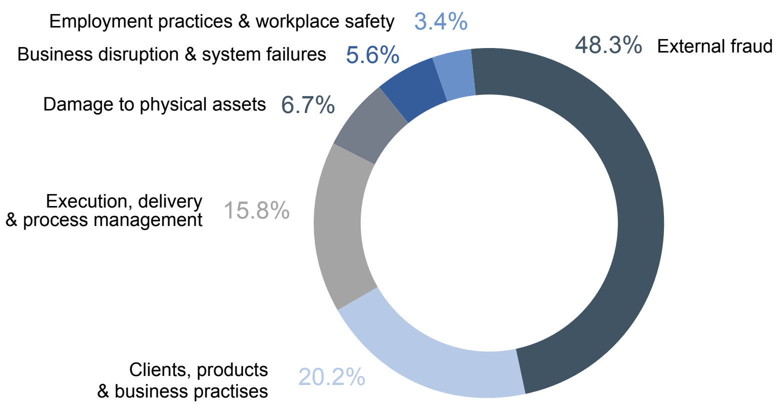
Qualitative disclosures

Details of the “Qualitative disclosures” can be found in Part E of the Notes to the Consolidated Financial Statements.

Quantitative disclosures

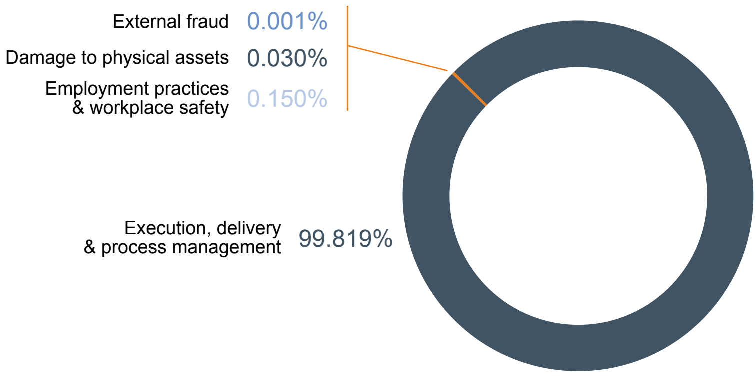
The chart below gives the breakdown by event type, showing the number and the impact in 2020, based on the event type classification scheme established by the New Basel Capital Accord.

% breakdown by number of events (actual and near-miss losses)



In 2020, the events identified with greater frequency were of the “External Fraud” type, referring to losses arising mainly from fraud or theft by external parties, including cyber attacks on the Company’s IT systems.

% breakdown by accounting amount recorded



During 2020, the most significant type of event, in terms of impact, was ‘Execution, delivery, & process management’, especially with regard to disputes and litigation with non-customer counterparties.

Impacts of the Covid-19 pandemic

The Covid-19 pandemic has accentuated the potential operational risks already mapped and monitored. In particular, the following key risk areas have been identified:
- cybersecurity, due to a possible intensification of cyber attacks in view of the higher levels of remote working and the mass use of technological tools which could make business processes more vulnerable;
- continuity of business processes, due to a potential unavailability of critical system providers;
- potential staff shortages, temporary or not, due to illness.

However, in 2020, no particular issues were identified in any of these areas, which are monitored on an ongoing basis.

Legal disputes

Civil and administrative disputes

At 31 December 2020, there are 92 pending disputes in civil and administrative matters in which CDP is a defendant, for a total amount of approximately 208.5 million euro.

With reference to the above-mentioned disputes, there are 45 disputes with a risk of a ruling against the company estimated to be **probable**. Of these: *i)* 26 refer to positions relating to Postal Savings products amounting to approximately 358 thousand euro; *ii*) 13 refer to credit positions amounting to approximately 177 million euro; *iii*) 6 refer to other civil and administrative law issues amounting to approximately 953 thousand euro.

There are also 28 disputes with a risk of a ruling against the company estimated to be **possible**. Of these: *i)* 10 refer to positions relating to Postal Savings products amounting to approximately 79 thousand euro; *ii*) 6 refer to credit positions amounting to approximately 26.8 million euro; *iii*) 14 refer to other civil and administrative law issues amounting to approximately 943 thousand euro.

With reference to ongoing disputes, at 31 December 2020 a provision for risks and charges was set up amounting to approximately 62.6 million euro.

In particular, the most significant dispute - related to the exercise of the right of withdrawal by Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona ("Cariverona") in the context of conversion of preference shares into CDP ordinary shares which took place in 2012 - was concluded on 25 June 2020 with the signing of a settlement agreement between CDP and Cariverona. Under the terms of the agreement and in full settlement of the dispute, Cariverona waived the receivable assessed by the Court of Rome in its ruling of 15 January 2020 (amounting to approximately 432 million euro, plus interest of approximately 19 million euro, for a total of approximately 451 million euro) against payment by CDP of 265 million euro.

Labour law disputes

At 31 December 2020, there were 19 pending pre-disputes and disputes in labour matters in which CDP is a defendant, for which provisions were made for a total of about 3 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

During the year, no business combinations or intragroup extraordinary transactions, i.e. between entities subject to the same control, were carried out.

Part H - Transactions with related parties

1. Information on the remuneration of key management personnel

Directors’ and statutory auditors’ remuneration

(thousands of euro)	31/12/2020
a) Board of Directors	1,453
b) Board of Statutory Auditors	182
Total	**1,635**

Remuneration of other key management personnel

(thousands of euro)	31/12/2020
a) Short-term benefits	4,880
b) Post-employment benefits	498
c) Other long-term benefits	
d) Severance benefits	2,186
e) Share-based payments	
Total	**7,564**

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					
Giovanni Gorno Tempini	Chairman		01/01/2020-31/12/2020	2020	295
Luigi Paganetto	Vice Chairman		01/01/2020-31/12/2020	2020	35
Fabrizio Palermo	Chief Executive Officer		01/01/2020-31/12/2020	2020	218 (***)
Fabrizia Lapecorella	Director		01/01/2020-31/12/2020	2020	(**)
Fabiana Massa Felsani	Director		01/01/2020-31/12/2020	2020	35
Valentino Grant	Director	(note 1)	01/01/2020-04/06/2020		15
Carlo Cerami	Director	(note 1)	04/06/2020-31/12/2020	2020	20
Francesco Floro Flores	Director		01/01/2020-31/12/2020	2020	35
Matteo Melley	Director		01/01/2020-31/12/2020	2020	35
Alessandra Ruzzu	Director		01/01/2020-31/12/2020	2020	35
Supplementary members for administration of Separate Account (Art. 5.8, Decree law 269/2003)					
Pier Paolo Italia	Director	(note 2)	01/01/2020-31/12/2020	2020	(**)
Alessandro Rivera	Director	(note 3)	01/01/2020-31/12/2020	2020	(**)
Davide Carlo Caparini	Director		01/01/2020-31/12/2020	2020	35
Antonio Decaro	Director		01/01/2020-31/12/2020	2020	35
Michele De Pascale	Director		01/01/2020-31/12/2020	2020	35
Statutory Auditors					
Carlo Corradini	Chairman		01/01/2020-31/12/2020	2021	40
Enrica Salvatore	Auditor		01/01/2020-31/12/2020	2021	23 (****)
Franca Brusco	Auditor		01/01/2020-31/12/2020	2021	23 (****)
Mario Romano Negri	Auditor		01/01/2020-31/12/2020	2021	30
Giovanni Battista Lo Prejato	Auditor		01/01/2020-31/12/2020	2021	(**)

(*) Date of Shareholders' Meeting called to approve financial statements for the year.
(**) The remuneration is paid to the Ministry for the Economy and Finance.
(***) The remuneration shown includes the MBO for 2019.
(****) The amount indicated refers to the remuneration actually paid in 2020. As at 31 December 2020, the residual amount to be paid is approximately 7 thousand euro.
(1) On 4 June 2020, the shareholders' meeting of Cassa Depositi e Prestiti S.p.A. appointed Carlo Cerami as new director of the company, following the resignation of Valentino Grant, who had resigned from the appointment of his replacement.
(2) Delegate of the State Accountant General.
(3) Director General of the Treasury.

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 2020.

(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		134,748			134,748
Financial assets measured at fair value through other comprehensive income	10,170,074	347,376	406,078		10,923,528
Financial assets measured at amortised cost	242,945,709	835,058	6,266,060	9,960	250,056,787
Other assets	159,529	14,043	107	141	173,820
Liabilities					
Financial liabilities measured at amortised cost (*)	8,477,862	8,173,018	4	271	16,651,155
Financial liabilities held for trading		186			186
Other liabilities	512	549,900			550,412
Provisions for risks and charges		10,227	4,254		14,481
Off-balance					
Commitments and guarantees issued	3,073,337	7,328,512	1,461,758		11,863,607
Other		644,312			644,312
Income statement					
Interest income and similar revenues	5,640,134	23,500	94,518	59	5,758,211
Interest expense and similar charges	(108)	(104,907)		(136)	(105,151)
Commission income	315,601	9,713	1,611	45	326,970
Commission expense	(4,924)	(1,393,020)	(7)		(1,397,951)
Net gain (loss) on trading activities		13,168	(120)		13,048
Gains (Losses) on disposal of financial assets	(87)	260	5		178
Net adjustments/ recoveries for credit risk	(4,054)	1,667	(11,083)	(40)	(13,510)
Administrative expenses:					
a) staff costs	(130)	5,781			5,651
b) other administrative expenses					
Net provisions for risks and charges	1,259	(3,527)	(2,404)		(4,672)
Other operating income (costs)		3,092		(3,286)	(194)

(*) Securities issued shown under liabilities exclusively comprise securities held by the subsidiaries, which are relevant at consolidation, and securities subscribed by associated companies in the context of private placements.

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 other comprehensive income", of about 10.2 billion euro;
- "financial assets measured at amortised cost", of about 60.9 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 155 billion euro (of which 1.5 billion euro to be credited after the reporting date) and receivables mainly related to funding activities, of about 27.2 billion euro.

From 1 January 2020, the cash and cash equivalents deposited with the State Treasury is remunerated at a rate equal to the lower of the cost of Postal Savings incurred by CDP and the average cost of the stock (balance) of national government securities.

The item "financial liabilities at amortised cost - b) due to customers" mainly refers to the balance of MEF's liquidity management transactions (OPTES) (around 7 billion euro), and amounts not yet disbursed at the end of the financial year on loans being repaid (approximately 1.4 billion euro).

"Commitments and guarantees issued" includes the balance of residual loan commitments and financial guarantees issued, which amounted to around 3 billion euro at year-end.

The income statement reports Interest income and similar revenues for approximately 5.6 billion euro and commission income for approximately 316 million euro. Commission income 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 mainly comprises the debt securities issued by Banca Monte dei Paschi di Siena S.p.A. (around 364 million euro) and CDP Reti S.p.A. (around 347 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, mainly relating to loans disbursed under the SME and Mid Cap funds, the Housing fund and various disaster funds.

Financial assets measured at amortised cost - b) loans to customers:

The most significant exposures in the loans to customers, loans and debt securities, relate to: Ferrovie dello Stato Italiane S.p.A., around 1.7 billion euro; E-distribuzione S.p.A., around 714 million euro; and Leonardo S.p.A., around 481 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., for around 3.2 billion euro, and Fintecna S.p.A., for around 1.1 billion euro.

Financial liabilities measured at amortised cost - c) securities issued:

The previous table shows 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 357 million euro.

There were also 4 bonds issued by CDP and guaranteed by the Italian government, subscribed by Poste Italiane S.p.A. for a total nominal value of 3 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: Poste Italiane S.p.A., around 4.6 billion euro; SACE Fct S.p.A., 1.7 million euro and Ferrovienord S.p.A., around 650 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 2020 accrued on loans granted to counterparties and debt securities held in the portfolio.

Interest expense and similar expense:

The amounts refer primarily to interest expense accrued on deposits of Group companies and bonds issued by CDP and guaranteed by the Italian government, subscribed by Poste Italiane S.p.A.

Commission income:

Commission income mainly refers to commissions received from CDP for the provision of lending and guarantee services.

Commission expense:

Commission expense recognised in the income statement, equal to about 1.4 billion euro, mainly refers to the postal savings collection service provided by Poste Italiane S.p.A. The total amount of commission expense accrued by Poste Italiane, also including the component assimilated to transaction costs and therefore included in the carrying amount of the Postal savings bonds issued, is 1.85 billion euro.

Profits (losses) on trading activities

The profits (losses) on trading activities, amounting to 13 million euro, mainly consist of interest and the effects of the measurement on derivatives held for trading.

Net adjustment for credit risk:

The item includes adjustments and recoveries for credit risk on loans granted and debt securities in portfolio related to Group companies and to the subsidiaries and associates of the Ministry of Economy and Finance.

Administrative expenses - a) staff costs:

The item mainly includes 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.

Net accruals to the provisions for risks and charges:

The item mainly includes the accruals to the provisions for credit risk relating to commitments to disburse funds and financial guarantees issued.

Other operating income (costs):

This item mainly consists of revenues for the supply of outsourced auxiliary services, revenues for corporate offices of CDP employees at Group Companies and the costs incurred to set up Fondazione CDP S.p.A.

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.

Part M - Disclosure of leases

This section contains some information indicated by IFRS 16.

Section 1 - Lessee

Qualitative disclosures

As at 31 December 2020, CDP's lease contracts are mainly represented by contracts regarding real estate, whose values cover almost all of the assets, including property used as offices but also as employee housing.

To a lesser extent, there are machinery rental contracts (e.g. printers and scanners) and a telephone switchboard.

CDP calculated the duration of the lease for each individual contract, considering the "non-cancellable" period during which it has the right to use the underlying asset by measuring all the contractual aspects that may change this duration, including, in particular, the possible presence of:
- any period covered by an option to extend the lease, if it is reasonably certain that the option will be exercised;
- any period covered by an option to terminate the lease, if it is reasonably certain that the option will be exercised.

In accordance with the accounting standard which provides that the underlying asset can be of low value only if:
- the lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the lessee; and
- the underlying asset is not highly dependent on, or highly interrelated with, other assets.

CDP applies the exemption for lease contracts when the asset value on the purchase date is negligible.

The Standard also specifies that "a contract containing the purchase option cannot be considered a short-term lease".

CDP considers a lease to be "short-term" when it has a maximum lease duration of 12 months and does not include any option to extend (and to purchase) that may be exercised at the discretion of the lessee.

For these contracts, the related payments are recorded in the income statement on a straight-line basis for the corresponding duration.

Quantitative disclosures

Reported below is the information required by IFRS 16 with regard to contracts where CDP acts as a lessee, contained in these notes in the following sections:
- Part B - Assets, section 8 - for information on the rights of use acquired under a lease;
- Part B - Liabilities, section 1, table 1.6 "Lease liabilities" - for information on lease liabilities;
- Part C - Section 1, table 1.3 "Interest expense and similar expense: breakdown" - for information on interest expense on the lease liabilities;
- Part C - Section 12, table 12.1 "Net adjustments to property, plant and equipment: breakdown" — for information on the amortisation of the rights of use acquired under a lease.

Short-term leases and leases of a low value are accounted for in accordance with paragraph 6 of IFRS 16. The costs are reported in Part C, Section 10, table 10.5 "Other administrative expenses: breakdown".

Section 2 - Lessor

Qualitative disclosures

Regarding the scope of the contracts that are subject to the provisions of IFRS 16, for CDP there is a real estate lease and various intragroup real estate sublease contracts.

CDP carries out finance lease activities associated with subleasing properties to other Group companies.

Quantitative disclosures

1. Disclosures on the balance sheets and income statements

Reported below is the information required by IFRS 16 with regard to contracts where CDP acts as a lessor, contained in these notes in the following sections:
- in Part B, Assets, section 4, table 4.2 “Financial assets measured at amortised cost: breakdown by type of loans to customers” - for information on finance leases;
- in Part B, Assets, section 8, table 8.2 “Investment property: breakdown of assets measured at cost” and table 8.7 “Investment property: changes for the year” - for information on assets granted under an operating lease;
- in Part C, section 1, table 1.1 “Interest income and similar income: breakdown” - for information on interest income on finance leases;
- in Part C, section 14, table 14.2 “Other operating income: breakdown” - for information on income resulting from operating leases.

2. Finance leases

2.1 Classification by time band of the payments to be received and reconciliation with finance leases recognised under assets

	31/12/2020	31/12/2019
(thousands of euro) Time bands	Lease payments to be received	Lease payments to be received
Up to 1 year	1,911	1,832
More than 1 year to 2 years	1,911	1,832
More than 2 years to 3 years	1,911	1,832
More than 3 years to 4 years	1,911	1,832
More than 4 years to 5 years	1,911	1,832
More than 5 years	6,446	7,940
Total lease payments to be received	**16,001**	**17,100**
Reconciliation with finance leases		
Unearned finance income (-)	(1,587)	(1,963)
Non-secured residual value (-)		
Finance leases	**14,414**	**15,137**

The table contains the payment flows to be received on finance leases, relating to real estate sublease contracts with Group companies, gross of impairment of around 35 thousand euro.

2.2 Other information

There is no addition information to report.

3. Operating leases

3.1 Classification by time band of the payments to be received

	31/12/2020	31/12/2019
(thousands of euro) Time bands	Lease payments to be received	Lease payments to be received
Up to 1 year	19,510	19,241
More than 1 year to 2 years	13,378	13,285
More than 2 years to 3 years	12,959	13,268
More than 3 years to 4 years	11,841	12,883
More than 4 years to 5 years	11,841	11,800
More than 5 years	277,547	289,100
Total	**347,076**	**359,577**

3.2 Other information

There is no addition information to report.

Proposal for allocation of the net income for the year

We hereby submit for shareholder approval the financial statements for 2020, 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 the relevant annexes. The financial statements are accompanied by the directors' report on operations.

In 2020 it is not necessary to allocate a portion of the net income to increase the reserve not available for distribution, pursuant to Art. 6, paragraphs 1 and 2, of Legislative Decree 38/2005.

In addition, it is not necessary to allocate amounts to the legal reserve pursuant to Art. 2430 of the Italian Civil Code, since it has reached the limit of one-fifth of share capital.

	(euro)
Net income for the year	2,774,522,485
Reserve - art. 6 c.2 of Legislative Decree 38/2005	
Distributable net income	**2,774,522,485**

Rome, 31 March 2021

The Chairman

Giovanni Gorno Tempini

Annexes

1. Annexes to the separate financial statements

1.1 Accounting separation statements

CDP is subject to a system of organisational and accounting separation under Art. 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 Art.s of Association of CDP, in accordance with art. 5 of decree law 269 and with the ministerial decree of 5 December 2003, allocate the following activities to the Separate Account:

a) the financing of Government, regions, local authorities, public entities and public law organisations;
b) the granting of loans:
    i. 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 Art. 5, paragraph 11, letter e), of the above mentioned decree law;
    ii. 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 Art. 5, paragraph 11, letter e), of the above mentioned decree law;
    iii. 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 Art. 8 of decree law 78 of 1 July 2009, converted with amendments by law 102 of 3 August 2009;
    iv. to companies in order to support the economy through (a) the banking system i.e. financial intermediaries authorised to grant loans to the public in any form whatsoever pursuant to Legislative Decree no. 385 of 1 September 1993, as subsequently amended or (b) 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.;
    v. to public or private entities with legal personality, with the exception of natural persons, within the framework of international development cooperation activities;
    vi. 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;
c) acquiring equity investments transferred or assigned to the company by decree of the Minister of the Economy and Finance as per Art. 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 Art. 5, paragraph 11, letter d), of the above mentioned decree law;
d) 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 Art. 5, paragraph 8-*bis*, of the above mentioned decree law;
e) 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;
f) 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 Art. 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;
g) 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.;
h) 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 2020, the following units operate exclusively under the Separate Account organisation:
- reporting to the structure "CDP Infrastructures and Public Sector" - "Public Financing", "Transportation & Social Infrastructure – Execution GS" and "Energy, Utilities & TLC – Execution GS (attributable to the "Infrastructure Financing" structure), "Public Administration Relations Management and Development" (reporting to the "Infrastructure & Public Administration Relations Management and Development" structure);
- reporting to the structure "CDP Corporate" - "Financial Institutions Debt and Guarantees" (reporting to the structure "Enterprises and Financial Institutions Debt and Guarantees"), "R&D, Innovation, Aerospace, Defense & Materials" (reporting to the structure "Enterprises Debt and Guarantees"), "Loan Funds and Digital Lending" (reporting to the structure "Alternative Financing"), "Export Financing" (reporting to the structure "Export & International Financing");
- reporting to the structure "CDP International Cooperation & Development Finance" - "International Cooperation", "Sovereign and Multilateral Financing and Blending Partnerships", "Development Financing";
- reporting to the "Finance" OU within the structure of the Chief Financial Officer - "Postal Savings".

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 Art. 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 Art. 5, paragraph 7, letter b), of decree law 269, CDP's Art.s of Association include among the activities designed to achieve its mission that are not assigned to the Separate Account:

a) 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; (iii) initiatives for the growth, also by business combination, of companies in Italy and abroad;
b) 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 Art. 5, paragraph 8-*bis*, of the above mentioned decree law;
c) 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;
d) 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:
- reporting to the structure "CDP Infrastructures and Public Sector" - "Transportation & Social Infrastructure - Execution GO" and "Energy, Utilities & TLC - Execution GO" (attributable to the "Infrastrutture Financing" structure);
- reporting to the structure "CDP Corporate" - "Industrial" and "Automotive, Food & Beverage, Pharma & Shipping" (reporting to the structure "Enterprises Debt and Guarantees"), "Basket Bond" (reporting to the structure "Alternative Financing"), "International Financing" (reporting to the structure "Export & International Financing").

Joint Services

Joint Services include:
- the "Governance and Control" and "Operations" organisational units that make up CDP's organisational structure;
- specific Business Organisational Units reporting to the "Deputy Manager & Chief Business Officer" (i.e. "CDP Infrastructures and Public Sector", "CDP Corporate", "CDP International Cooperation & Development Finance", "CDP Energy and Digital", "Business Strategic Programmes", "Business Commercial Planning and Coordination"), reporting to the "Deputy Manager & Chief Legal Officer" ("CDP Think Tank"), the "Chief Real Estate Officer", reporting to the Chief Financial Officer ("Investor Relations & Equity Analysis");
- the Corporate Bodies and the Bodies provided for in the Art.s 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" Structure and the "Finance" OU (except for the "Postal savings" structure, which falls exclusively within the scope of the Separate Account) 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	**1,983**	**79**	**(1)**	**2,062**
Dividends	1,086	3		1,089
Other net revenues	959	18	(1)	976
Gross income	**4,028**	**100**	**(2)**	**4,126**
Write-downs	(338)	(11)		(349)
Operating costs	(25)	(2)	(178)	(205)
Operating income	**3,665**	**87**	**(180)**	**3,572**

Reclassified Balance Sheet

(millions of euro)	Separate Account	Ordinary Account	Joint Services	Total CDP
Cash and cash equivalents	182,925	177	(1)	183,100
Loans	98,873	8,047		106,920
Debt securities	72,172	1,875		74,047
Equity investments and shares	35,294	257		35,551
Funding,	367,571	10,692		378,262
of which:				
- *postal funding*	*274,575*			*274,575*
- *funding from banks*	*62,481*	*4,168*		*66,649*
- *funding from customers*	*15,876*	*0.1*		*15,876*
- *bond funding*	*14,639*	*6,524*		*21,162*

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Art. 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, whose rules have been reformulated by Art. 35 of Decree Law no. 34 of 30 April 2019, relating to the disclosure obligations connected to public funds.

The reformulation of the original regulatory provisions clarified some significant interpretation issues raised by the previous formulation, confirming the interpretation guidance shared during the first application of the disclosure obligations, and contained in Assonime circular no. 5 of 22 February 2019 regarding "Transparency in the system of public funding: analysis of the rules and interpretation guidance".

According to the contents of Art. 35 of decree no. 34/2019:

- companies publish in the notes to the separate financial statements and to the consolidated financial statements, if any, the amounts and information relating to subsidies, subventions, benefits, contributions or aid, paid in cash or in kind, not of a general nature and with no consideration, remuneration or compensation, effectively granted to them by 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;
- the publication obligations established for government agencies by Art. 26 of Legislative Decree no. 33 of 2013 apply also to entities and companies controlled, directly or indirectly, on a legal or de facto basis by government agencies, with the publication in the notes to their annual accounting reports.

The disclosure obligations established by Law 124 of 2017, in continuity with what was represented during the first application, are thus 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.

The disbursements, unless otherwise specified, are recognised on a cash basis. With reference to any disbursements not in cash, the cash criterion is understood in a substantial sense, allocating the economic benefit to the financial year in which it is received.

In accordance with the guidance provided by the Assonime circular no. 5/2019, the information provided in application of Law 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).

With reference to subsidies disbursed, the following cases were identified:

- donations to support actions aimed at tackling the Covid-19 health emergency. In particular, during 2020 CDP purchased 2 million surgical face masks, subsequently donated to the Carabinieri Corps, and made a donation to the China-Italy Philanthropy Forum, to cover the expenses related to three flights of the China-Italy humanitarian airlift, aimed at importing healthcare materials to manage the Covid-19 epidemiological emergency:

(thousands of euro) Grantor	Beneficiary	Motive	Benefit amount
CDP S.p.A.	Carabinieri Corps	Surgical face masks supply - Covid 19 Emergency	950
CDP S.p.A.	China-Italy Philanthropy Forum	Grant on costs of transporting medical supplies - Covid 19 Emergency	547

- the disbursement of 5 million euro to set up the CDP Foundation, to pursue social, environmental, cultural and economic development goals:

(thousands of euro) Grantor	Beneficiary	Motive	Benefit amount
CDP S.p.A.	Fondazione CDP	Establishment of Fondazione CDP	5,000

- during 2020, CDP supported the Public Administration in regard to the Covid-19 health emergency, also by strengthening existing initiatives in CDP's recurrent operations, including the suspension of loan instalments, whereby the borrowers were offered the option of deferring the payment of the instalments, to a future date. The initiatives of deferring instalments due in 2020 involved:
  - the first Municipalities affected by the health emergency in the Lombardy and Veneto Regions, falling within the so-called red zone pursuant to Decree Law 6 no. of 23 February 2020 and the subsequent implementing Prime Minister's Decree of 23 February 2020;
  - entities working in the field of social and welfare activities, which are heavily affected by the Covid-19 pandemic emergency;
  - local authorities suffering from previous seismic or other disasters.

The following table shows the amounts of the instalments due in 2020, for principal and interest, the collection of which was deferred to a future date.

Public grants granted pursuant to Art. 1 c. 126 Law n. 124/2017

(thousands of euro) Grantor	Beneficiary	Motive	2020 instalment amount with collection deferred to a future date
CDP S.p.A.	Comune di Genova	Collapse of Genoa Viaduct 2018	16,488
CDP S.p.A.	Az. Spec. Pensionato per Anziani Casa del Sorriso	Welfare Institutions - Covid-19 Emergency	70
CDP S.p.A.	Casa di Riposo Borsetti Sella Facenda	Welfare Institutions - Covid-19 Emergency	29
CDP S.p.A.	Casa di Riposo della Citta di Asti	Welfare Institutions - Covid-19 Emergency	50
CDP S.p.A.	Casa di Riposo di Vasto	Welfare Institutions - Covid-19 Emergency	17
CDP S.p.A.	Casa di Riposo e di Ricovero - Casale Monferrato	Welfare Institutions - Covid-19 Emergency	70
CDP S.p.A.	Casa di Riposo Lascito Ing. G. Destefanis	Welfare Institutions - Covid-19 Emergency	49
CDP S.p.A.	Casa di Riposo San Giuseppe Onlus	Welfare Institutions - Covid-19 Emergency	66
CDP S.p.A.	Casa di Riposo-Ric.ro dei Vec. Fon.ne M.G. Taglietti - Nebbiuno	Welfare Institutions - Covid-19 Emergency	36
CDP S.p.A.	Casa di Soggiorno Per Anziani San Giuseppe	Welfare Institutions - Covid-19 Emergency	69
CDP S.p.A.	Cavriagoservizi	Welfare Institutions - Covid-19 Emergency	257
CDP S.p.A.	Fondazione Felice Rinaldo Baguzzi e Antonio Dassu - Onlus	Welfare Institutions - Covid-19 Emergency	30
CDP S.p.A.	Fondazione Istituzioni Riunite - Mede	Welfare Institutions - Covid-19 Emergency	79
CDP S.p.A.	Fondazione Ospedale Giuseppe Aragona - Onlus	Welfare Institutions - Covid-19 Emergency	88
CDP S.p.A.	Fondazione per l'Infanzia Protasi Caldara	Welfare Institutions - Covid-19 Emergency	6
CDP S.p.A.	Fondazione Santa Maria della Neve	Welfare Institutions - Covid-19 Emergency	64
CDP S.p.A.	Fondazione Villa Fiori R.S.A. Onlus	Welfare Institutions - Covid-19 Emergency	32
CDP S.p.A.	Istituto Pietro Cadeo Onlus	Welfare Institutions - Covid-19 Emergency	46
CDP S.p.A.	Opere Riunite Don Luigi Rossi	Welfare Institutions - Covid-19 Emergency	81
CDP S.p.A.	Comune di Bertonico	First Red Zones - Covid-19 Emergency	19
CDP S.p.A.	Comune di Casalpusterlengo	First Red Zones - Covid-19 Emergency	37
CDP S.p.A.	Comune di Codogno	First Red Zones - Covid-19 Emergency	19
CDP S.p.A.	Comune di Maleo	First Red Zones - Covid-19 Emergency	131
CDP S.p.A.	Comune di Somaglia	First Red Zones - Covid-19 Emergency	162
CDP S.p.A.	Comune di Terranova Dei Passerini	First Red Zones - Covid-19 Emergency	37
CDP S.p.A.	Comune di Adria	Earthquake 2012	14
CDP S.p.A.	Comune di Bagnolo di Po	Earthquake 2012	166
CDP S.p.A.	Comune di Bastiglia	Earthquake 2012	67
CDP S.p.A.	Comune di Bergantino	Earthquake 2012	349
CDP S.p.A.	Comune di Borgo Virgilio	Earthquake 2012	32
CDP S.p.A.	Comune di Borgocarbonara	Earthquake 2012	40
CDP S.p.A.	Comune di Calto	Earthquake 2012	47
CDP S.p.A.	Comune di Camposanto	Earthquake 2012	101
CDP S.p.A.	Comune di Canaro	Earthquake 2012	215
CDP S.p.A.	Comune di Canda	Earthquake 2012	106
CDP S.p.A.	Comune di Casalmaggiore	Earthquake 2012	10
CDP S.p.A.	Comune di Castel d'Ario	Earthquake 2012	65
CDP S.p.A.	Comune di Castelguglielmo	Earthquake 2012	254
CDP S.p.A.	Comune di Castellucchio	Earthquake 2012	60
CDP S.p.A.	Comune di Castelmassa	Earthquake 2012	343
CDP S.p.A.	Comune di Castelnovo Bariano	Earthquake 2012	103

(thousands of euro) Grantor	Beneficiary	Motive	2020 instalment amount with collection deferred to a future date
CDP S.p.A.	Comune di Cavezzo	Earthquake 2012	110
CDP S.p.A.	Comune di Ceneselli	Earthquake 2012	58
CDP S.p.A.	Comune di Cento	Earthquake 2012	1,345
CDP S.p.A.	Comune di Commessaggio	Earthquake 2012	22
CDP S.p.A.	Comune di Crevalcore	Earthquake 2012	247
CDP S.p.A.	Comune di Dosolo	Earthquake 2012	185
CDP S.p.A.	Comune di Fabbrico	Earthquake 2012	154
CDP S.p.A.	Comune di Ferrara	Earthquake 2012	1,718
CDP S.p.A.	Comune di Ficarolo	Earthquake 2012	6
CDP S.p.A.	Comune di Fiesso Umbertiano	Earthquake 2012	189
CDP S.p.A.	Comune di Finale Emilia	Earthquake 2012	636
CDP S.p.A.	Comune di Gaiba	Earthquake 2012	64
CDP S.p.A.	Comune di Galliera	Earthquake 2012	60
CDP S.p.A.	Comune di Gavello	Earthquake 2012	75
CDP S.p.A.	Comune di Giacciano con Baruchella	Earthquake 2012	101
CDP S.p.A.	Comune di Gonzaga	Earthquake 2012	242
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 Magnacavallo	Earthquake 2012	67
CDP S.p.A.	Comune di Mantova	Earthquake 2012	116
CDP S.p.A.	Comune di Medolla	Earthquake 2012	266
CDP S.p.A.	Comune di Melara	Earthquake 2012	87
CDP S.p.A.	Comune di Moglia	Earthquake 2012	101
CDP S.p.A.	Comune di Motteggiana	Earthquake 2012	139
CDP S.p.A.	Comune di Novi di Modena	Earthquake 2012	72
CDP S.p.A.	Comune di Occhiobello	Earthquake 2012	1,235
CDP S.p.A.	Comune di Pegognaga	Earthquake 2012	245
CDP S.p.A.	Comune di Piadena Drizzona	Earthquake 2012	95
CDP S.p.A.	Comune di Pieve di Cento	Earthquake 2012	333
CDP S.p.A.	Comune di Pincara	Earthquake 2012	30
CDP S.p.A.	Comune di Poggio Rusco	Earthquake 2012	332
CDP S.p.A.	Comune di Pomponesco	Earthquake 2012	67
CDP S.p.A.	Comune di Quingentole	Earthquake 2012	27
CDP S.p.A.	Comune di Ravarino	Earthquake 2012	111
CDP S.p.A.	Comune di Reggiolo	Earthquake 2012	155
CDP S.p.A.	Comune di Robecco d'Oglio	Earthquake 2012	51
CDP S.p.A.	Comune di Rodigo	Earthquake 2012	188
CDP S.p.A.	Comune di Rolo	Earthquake 2012	109
CDP S.p.A.	Comune di Roncoferraro	Earthquake 2012	188
CDP S.p.A.	Comune di Sabbioneta	Earthquake 2012	170
CDP S.p.A.	Comune di Salara	Earthquake 2012	46
CDP S.p.A.	Comune di San Benedetto Po	Earthquake 2012	111
CDP S.p.A.	Comune di San Daniele Po	Earthquake 2012	115
CDP S.p.A.	Comune di San Felice Sul Panaro	Earthquake 2012	654
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

(thousands of euro) Grantor	Beneficiary	Motive	2020 instalment amount with collection deferred to a future date
CDP S.p.A.	Comune di San Giovanni In Persiceto	Earthquake 2012	375
CDP S.p.A.	Comune di San Prospero	Earthquake 2012	175
CDP S.p.A.	Comune di Stienta	Earthquake 2012	292
CDP S.p.A.	Comune di Sustinente	Earthquake 2012	67
CDP S.p.A.	Comune di Suzzara	Earthquake 2012	647
CDP S.p.A.	Comune di Terre del Reno	Earthquake 2012	38
CDP S.p.A.	Comune di Trecenta	Earthquake 2012	334
CDP S.p.A.	Comune di Viadana	Earthquake 2012	623
CDP S.p.A.	Comune di Vigarano Mainarda	Earthquake 2012	507
CDP S.p.A.	Comune di Villimpenta	Earthquake 2012	65
CDP S.p.A.	Comune di Accumoli	Central Italy Earthquake	97
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 Amatrice	Central Italy Earthquake	102
CDP S.p.A.	Comune di Antrodoco	Central Italy Earthquake	132
CDP S.p.A.	Comune di Apiro	Central Italy Earthquake	215
CDP S.p.A.	Comune di Appignano del Tronto	Central Italy Earthquake	64
CDP S.p.A.	Comune di Arquata del Tronto	Central Italy Earthquake	60
CDP S.p.A.	Comune di Arrone	Central Italy Earthquake	203
CDP S.p.A.	Comune di Ascoli Piceno	Central Italy Earthquake	1,082
CDP S.p.A.	Comune di Barete	Central Italy Earthquake	61
CDP S.p.A.	Comune di Belforte del Chienti	Central Italy Earthquake	102
CDP S.p.A.	Comune di Belmonte Piceno	Central Italy Earthquake	39
CDP S.p.A.	Comune di Bolognola	Central Italy Earthquake	22
CDP S.p.A.	Comune di Borbona	Central Italy Earthquake	42
CDP S.p.A.	Comune di Cagnano Amiterno	Central Italy Earthquake	10
CDP S.p.A.	Comune di Caldarola	Central Italy Earthquake	98
CDP S.p.A.	Comune di Camerino	Central Italy Earthquake	675
CDP S.p.A.	Comune di Campli	Central Italy Earthquake	214
CDP S.p.A.	Comune di Camporotondo di Fiastrone	Central Italy Earthquake	23
CDP S.p.A.	Comune di Campotosto	Central Italy Earthquake	50
CDP S.p.A.	Comune di Cantalice	Central Italy Earthquake	140
CDP S.p.A.	Comune di Capitignano	Central Italy Earthquake	13
CDP S.p.A.	Comune di Cascia	Central Italy Earthquake	141
CDP S.p.A.	Comune di Castel Castagna	Central Italy Earthquake	27
CDP S.p.A.	Comune di Castel di Lama	Central Italy Earthquake	372
CDP S.p.A.	Comune di Castel Sant'angelo	Central Italy Earthquake	24
CDP S.p.A.	Comune di Castelli	Central Italy Earthquake	132
CDP S.p.A.	Comune di Castelraimondo	Central Italy Earthquake	620
CDP S.p.A.	Comune di Castelsantangelo sul Nera	Central Italy Earthquake	114
CDP S.p.A.	Comune di Castignano	Central Italy Earthquake	13
CDP S.p.A.	Comune di Castorano	Central Italy Earthquake	95
CDP S.p.A.	Comune di Cerreto d'Esi	Central Italy Earthquake	530
CDP S.p.A.	Comune di Cerreto di Spoleto	Central Italy Earthquake	90
CDP S.p.A.	Comune di Cessapalombo	Central Italy Earthquake	45
CDP S.p.A.	Comune di Cingoli	Central Italy Earthquake	943

(thousands of euro) Grantor	Beneficiary	Motive	2020 instalment amount with collection deferred to a future date
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 Civitella del Tronto	Central Italy Earthquake	272
CDP S.p.A.	Comune di Colledara	Central Italy Earthquake	151
CDP S.p.A.	Comune di Colli del Tronto	Central Italy Earthquake	124
CDP S.p.A.	Comune di Colmurano	Central Italy Earthquake	98
CDP S.p.A.	Comune di Comunanza	Central Italy Earthquake	256
CDP S.p.A.	Comune di Corridonia	Central Italy Earthquake	388
CDP S.p.A.	Comune di Cortino	Central Italy Earthquake	125
CDP S.p.A.	Comune di Cossignano	Central Italy Earthquake	25
CDP S.p.A.	Comune di Crognaleto	Central Italy Earthquake	223
CDP S.p.A.	Comune di Esanatoglia	Central Italy Earthquake	282
CDP S.p.A.	Comune di Fabriano	Central Italy Earthquake	2,010
CDP S.p.A.	Comune di Falerone	Central Italy Earthquake	142
CDP S.p.A.	Comune di Fano Adriano	Central Italy Earthquake	39
CDP S.p.A.	Comune di Farindola	Central Italy Earthquake	47
CDP S.p.A.	Comune di Ferentillo	Central Italy Earthquake	157
CDP S.p.A.	Comune di Fiastra	Central Italy Earthquake	77
CDP S.p.A.	Comune di Fiuminata	Central Italy Earthquake	158
CDP S.p.A.	Comune di Folignano	Central Italy Earthquake	487
CDP S.p.A.	Comune di Force	Central Italy Earthquake	90
CDP S.p.A.	Comune di Gagliole	Central Italy Earthquake	70
CDP S.p.A.	Comune di Gualdo	Central Italy Earthquake	96
CDP S.p.A.	Comune di Isola del Gran Sasso d'Italia	Central Italy Earthquake	117
CDP S.p.A.	Comune di Leonessa	Central Italy Earthquake	92
CDP S.p.A.	Comune di Loro Piceno	Central Italy Earthquake	202
CDP S.p.A.	Comune di Macerata	Central Italy Earthquake	2,185
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 Matelica	Central Italy Earthquake	875
CDP S.p.A.	Comune di Micigliano	Central Italy Earthquake	26
CDP S.p.A.	Comune di Mogliano	Central Italy Earthquake	336
CDP S.p.A.	Comune di Monsampietro Morico	Central Italy Earthquake	52
CDP S.p.A.	Comune di Montalto delle Marche	Central Italy Earthquake	157
CDP S.p.A.	Comune di Montappone	Central Italy Earthquake	156
CDP S.p.A.	Comune di Monte Cavallo	Central Italy Earthquake	43
CDP S.p.A.	Comune di Monte Rinaldo	Central Italy Earthquake	26
CDP S.p.A.	Comune di Monte San Martino	Central Italy Earthquake	56
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 Montefranco	Central Italy Earthquake	30
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 Monteleone di Spoleto	Central Italy Earthquake	13

(thousands of euro) Grantor	Beneficiary	Motive	2020 instalment amount with collection deferred to a future date
CDP S.p.A.	Comune di Montelparo	Central Italy Earthquake	78
CDP S.p.A.	Comune di Montereale	Central Italy Earthquake	86
CDP S.p.A.	Comune di Montorio Al Vomano	Central Italy Earthquake	293
CDP S.p.A.	Comune di Muccia	Central Italy Earthquake	39
CDP S.p.A.	Comune di Norcia	Central Italy Earthquake	321
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	2
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 Pietracamela	Central Italy Earthquake	57
CDP S.p.A.	Comune di Pieve Torina	Central Italy Earthquake	281
CDP S.p.A.	Comune di Pioraco	Central Italy Earthquake	104
CDP S.p.A.	Comune di Pizzoli	Central Italy Earthquake	154
CDP S.p.A.	Comune di Poggio Bustone	Central Italy Earthquake	34
CDP S.p.A.	Comune di Poggiodomo	Central Italy Earthquake	29
CDP S.p.A.	Comune di Polino	Central Italy Earthquake	65
CDP S.p.A.	Comune di Pollenza	Central Italy Earthquake	308
CDP S.p.A.	Comune di Posta	Central Italy Earthquake	7
CDP S.p.A.	Comune di Preci	Central Italy Earthquake	32
CDP S.p.A.	Comune di Rieti	Central Italy Earthquake	1,970
CDP S.p.A.	Comune di Ripe San Ginesio	Central Italy Earthquake	42
CDP S.p.A.	Comune di Rivodutri	Central Italy Earthquake	42
CDP S.p.A.	Comune di Rocca Santa Maria	Central Italy Earthquake	87
CDP S.p.A.	Comune di Roccafluvione	Central Italy Earthquake	55
CDP S.p.A.	Comune di San Ginesio	Central Italy Earthquake	297
CDP S.p.A.	Comune di San Severino Marche	Central Italy Earthquake	435
CDP S.p.A.	Comune di Santa Vittoria In Matenano	Central Italy Earthquake	30
CDP S.p.A.	Comune di Sant'anatolia di Narco	Central Italy Earthquake	45
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 Scheggino	Central Italy Earthquake	46
CDP S.p.A.	Comune di Sefro	Central Italy Earthquake	61
CDP S.p.A.	Comune di Sellano	Central Italy Earthquake	13
CDP S.p.A.	Comune di Serrapetrona	Central Italy Earthquake	13
CDP S.p.A.	Comune di Serravalle di Chienti	Central Italy Earthquake	97
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 Spoleto	Central Italy Earthquake	1,400
CDP S.p.A.	Comune di Teramo	Central Italy Earthquake	1,771
CDP S.p.A.	Comune di Tolentino	Central Italy Earthquake	1,579
CDP S.p.A.	Comune di Torricella Sicura	Central Italy Earthquake	49
CDP S.p.A.	Comune di Tossicia	Central Italy Earthquake	58
CDP S.p.A.	Comune di Treia	Central Italy Earthquake	328
CDP S.p.A.	Comune di Urbisaglia	Central Italy Earthquake	244
CDP S.p.A.	Comune di Ussita	Central Italy Earthquake	745

(thousands of euro) Grantor	Beneficiary	Motive	2020 instalment amount with collection deferred to a future date
CDP S.p.A.	Comune di Valfornace	Central Italy Earthquake	189
CDP S.p.A.	Comune di Valle Castellana	Central Italy Earthquake	113
CDP S.p.A.	Comune di Vallo di Nera	Central Italy Earthquake	7
CDP S.p.A.	Comune di Venarotta	Central Italy Earthquake	96
CDP S.p.A.	Comune di Visso	Central Italy Earthquake	177
CDP S.p.A.	Provincia di Ancona	Central Italy Earthquake	1,528
CDP S.p.A.	Provincia di Ascoli Piceno	Central Italy Earthquake	1,200
CDP S.p.A.	Provincia di Fermo	Central Italy Earthquake	1,466
CDP S.p.A.	Provincia di Macerata	Central Italy Earthquake	1,223
CDP S.p.A.	Provincia di Perugia	Central Italy Earthquake	4,891
CDP S.p.A.	Provincia di Pescara	Central Italy Earthquake	2,709
CDP S.p.A.	Provincia di Rieti	Central Italy Earthquake	988
CDP S.p.A.	Provincia di Teramo	Central Italy Earthquake	1,007
CDP S.p.A.	Provincia di Terni	Central Italy Earthquake	1,168
CDP S.p.A.	Comune di Casamicciola Terme	Ischia Earthquake	619
CDP S.p.A.	Comune di Forio	Ischia Earthquake	410
CDP S.p.A.	Comune di Lacco Ameno	Ischia Earthquake	612

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 tables provide 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 - items	31/12/2020	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	3,375			93
30. Financial assets measured at fair value through other comprehensive income	13,064			12,418
40. Financial assets measured at amortised cost	357,882			
a) Loans to banks	39,226	26,692	12,472	
b) Loans to customers	318,656	156,408	94,448	61,536
50. Hedging derivatives	445			
60. Fair value change of financial assets in hedged portfolios (+/-)	2,532			
70. Equity investments	31,892			
80. Property, plant and equipment	373			
90. Intangible assets	43			
100. Tax assets	462			
110. Non-current assets and disposal groups held for sale				
120. Other assets	279			
Total assets	**410,346**	**183,100**	**106,920**	**74,047**

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
3,043	239			
615			31	
			62	
			6,263	
	445			
	2,532			
31,892				
		373		
		43		
				462
				279
35,551	**3,215**	**416**	**6,356**	**741**

Balance sheet - Liabilities and equity

(millions of euro) LIABILITIES AND EQUITY - items	31/12/2020	Funding	Funding detail	
			Postal Funding	Funding from banks
10. Financial liabilities measured at amortised cost	378,820			
a) Due to banks	45,260	45,285	2,019	43,266
b) Due to customers	312,007	311,815	272,556	23,382
c) Securities issued	21,553	21,162		
20. Financial liabilities held for trading	210			
30. Financial liabilities designated at fair value				
40. Hedging derivatives	4,321			
50. Fair value change of financial liabilities in hedged portfolios	10			
60. Tax liabilities	208			
70. Liabilities associated with non-current assets and disposal groups held for sale				
80. Other liabilities	803			
90. Staff severance pay	1			
100. Provisions for risks and charges	476			
110. Valuation reserves	653			
120. Redeemable shares				
130. Equity instruments				
140. Reserves	15,962			
150. Share premium reserve	2,379			
160. Share capital	4,051			
170. Treasury shares	(322)			
180. Net income (loss) for the year	2,775			
Total liabilities and equity	**410,346**	**378,262**	**274,575**	**66,649**

	Funding detail						
	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**
				(26)			
	15,876			192			
		21,162		390			
			210				
			4,321				
			10				
						208	
					803		
						1	
						476	
							653
							15,962
							2,379
							4,051
							(322)
							2,775
	15,876	**21,162**	**4,541**	**557**	**803**	**685**	**25,497**

Income statement

(millions of euro) INCOME STATEMENT- items		31/12/2020	Net interest income	Dividends	Other net revenues (costs)
10.	Interest income and similar income	7,720	7,720		
20.	Interest expense and similar expense	(4,565)	(4,565)		
40.	Commission income	410	300		110
50.	Commission expense	(1,409)	(1,393)		(16)
70.	Dividends and similar revenues	1,089		1,089	
80.	Profits (losses) on trading activities	(21)			(21)
90.	Net gain (loss) on hedging activities	24			24
100.	Gains (losses) on disposal or repurchase	874			874
110.	Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	(100)			5
130.	Net adjustments/recoveries for credit risk	(151)			
140.	Gains/losses from changes in contracts without derecognition				
160.	Administrative expenses	(190)			
170.	Net accruals to the provisions for risks and charges	(67)			
180.	Net adjustments to/recoveries on property, plant and equipment	(13)			
190.	Net adjustments to/recoveries on intangible assets	(9)			
200.	Other operating income (costs)	8			
220.	Gains (losses) on equity investments				
230.	Gains (Losses) on tangible and intangible assets measured at fair value				
240.	Goodwill impairment				
250.	Gains (losses) on disposal of investments				
270.	Income tax for the year on continuing operations	(823)			
280.	Income (loss) after tax on discontinued operations				
	Total income statement	**2,775**	**2,062**	**1,089**	**976**

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 2020 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 measures are provided below.

Structure ratios

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).

Gross income	Write-downs	Operating costs	Operating income	Net provisions for risks and charges	Income taxes	Net income (loss) for the year
7,720			7,720			7,720
(4,565)			(4,565)			(4,565)
410			410			410
(1,409)			(1,409)			(1,409)
1,089			1,089			1,089
(21)			(21)			(21)
24			24			24
874			874			874
5	(106)		(100)			(100)
	(151)		(151)			(151)
		(190)	(190)			(190)
	(92)		(92)	25		(67)
		(13)	(13)			(13)
		(9)	(9)			(9)
		8	8			8
					(823)	(823)
4,126	**(349)**	**(205)**	**3,572**	**25**	**(823)**	**2,775**

Profitability ratios

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 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 of Funding, as shown in the aggregate account (Annex 2).

Cost/Income Ratio: it measures the ratio of Operating Costs (sum of staff costs, administrative expenses, depreciation and amortisation, and other operating income and 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

1. Foreword

Shareholders,

With this report, prepared pursuant to Art. 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 2020 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 [58], to the extent compatible with the nature of CDP.

During 2020, the Board of Statutory Auditors had the following members, all appointed by the Ordinary Shareholders' Meeting of 23 May 2019: Carlo Corradini (Chairman), Franca Brusco, Giovanni Battista Lo Prejato, Mario Romano Negri and Enrica Salvatore. 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 2021.

Statutory audit activities were performed by Deloitte & Touche S.p.A. (Deloitte or the "Audit Firm"), on the basis of the engagement granted to the latter by the Ordinary Shareholders' Meeting of 19 March 2019 for the financial years 2020 to 2028.

2. Meetings of the Board of Statutory Auditors

In 2020, the Board of Statutory Auditors held 16 meetings. The magistrate designated by the Italian Court of Auditors was invited to all meetings pursuant to Art. 27, paragraph 10, of the articles of association. The Board of Statutory Auditors — as a whole or represented by some of its members — also participated in the four Shareholders' Meetings held on 21 May 2020 [59], the 23 meetings of the Board of Directors as well as the 23 meetings of the Risk Committee of the Board of Directors and the three meetings of the Compensation Committee.

3. Monitoring of compliance with the law, the articles of association and the principles of sound administration

In accordance with the provisions of Art. 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 4 and 5 below). This monitoring activity was carried out by the Board also through participation in the meetings of the Board of Directors and the Board Committees, as well as through meetings and exchanges of information with the management and the heads of the main company departments and control units (in particular, the Chief Audit Officer, the Financial Reporting Officer, FRO; the Chief Risk Officer's units responsible for anti-money laundering, risk and compliance matters and the Employer as defined in Legislative Decree no. 81/2008 – "Employer") and with the Audit Firm.

The Board received, pursuant to and with the frequency required by Art. 23, paragraph 4, of the articles of association, information on general developments in operations and the expected outlook, as well as on the most significant transactions in terms of size or characteristics carried out by the Company and its subsidiaries (see section 9 below).

The checks performed found no censurable facts with a significant impact.

The Board of Statutory Auditors did not receive any complaints pursuant to Art. 2408 of the Italian Civil Code.

4. 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 special comment to report. In this regard, the Board reports that it has presented to the Board of directors — also through its delegated bodies — its reflections on some initiatives launched or in the process of being launched by the Company, such as for instance the Revival Fund, pursuant to Art. 27 of Legislative Decree no. 34/2020, ratified with amendments by Law no. 77/2020 (Revival Decree).

58 Most recently, with Notice no. 1/21 of 16 February 2021.
59 Session continued in the meetings of 28 May and 4 June 2020.

The Board also monitored the operation of the internal control and risk management systems in order to assess their workings and appropriateness. In particular, the Board, inter alia: (i) monitored control activities for the risk management process; (ii) monitored the adequacy of activities to control compliance risk; (iii) assessed the effectiveness of the internal control system and the risk management systems of the Company through, inter alia, participation at meetings of the Risk Committee, examination of the periodic reports prepared by the Chief Audit Officer, the Financial Reporting Officer and the Heads of the Chief Risk Officer's units responsible for anti-money laundering, risk and compliance matters as well as the meetings held with the latter.

The meetings with the corporate oversight bodies also examined (i) the progress of their respective action plans, (ii) the results of the integrated "dashboard" of the oversight bodies, (iii) the reporting flows to control bodies of the companies subject to the direction and coordination of CDP, (iv) updates from the Employer on health and safety on the job, pending the health emergency from Covid-19, and (v) the reporting to the supervisory authorities and developments in external regulations and company rules concerning the prevention and countering of money laundering and terrorist financing. During these meetings, the Chief Audit Officer — as a permanent guest to the meetings of the Board of Statutory Auditors — also reported on her further activities and on her annual assessment of the internal control system.

The checks performed found no issues with a significant impact.

In the last quarter of 2020, the Bank of Italy conducted an inspection on CDP relating to specific issues and for which the final report is awaited.

5. 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.

In this respect the Board also verified that the report on operations provided the information required under Art. 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 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 prepared by Deloitte as envisaged under Art. 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.

6. Separate and consolidated financial statements

The Board examined the draft separate financial statements of CDP at 31 December 2020, reporting net income of 2,775 million euro and equity of 25,474 million euro, including net income for 2020, approved by the Board of Directors of CDP.

Since it the legal audit function is not delegated to it, the Board supervised the general layout of the financial statements, its compliance with law as regards its preparation and structure, without noting any aspects to report. The Board also verified compliance with law relating to the preparation of the management report, also in this case without any remarks to report. The Directors illustrated in the Financial Report the items that contributed to the economic performance and the events generating them.

The Board also examined the report of the Audit Firm issued pursuant to Art. 14 and 16 of Legislative Decree no. 39/2010, expressing an unqualified opinion without emphasis of matter.

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 2020 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 2020 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 Art. 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 sixth update of 30 November 2018. The IASs/IFRSs endorsed and in effect as of 31 December 2020 (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 Deloitte 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 Art. 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 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;

Pursuant to Art. 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 2020, 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.

The Board also verified that:
- the CDP Group consolidated financial statements report net income of 1,163 million euro (of which -369 million euro pertaining to the Parent Company), a decrease over 2019 (a consolidated 3,411 million euro of which 1,784 million euro pertaining to the Parent Company)[60]; and
- the specific report made by Deloitte pursuant to art. 14 of Legislative Decree no. 39/2010 expresses an unqualified opinion nor does it contain emphasis of matter. In any case, it should be noted that the Company declared that it prepared the 2020 consolidated financial statements of the CDP group in compliance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. (IASB) and related interpretations (IFRIC and SIC), adopted by the European Union with European Regulation no. 1606/2002, as well as pursuant to Legislative Decree no. 38 of February 28, 2005, which governed the application of IFRS under the Italian accounting system. Reference will be made hereinafter, in the specific section of this report, on the main relationships with subsidiaries.

7. Consolidated non-financial statement

The Board of Statutory Auditors examined the consolidated non-financial statement of the CDP Group ("NFS") for the 2020 financial year, prepared pursuant to Legislative Decree 254/2016 and included in the Sustainability Report of the CDP Group approved by the Board of Directors of CDP at its meeting of 31 March 2021.

In particular, the Board of Statutory Auditors monitored compliance with the provisions established by the Legislative Decree 254/2016 in the preparation of the NFS, exchanging information with the corporate units on preparatory activities in this regard (i.e. definition of a new materiality matrix to replace that defined for the NFS for 2019). Among other things, the Board ensured (i) that the scope of application was defined in compliance with applicable provisions; (ii) that the inclusion of the SACE Group – although as from April it is no longer subject to direction and coordination – is compatible with such provisions and aims at providing a complete representation of the scope of activities of the CDP Group in 2020; (iii) 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 (iv) that the NFS 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; (v) that the NFS describes, among other things, the model applied to the management and organisation 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 (v) 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-core" option.

In line with Consob Notice no. 1/21 of February 16, 2021, the Board also verified that the NFS was prepared in compliance with the indications provided by the European Securities and Markets Authority (ESMA) regarding (i) the impact of the Covid-19 pandemic on non-financial issues, (ii) social and personnel related issues, (iii) the business model and value creation, (iv) the risks relating to climate change, and (v) the interconnections between financial and non-financial information.

60 See "European common enforcement priorities for 2020 annual financial reports" of 28 October 2020

In addition to the foregoing, note that pursuant to Art. 3, paragraph 10, of Legislative Decree 254/2016, (i) the audit firm verified the effective preparation by the Board of Directors, of the non-financial statement included in the Integrated Report of the CDP Group; (ii) the Audit Firm performed the limited assurance assessment of the NFS, in line with the provisions of Art. 5 of Consob Regulation 20267 of 18 January 2018, issuing on 20 April 2021, a specific report with which Deloitte 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 Arts. 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, note that the office of the Chief External Relations & Sustainability Officer, with the support of the competent business and operating units of the office of the Chief Financial Officer is entrusted, inter alia, with the task of preparing periodic sustainability reports, among which the NFS. 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.

8. Monitoring activities pursuant to Art. 19 of Legislative Decree no. 39/2010

In its capacity as the internal control and audit committee ("ICAC"), in accordance with Art. 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 several occasions, including in connection with the provisions of Art. 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 Deloitte, no significant issues emerged that would require reporting. More specifically:

- the Board of Statutory Auditors met with Deloitte on the occasion of the preparation of the Half-Year Report at 30 June 2020. On 7 August 2020, Deloitte issued a report containing an unqualified opinion with no emphasis of matter on the limited audit of the condensed consolidated half-year financial statements;
- on 20 April 2021, Deloitte issued, pursuant to Art. 14 of Legislative Decree 39/2010 and Art. 10 of Regulation (EU) no. 537/2014, the audit reports on the financial statements and consolidated financial statements as at 31 December 2020, expressing an unqualified opinion with no emphasis of matter;
- also on 20 April 2021, Deloitte issued to the Board of Statutory Auditors the additional report envisaged under Art. 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 Art. 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 Arts. 4 and 5 of Regulation (EU) no. 537/2014. In this respect, note that in an attachment to the aforementioned additional report, Deloitte submitted to the Board of Statutory Auditors the certification of independence required under Art. 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 Art. 14 of Legislative Decree no. 39/2010. In this regard, in 2020, CDP and the Group companies subject to management and coordination engaged Deloitte to perform the following non-audit services:

- for CDP

Service		In euros (before VAT)
1)	Professional services for bond issue in China ("Panda Bond") 2020-2022	225,000
2)	Agreed audit activities relating to the revision of 2020-2021 TLTRO III schemes (ISAE3000 assignment)	25,000
	Total	**275,000**

- for CDP Reti S.p.A.

Service		In euros (before VAT)
1)	Opinion pursuant to Art. 2433-*bis* of Civil Code for interim dividend	16,000
	Total	**16,000**

- for CDP Immobiliare SGR S.p.A.

	Service	In euros (before VAT)
1)	Comfort letter on the Asset manager's compliance with capital requirements as required by law	1,000
	Total	**1,000**

The Board of Statutory Auditors took note of the Transparency Report prepared by Deloitte and published on its website pursuant to Art. 18 of Legislative Decree 39/2010.

9. 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 Art. 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.

10. Significant events

The Board of Statutory Auditors reports that 2020 was characterised by a number of key themes, both in the separate financial statements of CDP, and in the consolidated financial statements of the CDP Group. Below is a description of the following themes:
1) Health emergency from Covid-19;
2) Reorganization of the SACE Group;
3) Performance and financial position of CDP;
4) Impairment testing of investments held by CDP;
5) Individual and collective impairment of loans granted by CDP;
6) Performance and financial position of the CDP Group.

10.1 Health emergency from Covid-19

With the spread of the Covid-19 health emergency, the Company has adopted a series of organisational measures (i.e. activation of a task force composed of representatives of the main internal units involved in managing the emergency, as well as voluntary diagnostic screening activities) that are intended, among other things, to ensure business continuity and preserve the health and safety of company personnel. In particular, in accordance with the measures issued by the competent authorities, the Company insofar as it operates in a sector deemed essential (i.e. the financial sector) and because of its institutional mission – has maintained normal operations by using agile working methods for almost all employees. In this context, the Board of Statutory Auditors met with the employer, pursuant to Legislative Decree 81/2008, and verified the adoption of procedures to minimise the risk of contagion with Covid-19 and, more generally, to protect the health and safety of personnel. The Board also verified the adaptation of information and communications technology, human resources and organizational processes to the emergency situation, meeting with the heads of the units responsible for this.

At the accounting level, it is preliminarily noted that, in relation to the approval of the financial statements as at 31 December 2019, the health emergency from Covid-19 was qualified as a subsequent "non-adjusting" event according to the provisions of IAS 10, as it occurred after the end of the year, to be reported in the financial statements, but without accounting effects on the 2019 financial year. With regard to the financial statements at 31 December 2020, the emergency qualifies as an event pertaining to the year to be reflected in 2020 events. For this reason, in the preparation of the annual financial report at 31 December 2020, the Group considered its impacts to the current economic context, characterized by the effects of the aforementioned health emergency, the related accounting implications connected to the valuation of assets and liabilities, the reporting and assessment on business continuity, also taking into account the recommendations published by the Bank of Italy, ESMA, the International Organization of Securities Commissions (IOSCO) and Consob (hereinafter also the "Authorities").

The Board of Statutory Auditors ensured that:
- in preparing the separate and consolidated annual financial statements at 31 December 2020, the management has taken into account the elements of greatest uncertainty characterising the current context and has given adequate information in the financial statements, as requested by the Authorities;
- the Covid-19 pandemic did not represent a factor of uncertainty on CDP's ability to continue operating as a going concern and that the Company provided adequate disclosure on the valuation of items incorporating higher estimate components in the

application of the accounting policies and on the sources underlying the main estimate components, as well as the main risks and uncertainties to which CDP is exposed as a result of Covid-19 and related assessments;
- as part of the notes to the separate and consolidated financial statements, additional information was adequately provided with reference to the main subsidiaries.

Increasing uncertainty on the effects of the spread of Covid-19 on a global scale entail greater uncertainty in the formulation of estimates regarding quantities such as possible future losses on receivables valued at amortized cost and cash flows deriving from equity investments, also with reference to the assumptions and parameters used to support the asset valuation analyses. In this context, the Board of Statutory Auditors verified that the information provided in the separate and consolidated annual financial report as of 31 December 2020 complies with the provisions of the Authorities regarding the areas most exposed to uncertainties related to the Covid-19 pandemic.

10.2 Reorganization of the SACE Group

In order to cope with the health emergency, Legislative Decree no. 23/2020 - converted, with amendments, by Law no. 40/2020 ("Liquidity Decree") also provided, among other things, for some measures relating to corporate governance and business operations of SACE S.p.A. Among these:
- new methods for managing CDP investment in SACE, providing, among other things, that (i) CDP should agree with the MEF, having consulted the Ministry of Foreign Affairs and International Cooperation (MFAIC), on the exercise of the voting rights deriving from the investment in SACE and consult the MEF on other management operations of the investment, and that (ii) SACE is not subject to the direction and coordination of CDP; is
- new ways of defining industrial and commercial strategies, which SACE must agree with CDP.

Subsequently, Art. 67 of Legislative Decree no. 104/2020 ("August Decree") introduced specific provisions relating to the reorganization of the SACE group, providing, among other things, that:
- upon agreement between the MEF and CDP, a decree of the MEF in agreement with the MFAIC (subject to registration by the Court of Auditors) shall provide for "the reorganization of the SACE group at a transfer price valued as appropriate by the parties";
- "the burden associated with the payment of the consideration for the transfer referred to in paragraph 2, which is carried out through government securities, also specifically issued, up to a maximum limit of 4,500 million euro for the year 2020, is assumed (by the State) pursuant to Art. 114 ".

Based on the foregoing, the Board of Directors of 5 March 2021 – taken note of the draft agreement pursuant to art. 67, paragraph 2, of the August Decree, concerning the corporate reorganization of the SACE group – decided to approve:
- the purchase of the entire stake in SIMEST S.p.A. owned by SACE;
- the transfer to the MEF of the entire stake in SACE owned by CDP.

In this context, the Board of Statutory Auditors has, among others:
- exchanged information with the corporate units regarding the preparatory activities for the aforementioned board resolution; and
- verified that in the notes to the separate and consolidated financial statements, the information required by applicable accounting standards on the corporate reorganization described above has been provided, also noting that the accounting effects will be appreciated in the current financial year.

The checks performed found no issues with a significant impact.

10.3 Performance and financial position of CDP[61]

Net interest income amounted to 2,062million euro, an increase compared with 2019, attributable to an improvement of the spread between interest-bearing assets and interest-bearing liabilities. Gross income came to about 4,126 million euro, an increase of about 16.3% from 3,549 million euro in 2019.

The cost of risk is equal to -349 million euro, worsening compared to 2019 (+119 million euro), when it benefited from writebacks on some significant credit exposures and on the investment in Fintecna. The 2020 figure is mainly attributable to the value adjustment of a significant credit exposure (prior to the Covid-19 crisis) and, to a lesser extent, the general worsening of the economic context due to the health crisis, with effects on the risk of insolvency of counterparties and on the fair value of the fund units held.

Owing to these developments, net income for the period amounted to 2,775 million euro, an increase of about 1.4% from 2,736 million euro in 2019.

Total assets amounted to about 410 billion euro, an increase of about 6% over 2019 when they came to 386 billion euro.

61 The performance and financial position of CDP described below refers to the separate financial statements, reclassified according to management criteria, reported in the report on operations.

The stock of cash and other cash equivalents came to about 183 billion euro, an increase of 7% over the previous year. The aggregate includes the balance of the Treasury current account, which came to about 154 billion at 31 December 2020.

The loans and receivables with customers came to about 107 billion euro, an increase of 6% over year-end 2019, mainly due to higher volumes of loans to companies and financial institutions. This increase is partly attributable to the extraordinary measures put in place by CDP to deal with the health emergency, which had a positive effect on the volumes of loans disbursed during the year.

Debt securities came to about 74 billion euro, a 4% increase over 2019, mainly attributable to investments in government securities.

At 31 December 2020, the carrying amount of equity investments, investment funds and shares came to about 36 billion euro, up 4% over 2019. The increase is mainly attributable to investments in the equity portfolio.

Under liabilities, total funding at 31 December 2020 came to more than 378 billion euro (+6.3% from the end of 2019).

Within the aggregate, postal funding (275 billion euro) shows an increase of 4% from year-end 2019, thanks to net CDP funding of 6 billion euro and accrued interest income pertaining to postal savers.

Funding from banks amounted to 67 billion euro, up from 48 billion euro at year-end 2019, mainly due to the growth in funding with the ECB.

Funding from customers amounted to 16 billion euro, a decrease over 2019 mainly reflecting a reduction in the funding from OPTES operations.

Bond funding, equal to 21 billion euro, increased by 8% over December 2019 thanks to new bond issues of about 3 billion euro, of which 1 billion euro of Covid-19 Social Response bonds, 0.75 billion euro of social housing bonds, and 0.75 billion of euro social bonds.

Shareholders' equity at 31 December 2020 came to 25 billion euro, a 2% increase over the end of 2019, reflecting the developments in net income, which more than offset dividends paid in 2020.

10.4 Impairment testing of investments held by CDP

At each reporting date, CDP assesses the presence of the impairment indicators as required by IAS 36 and supplementary indicators, where applicable, also taking into account the instructions of national and international supervisory authorities on financial reporting relating to risks, uncertainties, estimates, assumptions and assessments, as well as the difficulties associated with the impacts of the health crisis due to the spread of Covid-19.

Impairment tests were conducted pursuant to IAS/IFRS for SACE S.p.A., CDP Equity, CDP Industria S.p.A., Fintecna S.p.A., CDP Immobiliare S.r.l., Europrogetti e Finanza in liquidazione, 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.

10.5 Individual and collective impairment of loans granted by CDP

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 2020 on the basis of reasonable repayment assumptions, taking account of any guarantees securing these exposures, prompted net write-backs from valuation and collection totalling about 33 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 384 billion euro, in Stage 2 in the amount of 14 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 (51.2 million euro net), unlikely to be paid (115.7 million euro net) and impaired past due exposures (21.7 million euro net).

With regard to the collective assessment of loans and other credit exposures, the net adjustment (a net write-down) recognised in 2020 profit or loss amounted to about 276.3 million euro (of which 264.7 million euro in write-downs of exposures to customers and 11.6 million euro in write-downs of exposures to banks). The provision for collective impairment totalled about 1,103.9 million euro (of which 49.9 million euro in respect of banks).

The provision for collective impairment at 31 December 2020 was equal to 0.28% of gross on- and off-balance-sheet exposures subject to collective impairment.

10.6 Performance and financial position of the CDP Group

Group net income for 2020 amounted to 1,163 million euro (-369 million euro of which pertaining to the Parent Company), a decrease over 2019, mainly attributable to the negative contribution from companies accounted for using the equity method.

The latter result mainly reflected the impact of equity accounting for Eni S.p.A. (-2,464 million euro from -162 million euro in 2019), Poste Italiane S.p.A. (+336 million euro from +385 million euro in 2019) and SAIPEM S.p.A. (-145 million euro from 2 million euro in 2019) and of Webuild S.p.A in the amount of 28 million euro.

Profit (loss) on insurance business came to a negative 5 million euro, a decrease over 2019 (164 million euro), and includes net premiums and other income and expense from insurance operations.

Total assets came to 512 billion euro, an increase of about 63 billion euro over the previous year (+14% compared with 2019).

Financial assets represented by cash and cash equivalents, loans and securities posted an increase of over 61 billion euro due to the performance of the portfolios of the Parent Company and the new operations of SACE S.p.A. (so-called Garanzia Italia).

Equity investments decreased by 3.1 billion euro, to 15.8 billion euro, mainly reflecting contributions connected to the net incomes of the subsidiaries and related consolidation adjustments:
- a 3,719 million euro decrease in the value of the investment in Eni S.p.A., of which -2,464 million euro due to the net income for the year;
- a 546 million euro increase in the value of the investment in Poste Italiane S.p.A., of which 336 million euro due to the net income for the year;
- a 145 million euro decrease in the value of the investment in Saipem S.p.A., mainly attributable to the net income for the year (which came to a negative 150 million euro)

Property, plant and equipment and intangible assets totalled 54.7 billion euro, an increase of 1.3 billion euro over the previous year. The increase mainly reflects investments carried out by the Terna, Snam and Italgas Groups offset by decreases due to purchase price allocation effects.

The funding of the CDP Group at 31 December 2020 totalled about 417 billion euro, an increase of over 31 billion euro compared with 2019. The increase, which was mainly driven by the developments described above in the funding of the Parent Company (postal funding and through refinancing operations with the ECB). Also contributing were other forms of funding: bank borrowing and, above all, bond issues of CDP, the Terna, Snam, Italgas, Fincantieri and Ansaldo Energia Groups.

Group equity at 31 December 2020 came to about 33.7 billion euro. Equity pertaining to the shareholders of the Parent Company decreased, to 20.4 billion euro (23.6 billion euro at 31 December 2019) due to the payment of dividends and net income for the year.

11. Other activities

Below is information on other activities carried out by the Board of Statutory Auditors, with specific reference to:
1) the first self-assessment process of the Board of Statutory Auditors;
2) the exercise of advisory functions, training and duties carried out in the capacity of Supervisory Body.

11.1 Self-assessment of the Board of Statutory Auditors

During 2020, the Board of Statutory Auditors carried out, on a voluntary basis, a first internal self-assessment exercise[62] on the first phase of its term, aimed at verifying the correct and effective functioning of the body and its adequate composition, with the aim of identifying any areas for operational or organizational improvement. In this context, the Board of Statutory Auditors deemed it necessary to identify the following main self-assessment areas: (i) the qualitative and quantitative composition of the board, its organization and functioning, (ii) the methods of exercising supervisory tasks and (iii) continued compliance with regulatory and statutory requirements by its members. The main outcomes of the aforementioned process are summarized below:
- with regard to the qualitative and quantitative composition of the body, the Board of Statutory Auditors deemed as adequate

62 In line with the provisions of the Q.1.1 standard. "Self-assessment by the board of statutory auditors" of the Rules of Conduct of the board of statutory auditors of listed companies ("Standard Q.1.1"). This standard was published by the National Council of Chartered Accountants and Accounting Experts in April 2018 and subsequently explained in the operational guidelines published in May 2019.

the number of auditors required by the Articles of Association and believes that the current structure allows for the correct fulfilment of the assignment. The Board has also identified some themes of potential interest for further future training sessions;
- with regards to time, the Board of Statutory Auditors considers that time available to the members of the control body is adequate, also taking into account the breadth and complexity of the assignment in relation to the nature, size, organizational structure and sector of activity of the Company.
- as regards remuneration, the Board of Statutory Auditors considered that, on the whole, the requirements of adequacy existing at the time of acceptance of the assignment still exist, and noted, among others, the opportunity to a) re-evaluate its adequacy in relation to both the growing activity of CDP — both in qualitative and quantitative terms — once the scope of the activities resulting from the establishment of the Revival Fund, pursuant to Art. 27 of Legislative Decree no. 34/2020, will be better understood and b) provide complete information to future candidates, prior to renewal, through a self-assessment report updated on that date;
- with regard to its functioning, the Board of Statutory Auditors deemed the working mechanisms of the body to be adequate in relation to (a) the organization of the meetings, (b) the activity carried out by the Chairman, (c) the use of Company employees, (d) participation in the meetings of the other corporate bodies, and (d) the exchange of relevant information. In this regard, the Board deemed, overall, adequate the active reporting flows, which are functional (i) to the performance of its supervisory tasks, provided for by the law and the Articles of Association, (ii) the monitoring of compliance with the Company governance rules and practices, and (iii) active monitoring of the internal control and risk management system, contributing to the smooth and correct performance of corporate governance activities.

Finally, some aspects of further fine-tuning were identified, in order to improve the examination and dialogue with top management or within the Board itself, with particular reference to some relevant choices. It also assessed the availability of management as adequate, as well as the contribution of skills and support provided by the units that assist the Board in its activities.

11.2 The exercise of advisory functions, training and duties in the capacity of Supervisory Body

In the exercise of the advisory functions attributed by current legislation, the articles of association and other internal provisions on governance, in 2020 the Board of Statutory Auditors issued opinions:
- on the proposals of the Compensation Committee concerning the setting and final verification of performance objectives related to the variable component of remuneration, to be paid, pursuant to Art. 2389, third paragraph, of the Civil Code, to directors vested with special duties and in particular to the Chairman, the Chief Executive Officer and General Manager and the deputy General Manager-Chief Business Officer;
- on the award of engagements for a number of non-audit services to the Audit Firm, authorising those granted by CDP;
- on the appointment of the new Financial Reporting Officer Pier Francesco Ragni, approved by the Board of Directors on 3 August 2020;

During the period, the Board of Statutory Auditors also participated in induction sessions aimed at providing the Board of Directors with a deeper understanding of issues pertaining to (i) the management of inside information, (ii) the Organisational Model pursuant to Legislative Decree 231/01 (“Model 231”), and (iii) the Revival Fund pursuant to Art. 27, Legislative Decree no. 34/2020.

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 2020 the Board promoted and monitored the updating of the Model 231 of the Company.

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 2020, as prepared by the Board of Directors and submitted for the approval of the Shareholders’ Meeting, 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, 20 April 2021

For the Board of Statutory Auditors

The Chairman

Carlo Corradini

Independent Auditor's report

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cassa Depositi e Prestiti S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cassa Depositi e Prestiti S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

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 our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. 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.

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Valuation of the equity investments in subsidiaries and associates

Description of the key audit matter	The financial statements as at December 31, 2020 include equity investments amounting to Euro 31,892 million, related to investments in subsidiaries and associates accounted for using the cost method. At each reporting date, the Management assess whether there is any indication that an asset may be impaired (so-called "triggers") provided by IAS 36; this assessment is performed on the basis of information taken from public sources or of any additional information received by the investees. For the purpose of the assessment carried out for the financial statements as at December 31, 2020, the Management also considered the indications issued by national and international authorities in relation to the impacts of the COVID-19 pandemic. In this regard, the COVID-19 outbreak on a global scale and the consequent impacts on the economic activity have led to an increase in uncertainty which makes the formulation of estimates regarding cash flows deriving from equity investments more complex, also with reference to the greater uncertainty associated with the assumptions and parameters used in the recoverability assessment of the assets. As at December 31, 2020, the Management detected impairment indicators on several equity investments accounted for using the cost method mainly due to the actual results, in combination with the unfavourable performance of market prices for some of them. As indicated in the notes to the financial statements, the Management, therefore, carried out the impairment test through a comparison between the carrying amount and the recoverable amount of such equity investment, using the most appropriate methodologies, from the outcome of which no impairment losses were recognised. Considering the discretionary and the uncertainty implied in the estimation made in determining the assumptions and parameters of the impairment model, the increased complexity in the formulation of these estimates due to uncertainties arising from the spread of COVID-19 pandemic, as well as the significance of the amount of equity investments in subsidiaries and associates, we considered the valuation of such equity investments was a key audit matter of the financial statement of the Company. Paragraph 5 "Equity investments" of Part A.2 "The main financial statement items" describes the accounting principles used for the valuation of these items. Paragraph 7.1 "Information on equity investment" of Section 7 "Equity investments" Item 70 of Part B "Information on the balance sheet" includes the disclosure about the valuation of investments in subsidiaries and associates.

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Procedure di revisione svolte	As part of our audits work, we carried out the following procedures also supported, in some cases, by valuation experts from our Network: • meetings and discussions with Management of the Company and, where appropriate, of the equity investments in order to understand the valuation methods, the information used and the assumptions made for the impairment test; • understanding of the processes and relevant controls adopted by the Company for the assessment of the impairment test; • analysis of the valuation methods adopted by Management to determine the recoverable amount of such equity investments; • analysis of the set of information used by Management to support their valuation, including the report issued by the independent expert involved by Management for the estimation of the recoverable amount; • verification of the adequacy of the valuation method and their consistency with the accounting standards and valuation practices, also taking into account the specific context of each equity investments; • analysis of the reasonableness of the main assumption and parameters used to determine the recoverable amount also through the verification of external data and information provided by Management; • assessing the mathematical accuracy of the model used to determine the recoverable amount of the equity investments in subsidiaries and associates; • verification of the adequacy of the disclosure provided by Directors in the financial statements and its compliance with IAS 36.

Other Matter

The financial statements of Cassa Depositi e Prestiti S.p.A. for the period ended as of December 31, 2019 were audited by other auditor that on April 20, 2020 expressed an unmodified opinion on those 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 and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established 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 these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's 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.

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- Evaluate 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 communicate 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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate 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 determine 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 describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa Depositi e Prestiti S.p.A. has appointed us on March 19, 2019 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the 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 role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Cassa Depositi e Prestiti S.p.A. are responsible for the preparation of the report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the the report on corporate governance and the ownership structure of Cassa Depositi e Prestiti S.p.A. as at December 31, 2020, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the specific section related to the report on corporate governance and the ownership structure set forth in art. 123-bis, paragraph 4, of Legislative Decree 58/98 with the financial statements of Cassa Depositi e Prestiti S.p.A. as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

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In our opinion, the above-mentioned report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the the report on corporate governance and the ownership structure are consistent with the financial statements of Cassa Depositi e Prestiti S.p.A. as at December 31, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Motta
Partner

Rome, Italy
April 20, 2021

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

Certification of the Separate financial statements

pursuant to Art. 154-*bis* of Legislative Decree no. 58/1998

1. The undersigned Fabrizio Palermo, in his capacity as Chief Executive Officer, and Pier Francesco Ragni, 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 Art. 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 2020.

2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the separate financial statements at 31 December 2020 was based on a process developed by Cassa Depositi e Prestiti S.p.A in line with the CoSO model and CoBIT model (for the IT component), which make up the generally-accepted internal control framework at international level.

3. In addition, it is hereby certified that:

   3.1 the separate financial statements at 31 December 2020:

   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, 20 April 2021

The Chief Executive Officer

Fabrizio Palermo

The Manager in charge with preparing the company's financial reports

Pier Francesco Ragni

3

2020 consolidated financial statements

Form and content of the Consolidated financial statements at 31 December 2020

The consolidated financial statements at 31 December 2020 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
- Part M – Disclosure of leases

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 of 4 August 2017, Art. 1, paragraphs 125-129" (Annex 1.2) have been added.

Contents of the Consolidated financial statements

Consolidated financial statements at 31 December 2020

CONSOLIDATED BALANCE SHEET

	Assets (thousands of euro)	31/12/2020	31/12/2019
10.	Cash and cash equivalents	1,359	1,340
20.	Financial assets measured at fair value through profit or loss	4,923,820	4,817,701
	a) financial assets held for trading	1,321,688	1,473,366
	b) financial assets designated at fair value	478,671	
	c) other financial assets mandatorily measured at fair value	3,123,461	3,344,335
30.	Financial assets measured at fair value through other comprehensive income	13,538,002	12,360,038
40.	Financial assets measured at amortised cost	403,753,318	344,205,246
	a) loans to banks	48,552,046	32,684,128
	b) loans to customers	355,201,272	311,521,118
50.	Hedging derivatives	553,939	431,066
60.	Fair value change of financial assets in hedged portfolios (+/-)	2,531,833	1,467,343
70.	Equity investments	15,834,385	18,952,123
80.	Reinsurers' share of technical reserves	2,594,711	1,002,469
90.	Property, plant and equipment	40,315,498	39,372,483
100.	Intangible assets	14,357,476	13,965,016
	- *of which: goodwill*	*2,227,633*	*2,232,487*
110.	Tax assets	1,988,695	1,881,245
	a) current tax assets	172,161	243,033
	b) deferred tax assets	1,816,534	1,638,212
120.	Non-current assets and disposal groups held for sale	291,483	342,486
130.	Other assets	11,723,676	10,710,135
	Total assets	**512,408,195**	**449,508,691**

The data referring to 31 December 2019 have been restated as described in the accounting policies, “Other issues” section.

Liabilities and equity (thousands of euro)		31/12/2020	31/12/2019
10.	Financial liabilities measured at amortised cost	417,073,945	385,657,519
	a) due to banks	62,303,272	41,840,044
	b) due to customers	311,387,932	302,011,550
	c) securities issued	43,382,741	41,805,925
20.	Financial liabilities held for trading	268,158	89,965
30.	Financial liabilities designated at fair value	30,513	61,200
40.	Hedging derivatives	4,683,374	3,054,893
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	10,352	18,699
60.	Tax liabilities	3,747,634	4,031,380
	a) current tax liabilities	82,222	162,971
	b) deferred tax liabilities	3,665,412	3,868,409
70.	Liabilities associated with non-current assets and disposal groups held for sale	165,031	165,706
80.	Other liabilities	46,094,342	13,407,795
90.	Staff severance pay	240,741	252,728
100.	Provisions for risks and charges	2,934,174	3,443,251
	a) guarantees issued and commitments	409,374	363,636
	b) pensions and other post-retirement benefit obligations		
	c) other provisions	2,524,800	3,079,615
110.	Technical reserves	3,460,541	2,811,818
120.	Valuation reserves	510,814	1,147,528
130.	Redeemable shares		
140.	Equity instruments		
150.	Reserves	14,187,581	14,677,901
160.	Share premium reserve	2,378,517	2,378,517
170.	Share capital	4,051,143	4,051,143
180.	Treasury shares (-)	(322,220)	(489,111)
190.	Non-controlling interests (+/-)	13,262,560	12,963,558
200.	Net income (loss) for the year	(369,005)	1,784,201
	Total liabilities and equity	**512,408,195**	**449,508,691**

The data referring to 31 December 2019 have been restated as described in the accounting policies, “Other issues” section.

CONSOLIDATED INCOME STATEMENT

Items (thousands of euro)	2020	2019
10. Interest income and similar income	7,952,955	7,200,997
- *of which: interest income calculated using the effective interest rate method*	*8,169,386*	*7,399,310*
20. Interest expense and similar expense	(4,961,421)	(4,821,434)
30. Net interest income	**2,991,534**	**2,379,563**
40. Commission income	520,067	447,476
50. Commission expense	(1,482,133)	(1,523,589)
60. Net commission income (expense)	**(962,066)**	**(1,076,113)**
70. Dividends and similar revenues	26,045	16,497
80. Profits (losses) on trading activities	(119,490)	30,649
90. Fair value adjustments in hedge accounting	(49,504)	(110,555)
100. Gains (losses) on disposal or repurchase of	856,545	742,599
a) financial assets measured at amortised cost	735,756	660,476
b) financial assets at fair value through other comprehensive income	136,790	110,867
c) financial liabilities	(16,001)	(28,744)
110. Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	(200,693)	(16,668)
a) financial assets and liabilities designated at fair value	3,362	(1,775)
b) other financial assets mandatorily at fair value	(204,055)	(14,893)
120. Gross income	**2,542,371**	**1,965,972**
130. Net adjustments/recoveries for credit risk relating to	(190,922)	26,340
a) financial assets measured at amortised cost	(190,667)	30,339
b) financial assets at fair value through other comprehensive income	(255)	(3,999)
140. Gains/losses from changes in contracts without derecognition	(15)	(497)
150. Financial income (expense), net	**2,351,434**	**1,991,815**
160. Net premium income	(11,996)	308,430
170. Net other income (expense) from insurance operations	6,908	(144,093)
180. Net income from financial and insurance operations	**2,346,346**	**2,156,152**
190. Administrative expenses	(9,881,681)	(7,909,775)
a) staff costs	(2,474,685)	(1,976,626)
b) other administrative expenses	(7,406,996)	(5,933,149)
200. Net accruals to the provisions for risks and charges	(128,935)	(122,894)
a) guarantees issued and commitments	(91,931)	(9,221)
b) other net accrual	(37,004)	(113,673)
210. Net adjustments to/recoveries on property, plant and equipment	(1,793,792)	(1,627,816)
220. Net adjustments to/recoveries on intangible assets	(885,504)	(617,968)
230. Other operating income (costs)	15,102,044	12,680,849
240. Operating costs	**2,412,132**	**2,402,396**
250. Gains (losses) on equity investments	(2,117,409)	430,489
260. Gains (losses) on property, plant and equipment and intangible assets measured at fair value		
270. Goodwill impairment		
280. Gains (losses) on disposal of investments	15,892	15,346
290. Income (loss) before tax from continuing operations	**2,656,961**	**5,004,383**
300. Income tax for the year on continuing operations	(1,480,526)	(1,565,476)
310. Income (loss) after tax on continuing operations	**1,176,435**	**3,438,907**
320. Income (loss) after tax on discontinued operations	(13,369)	(28,205)
330. Net income (loss) for the year	**1,163,066**	**3,410,702**
340. Net income (loss) for the year pertaining to non-controlling interests	1,532,071	1,626,501
350. Net income (loss) for the year pertaining to shareholders of the Parent Company	**(369,005)**	**1,784,201**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Items (thousands of euro)		2020	2019
10.	**Net income (loss) for the year**	**1,163,066**	**3,410,702**
	Other comprehensive income (net of tax) not transferred to income statement	**(193,892)**	**(82)**
20.	Equity securities designated at fair value through other comprehensive income	(197,145)	65,811
30.	Financial liabilities designated at fair value through profit or loss (change in the entity's own credit risk)		
40.	Hedging of equity securities designated at fair value through other comprehensive income		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit	(5,904)	(6,988)
80.	Non-current assets held for sale		
90.	Share of valuation reserves of equity investments accounted for using equity method	9,157	(58,905)
	Other comprehensive income (net of tax) transferred to income statement	**(457,004)**	**545,214**
100.	Hedging of foreign investments		
110.	Exchange rate differences	(75,018)	17,894
120.	Cash flow hedges	(99,508)	(178,570)
130.	Hedging instruments (elements not designated)		
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	65,612	294,905
150.	Non-current assets held for sale		
160.	Share of valuation reserves of equity investments accounted for using equity method	(348,090)	410,985
170.	**Total other comprehensive income (net of tax)**	**(650,896)**	**545,132**
180.	**Comprehensive income (items 10+170)**	**512,170**	**3,955,834**
190.	Consolidated comprehensive income pertaining to non-controlling interests	1,473,483	1,492,694
200.	**Consolidated comprehensive income pertaining to shareholders of the parent company**	**(961,313)**	**2,463,140**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY: CURRENT FINANCIAL YEAR

				Allocation of net income for previous year		Changes for the period		
							Equity transactions	
(thousands of euro)	Balance at 31/12/2019	Changes in opening balance	Balance at 01/01/2020	Reserves	Dividends and other allocations (*)	Changes in reserves	Issues of new shares	Purchase of own shares
Share capital:	7,225,549		7,225,549				189	
a) ordinary shares	7,224,199		7,224,199				189	
b) preference shares	1,350		1,350					
Share premium reserve	4,123,545		4,123,545			(91,717)		
Reserves:	21,686,315	403,780	22,090,095	(75,849)		130,578		
a) income	20,837,950	403,780	21,241,730	(51,635)		126,518		
b) other	848,365		848,365	(24,214)		4,060		
Valuation reserves	859,715		859,715			(7,404)		
Equity instruments								
Interim dividends	(440,599)		(440,599)	440,599				
Treasury shares	(755,270)		(755,270)				166,891	13,240
Net income (loss)	3,410,702		3,410,702	(364,750)	(3,045,952)			
Total Equity	**36,109,957**	**403,780**	**36,513,737**		**(3,045,952)**	**31,457**	**167,080**	**13,240**
Equity Group	**23,550,179**		**23,550,179**		**(2,152,931)**	**(36,872)**	**166,891**	
Equity Non-controlling interests	**12,559,778**	**403,780**	**12,963,558**		**(893,021)**	**68,329**	**189**	**13,240**

(*) Dividend per share distributed by the Parent Company equal to 6.37 euro as an ordinary dividend.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY: PREVIOUS FINANCIAL YEAR

				Allocation of net income for previous year		Changes for the period		
							Equity transactions	
(thousands of euro)	Balance at 31/12/2018	Changes in opening balance	Balance at 01/01/2019	Reserves	Dividends and other allocations (*)	Changes in reserves	Issues of new shares	Purchase of own shares
Share capital:	7,141,669		7,141,669				3,621	
a) ordinary shares	7,141,669		7,141,669				2,271	
b) preference shares							1,350	
Share premium reserve	4,150,414		4,150,414			(187,643)		
Reserves:	21,720,843		21,720,843	1,471,172		74,142		
a) income	20,950,560		20,950,560	1,471,172		70,096		
b) other	770,283		770,283			4,046		
Valuation reserves	345,008		345,008			14,865		
Equity instruments								
Interim dividends	(474,375)		(474,375)	474,375				
Treasury shares	(484,546)		(484,546)					(270,724)
Net income (loss)	4,333,455		4,333,455	(1,945,547)	(2,387,908)			
Total Equity	**36,732,468**		**36,732,468**		**(2,387,908)**	**(98,636)**	**3,621**	**(270,724)**
Equity Group	**24,056,110**		**24,056,110**		**(1,554,707)**	**(31,618)**		**(431,890)**
Equity Non-controlling interests	**12,676,358**		**12,676,358**		**(833,201)**	**(67,018)**	**3,621**	**161,166**

(*) Dividend per share distributed by the Parent Company equal to 4.60 euro as an ordinary dividend and 2.84 euro as an extraordinary dividend, against the distribution of income reserves.

Changes for the period									
Equity transactions									
Interim dividends	Special dividend distribution (*)	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests	Comprehensive income for 31/12/2020	Shareholders' Equity at 31/12/2020	Group's Equity at 31/12/2020	Equity Non-controlling interests at 31/12/2020
					(12,505)		7,213,233	4,051,143	3,162,090
					(12,505)		7,211,883	4,051,143	3,160,740
							1,350		1,350
					(112,097)		3,919,731	2,378,517	1,541,214
	(9,000)			3,955	103,482		22,243,261	14,187,581	8,055,680
	(9,000)				98,818		21,406,431	14,210,753	7,195,678
				3,955	4,664		836,830	(23,172)	860,002
						(650,896)	201,415	510,814	(309,399)
(466,177)							(466,177)		(466,177)
							(575,139)	(322,220)	(252,919)
						1,163,066	1,163,066	(369,005)	1,532,071
(466,177)	**(9,000)**			**3,955**	**(21,120)**	**512,170**	**33,699,390**	**20,436,830**	**13,262,560**
					(129,124)	**(961,313)**	**20,436,830**	**20,436,830**	
(466,177)	**(9,000)**			**3,955**	**108,004**	**1,473,483**	**13,262,560**		**13,262,560**

Changes for the period									
Equity transactions									
Interim dividends	Special dividend distribution (*)	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests	Comprehensive income for 31/12/2019	Shareholders' Equity at 31/12/2019	Group's Equity at 31/12/2019	Equity Non-controlling interests at 31/12/2019
					80,259		7,225,549	4,051,143	3,174,406
					80,259		7,224,199	4,051,143	3,173,056
							1,350		1,350
					160,774		4,123,545	2,378,517	1,745,028
	(959,862)			129	(620,109)		21,686,315	14,677,901	7,008,414
	(959,862)				(694,016)		20,837,950	14,676,855	6,161,095
				129	73,907		848,365	1,046	847,319
					(45,290)	545,132	859,715	1,147,528	(287,813)
(440,599)							(440,599)		(440,599)
							(755,270)	(489,111)	(266,159)
						3,410,702	3,410,702	1,784,201	1,626,501
(440,599)	**(959,862)**			**129**	**(424,366)**	**3,955,834**	**36,109,957**	**23,550,179**	**12,559,778**
	(959,862)				**9,006**	**2,463,140**	**23,550,179**	**23,550,179**	
(440,599)				**129**	**(433,372)**	**1,492,694**	**12,559,778**		**12,559,778**

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(thousands of euro)	2020	2019
A. OPERATING ACTIVITIES		
1. Operations	**8,967,241**	**9,797,306**
Net income for the year (+/-)	1,163,066	3,410,702
Gains (losses) on financial assets held for trading and other financial assets/liabilities measured at fair value through profit or loss (-/+)	230,449	10,524
Gains (losses) on hedging activities (-/+)	(2,870)	99,132
Net impairment adjustments (+/-)	190,922	(26,340)
Net value adjustments to property, plant and equipment and intangible assets (+/-)	2,679,296	2,245,784
Net provisions and other costs/revenues (+/-)	128,935	122,894
Net premiums not received (-)	(54,092)	(16,186)
Other insurance income not received/paid (-/+)	358,891	93,492
Unpaid charges, taxes and tax credits (+/-)	(381,319)	39,060
Writedowns/writebacks of equity investments (+/-)	2,119,346	(276,182)
Income (loss) after tax on discontinued operations (+/-)		
Other adjustments (+/-)	2,534,617	4,094,426
2. Cash generated by/used in financial assets	**(21,560,771)**	**(20,182,812)**
Financial assets held for trading	100,543	(427,966)
Financial assets designated at fair value		
Other financial assets mandatorily measured at fair value	52,389	(86,488)
Financial assets measured at fair value through other comprehensive income	(1,324,192)	(497,767)
Financial assets measured at amortised cost	(20,351,353)	(19,296,993)
Other assets	(38,158)	126,402
3. Cash generated by/used in financial liabilities	**57,952,179**	**12,196,631**
Financial liabilities measured at amortised cost	28,282,910	12,868,656
Financial liabilities held for trading	178,193	8,218
Financial liabilities designated at fair value	(24,094)	(462,129)
Other liabilities	29,515,170	(218,114)
Cash generated by/used in operating activities	**45,358,649**	**1,811,125**
B. INVESTMENT ACTIVITIES		
1. Cash generated by	**1,297,884**	**1,308,477**
Sale of equity investments	125,972	47,153
Dividends from equity investments	957,261	1,180,968
Sale of property plant and equipment	121,559	77,856
Sale of intangibles	91,957	2,500
Sales of subsidiaries and business units	1,135	
2. Cash used in	**(4,425,568)**	**(4,516,159)**
Purchase of equity investments	(439,306)	(401,753)
Purchase of property, plant and equipment	(2,668,240)	(2,358,323)
Purchase of intangible assets	(1,216,880)	(908,489)
Purchases of subsidiaries and business units	(101,142)	(847,594)
Cash generated by/used in investing activities	**(3,127,684)**	**(3,207,682)**
C. FINANCING ACTIVITIES		
Issue/purchase of treasury shares	(19,948)	(42,378)
Issue/purchase of equity instruments		
Dividend distribution and other allocations	(3,299,920)	(3,534,751)
Sale/purchase of third-party control	(3,742)	2,639
Cash generated by/used in financing activities	**(3,323,610)**	**(3,574,490)**
CASH GENERATED/USED DURING THE YEAR	**38,907,355**	**(4,971,047)**

Key: (+) generated; (-) used

RECONCILIATION

Items (*)	2020	2019
Cash and cash equivalents at beginning of the year	**156,458,830**	**161,429,877**
Total cash generated/used during the year	38,907,355	(4,971,047)
Cash and cash equivalents: foreign exchange effect	(15,800)	
Cash and cash equivalents at end of the year	**195,350,385**	**156,458,830**

(*) The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 “Cash and cash equivalents” (Euro/000 1,359 vs Euro/000 1,340 as of 31/12/2019), the balance on the current account held with the Central Treasury (Euro/000 185,976,629 vs Euro/000 150,947,180 as of 31/12/2019) and the positive balance of the bank current accounts reported under item 40 “Financial assets measured at amortised cost” (Euro/000 9,392,997 vs Euro/000 5,532,876 as of 31/12/2019), net of current accounts with a negative balance reported under item 10 “Financial liabilities measured at amortised cost” under liabilities (Euro/000 22,600 vs Euro/000 22,566 as of 31/12/2019).

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 30 November 2018, on the "Bank financial statements: presentation formats and rules", which regulates the preparation of the financial statements of banks according to the IFRS International Accounting Standards, supplemented by the provisions set out in the Bank of Italy Communication of 15 December 2020 on the impact of Covid-19 and measures to support the economy and amendments to IAS/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 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 a "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.

The statement of cash flows, prepared using the indirect method and in the accordance with the format set out in the above-mentioned Bank of Italy circular No. 262/2005, includes, under cash generated by/used in financial liabilities, the changes in liabilities arising from financing activities, as provided by par. 44 B of IAS 7.

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 Immobiliare SGR, SACE Factoring and Fondo Italiano di Investimento SGR. In contrast, the subsidiary SIApay S.r.l. (included among Other companies) has not been included in the scope of the "prudential consolidation", due to the small significance of its operations with respect to those of the entities listed above.

Where 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 "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.

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 Deloitte & Touche S.p.A., following award of the audit engagement for the 2020-2028 period by the Shareholders' Meeting of CDP S.p.A., held in ordinary session on 19 March 2019.

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, Art. 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 as of and for the year ended 31 December 2020 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 2020, endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Journal L 243 on 11 September 2002.

These consolidated financial statements have been prepared, as applicable, in accordance with Bank of Italy Circular no. 262 issued on 22 December 2005, in the version updated on 30 November 2018, on the "Bank financial statements: presentation formats and rules", which regulates the preparation of the financial statements of banks according to the IFRS, supplemented by the provisions set out in the Bank of Italy Communication of 15 December 2020 on the impact of Covid-19 and measures to support the economy and amendments to IAS/IFRS.

The IFRS applied for preparation of these consolidated financial statements are listed in "Section 5 – Other issues".

Section 2 - General preparation principles

The consolidated financial statements of the CDP 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 amounts related to the current financial period but also the corresponding comparative values.

The consolidated balance sheet does not contain those items having a zero amount as of 31 December 2020 and 31 December 2019. The consolidated income statement and the consolidated statement of comprehensive income do not contain items that have a zero amount in the reporting and comparative period.

In the consolidated income statement, in the consolidated statement of comprehensive income, and in the tables in the notes to the consolidated financial statements, revenues are shown as positive, while costs are shown as negative in brackets, when presented in tables in combination with revenues.

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;
- Interpretative documents on 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;
- Documents issued by ESMA, IOSCO and Consob with regard to assessments and disclosures required in respect of the impacts of the Covid-19 outbreak[63].

63 These references are:
- EBA Communication dated 25 March 2020 "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of Covid-19 measures";
- ESMA Communication dated 25 March 2020 "Public Statement. Accounting implications of the Covid 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
- Document of the IFRS Foundation dated 27 March 2020 "IFRS 9 and covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the covid-19 pandemic";
- ECB Letter dated 1 April 2020 "IFRS 9 in the context of the coronavirus (Covid-19) pandemic" addressed to all significant entities;
- EBA Guidelines dated 2 April 2020 "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis";
- Consob warning notice no. 6/20 of April 2020, 'Covid-19 - Drawing attention to financial reporting';
- ESMA Communication dated 20 May 2020 "Implications of the Covid-19 outbreak on the half-yearly financial reports";
- Consob warning notice no. 8/20 dated July 2020, 'Covid-19 - Drawing attention to financial reporting';
- ESMA statement dated 28 October 2020 'European common enforcement priorities for 2020 annual financial reports';
- Consob warning notice no. 1/21 dated February 2021, 'Covid-19 – Measures on support for the economy – Drawing attention to reporting that needs to be provided'.

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 following general requirements of IAS 1 - "Presentation of financial statements":

- going concern basis: pursuant to the provisions of the joint document no. 2 of 6 February 2009 issued by Bank of Italy/Consob/Isvap concerning disclosures on the going concern basis, in compliance with the requirements on the same issue contained in IAS 1 Revised and in accordance with the recommendations provided by ESMA in its Public Statement 71-99-1290 of 11 March 2020, its Public Statement 32-63-972 of 20 May 2020 and its Public Statement 32-63-1041 of 28 October 2020, the CDP Group has performed an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon. Based on an analysis of the information and the results achieved in previous years, CDP deems 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 recognised in profit or loss in accordance with the matching principle;
- materiality and aggregation: all items containing assets, liabilities, revenues and expenses 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 period. 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 earnings result in the future periods.

Relevant accounting policies and uncertainties about the use of estimates in the preparation of the consolidated financial statements (in accordance with IAS 1 and the recommendations contained in Bank of Italy/Consob/Isvap Documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010)

The application of certain accounting standards necessarily involves the use of estimates and assumptions that have an effect on the values of assets, liabilities, costs and revenues recognised in the financial statements and on the reporting on potential assets and liabilities.

The underlying assumptions of the estimates take into account all the information available at the date of preparation of the consolidated financial statements, as well as hypothesis considered reasonable, also in light of historical experience. Because of their nature, it cannot therefore be excluded that the assumptions made, however reasonable, may not be confirmed in the future scenarios the CDP Group will operate in. The results that will be achieved in the future may therefore differ from the estimates made for the purposes of preparing the consolidated financial statements and it may therefore be necessary to make adjustments that cannot be foreseen or estimated to date with respect to the carrying value of the assets and liabilities recognised in the financial statements. In this respect, it should be noted that adjustments to the estimates may be necessary as a result of changes in the circumstances on which the estimates were based, as a result of new information or increased experience.

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 subject to impairment;
- the use of measurement techniques to determine the fair value of financial instruments not listed on an active market;
- the calculation of employee benefits and provisions for risks and charges;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets and interpretative issues concerning tax treatment;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products;

- the assessment of the recoverability 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.

Compared to the past, the current market context is marked by profound uncertainty relating to the duration of the effects of the Covid-19 pandemic and the consequent difficulty in predicting the timing and extent of the economic recovery that could take place in the coming years. For further information on the uncertainties of the current context, see also the Report on Operations as well as the section 'Disclosure of Covid–19 impacts' in the Notes to the 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 or of insignificant value, 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 2020, 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 30 November 2018.

The following statement shows the companies consolidated on a line-by-line basis.

1. Equity investments in subsidiaries

Company name	Operational headquarters	Registered office	Type of relation-ship (1)	Equity investment			% of votes (2)
				Investor		% holding	
1. ACE Marine LLC	Green Bay - WI	Madison, WI	1	Fincantieri Marine Group LLC		100.00%	100.00%
2. Alfiere S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.		100.00%	100.00%
3. Alivieri Power Units Maintenance S.A.	Athens	Athens	1	Ansaldo Energia Switzerland AG		100.00%	100.00%
4. Ansaldo Energia S.p.A.	Genoa	Genoa	1	CDP Equity S.p.A.		87.57%	87.57%
5. Ansaldo Energia Holding USA Co.	Wilmington	Wilmington	1	Ansaldo Energia S.p.A.		100.00%	100.00%
6. Ansaldo Energia IP UK Ltd.	London	London	1	Ansaldo Energia S.p.A.		100.00%	100.00%
7. Ansaldo Energia Iranian LLC	Tehran	Tehran	1	Ansaldo Energia S.p.A.		70.00%	70.00%
			1	Ansaldo Russia LLC		30.00%	30.00%
8. Ansaldo Energia Korea YH	Seoul	Seoul	1	Ansaldo Energia Switzerland AG		95.00%	95.00%
			1	Ansaldo Energia S.p.A.		5.00%	5.00%
9. Ansaldo Energia Messico S. de R.L. de C.V.	Cortina Tagle Isoard (CTI)	Cortina Tagle Isoard (CTI)	1	Ansaldo Energia Switzerland AG		95.00%	95.00%
			1	Ansaldo Energia S.p.A.		5.00%	5.00%
10. Ansaldo Energia Muscat LLC	Muscat	Muscat	1	Ansaldo Energia S.p.A.		50.00%	50.00%
			1	Ansaldo Energia Switzerland AG		50.00%	50.00%
11. Ansaldo Energia Spain S.L.	Zaragoza	Zaragoza	1	Ansaldo Energia Switzerland AG		100.00%	100.00%
12. Ansaldo Energia Switzerland AG	Baden	Baden	1	Ansaldo Energia S.p.A.		100.00%	100.00%
13. Ansaldo Nigeria Limited	Lagos	Lagos	1	Ansaldo Energia S.p.A.		60.00%	60.00%
			1	Ansaldo Thomassen B.V.		40.00%	40.00%
14. Ansaldo Nucleare S.p.A.	Genoa	Genoa	1	Ansaldo Energia S.p.A.		100.00%	100.00%
15. Ansaldo Russia LLC	Moscow	Moscow	1	Ansaldo Energia S.p.A.		100.00%	100.00%
16. Ansaldo Servicos de Energia Brasil Ltda	São Paulo	São Paulo	1	Ansaldo Energia S.p.A.		5.00%	5.00%
			1	Ansaldo Energia Switzerland AG		95.00%	95.00%
17. Ansaldo Thomassen B.V.	Rheden	Rheden	1	Ansaldo Energia S.p.A.		100.00%	100.00%
18. Ansaldo Thomassen Gulf	Abu Dhabi	Abu Dhabi	1	Ansaldo Thomassen B.V.		100.00%	100.00%
19. Arsenal S.r.l.	Trieste	Trieste	1	Fincantieri Oil & Gas S.p.A.		100.00%	100.00%
20. Asia Power Project Private Ltd	Chennai	Chennai	1	Ansaldo Energia S.p.A.		100.00%	100.00%

	Company name	Operational headquarters	Registered office	Type of relation-ship (1)	Equity investment		% of votes (2)
					Investor	% holding	
21.	Asset Company 2 S.r.l.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
22.	Avvenia The Energyinnovator S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	70.00%	70.00%
23.	Bacini di Palermo S.p.A.	Palermo	Palermo	1	Fincantieri S.p.A.	100.00%	100.00%
24.	Bonafous S.p.A. in liquidation	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
25.	BOP6 S.c.ar.l.	Trieste	Trieste	1	Fincantieri SI S.p.A.	95.00%	95.00%
				1	Fincantieri S.p.A.	5.00%	5.00%
26.	Brugg Cables (India) Pvt., Ltd.	Haryana	Haryana	1	Brugg Kabel GmbH	0.26%	0.26%
				1	Brugg Kabel AG	99.74%	99.74%
27.	Brugg Cables (Shanghai) Co., Ltd.	Shanghai	Shanghai	1	Brugg Kabel AG	100.00%	100.00%
28.	Brugg Cables (Suzhou) Co., Ltd.	Suzhou	Suzhou	1	Brugg Cables (Shanghai) Co., Ltd.	100.00%	100.00%
29.	Brugg Cables Italia S.r.l.	Milan	Milan	1	Brugg Kabel AG	100.00%	100.00%
30.	Brugg Cables Middle East DMCC	Dubai	Dubai	1	Brugg Kabel AG	100.00%	100.00%
31.	Brugg Kabel AG	Brugg	Brugg	1	Terna Energy Solutions S.r.l.	90.00%	90.00%
32.	Brugg Kabel GmbH	Schwieberdingen	Schwieberdingen	1	Brugg Kabel AG	100.00%	100.00%
33.	C.S.I S.r.l.	Follo (La Spezia)	Milan	1	Fincantieri NexTech S.p.A.	75.65%	75.65%
34.	CDP Equity S.p.A.	Milan	Milan	1	CDP S.p.A.	100.00%	100.00%
35.	CDP Immobiliare S.r.l.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
36.	CDP Immobiliare SGR S.p.A.	Rome	Rome	1	CDP S.p.A.	70.00%	70.00%
37.	CDP Industria S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
38.	CDP Reti S.p.A.	Rome	Rome	1	CDP S.p.A.	59.10%	59.10%
39.	CDP Technologies AS	Alesund	Alesund	1	Seaonics AS	100.00%	100.00%
40.	CDP Technologies Estonia OÜ	Tallinn	Tallinn	1	CDP Technologies AS	100.00%	100.00%
41.	Centro per gli Studi di Tecnica Navale - Cetena S.p.A.	Genoa	Genoa	1	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	15.00%	15.00%
				1	Fincantieri S.p.A.	71.10%	71.10%
42.	Cinque Cerchi S.p.A. in liquidation	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
43.	Consorzio Stabile Ansaldo Newclear	Genoa	Genoa	1	Ansaldo Energia S.p.A.	18.18%	18.18%
				1	Ansaldo Nucleare S.pA.	72.73%	72.73%
44.	Cubogas S.r.l.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam 4 Mobility S.p.A.	100.00%	100.00%
45.	Difebal S.A.	Montevideo	Montevideo	1	Terna S.p.A.	100.00%	100.00%
46.	Ecoprogetto Milan S.r.l.	Bolzano	Bolzano	1	Renerwaste S.r.l.	45.00%	45.00%
				1	Renerwaste Lodi S.r.l.	55.00%	55.00%
47.	Ecoprogetto Tortona S.r.l.	Bolzano	Bolzano	1	Renerwaste S.r.l.	100.00%	100.00%
48.	Enersi Sicilia	Caltanissetta	S. Donato Milanese (MI)	1	Snam 4 Mobility S.p.A.	100.00%	100.00%
49.	Enura S.p.A.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam S.p.A.	55.00%	55.00%
50.	E-phors S.p.A.	Milan	Milan	1	Fincantieri S.p.A.	100.00%	100.00%
51.	ESPERIA-CC S.r.l.	Rome	Rome	1	Terna S.p.A.	1.00%	1.00%
52.	ESSETI sistemi e tecnologie S.r.l.	Fiumicino	Milan	1	Fincantieri NexTech S.p.A.	51.00%	51.00%
53.	Estaleiro Quissamã Ltda	Rio de Janeiro	Rio de Janeiro	1	Vard Group AS	50.50%	50.50%
				1	Vard Promar S.A.	49.50%	49.50%
54.	Evolve S.r.l.	Milan	Milan	1	Snam 4 Efficiency S.r.l.	100.00%	70.00%
55.	FIA2 - Fondo Investimenti per l'abitare 2	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
56.	Fincantieri (Shanghai) Trading Co. Ltd.	Shanghai	Shanghai	1	Fincantieri S.p.A.	100.00%	100.00%
57.	Fincantieri Australia Pty Ltd.	Sydney	Sydney	1	Fincantieri S.p.A.	100.00%	100.00%
58.	Fincantieri do Brasil Partecipaçoes S.A.	Rio de Janeiro	Rio de Janeiro	1	Fincantieri Holding B.V.	20.00%	20.00%
				1	Fincantieri S.p.A.	80.00%	80.00%
59.	Fincantieri Dragaggi Ecologici S.p.A.	Rome	Rome	1	Fincantieri S.p.A.	55.00%	55.00%
60.	Fincantieri EUR-Europe S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%

Company name	Operational headquarters	Registered office	Type of relation-ship (1)	Equity investment		
				Investor	% holding	% of votes (2)
61. Fincantieri Holding B.V.	Amsterdam	Amsterdam	1	Fincantieri S.p.A.	100.00%	100.00%
62. Fincantieri India Private Limited	New Delhi	New Delhi	1	Fincantieri S.p.A.	1.00%	1.00%
			1	Fincantieri Holding B.V.	99.00%	99.00%
63. Fincantieri Infrastructure Opere Marittime S.p.A.	Valeggio sul Mincio (VR)	Trieste	1	Fincantieri Infrastructure S.p.A.	100.00%	100.00%
64. Fincantieri Infrastructure S.p.A.	Verona	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
65. Fincantieri INfrastructure SOciali S.r.l.	Rome	Rome	1	Fincantieri Infrastructure S.p.A.	90.00%	90.00%
66. Fincantieri Infrastructure USA. Inc.	Middletown - Delaware	Middletown - Delaware	1	Fincantieri Infrastructure S.p.A.	100.00%	100.00%
67. Fincantieri Infrastructure Wisconsin. Inc.	Appleton - Wisconsin	Appleton - Wisconsin	1	Fincantieri Infrastructure USA. Inc.	100.00%	100.00%
68. Fincantieri Marine Group Holdings Inc.	Washington, DC	Wilmington, DE	1	Fincantieri USA Inc.	87.44%	87.44%
69. Fincantieri Marine Group LLC	Washington, DC	Carson City, NV	1	Fincantieri Marine Group Holdings Inc.	100.00%	100.00%
70. Fincantieri Marine Systems North America Inc.	Chesapeake - VI	Wilmington, DE	1	Fincantieri USA Inc.	100.00%	100.00%
71. Fincantieri NexTech S.p.A.	Follo (La Spezia)	Milan	1	Fincantieri S.p.A.	100.00%	100.00%
72. Fincantieri Oil & Gas S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
73. Fincantieri S.p.A.	Trieste	Trieste	1	CDP Industria S.p.A.	71.32%	71.32%
74. Fincantieri Services Middle East LLC	Doha (QFC)	Doha (QFC)	1	Fincantieri S.p.A.	100.00%	100.00%
75. Fincantieri Services USA LLC	Miami, FL	Plantation, FL	1	Fincantieri USA Inc.	100.00%	100.00%
76. Fincantieri SI S.p.A.	Trieste	Trieste	1	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	100.00%	100.00%
77. Fincantieri Sweden AB	NA	Stockholm	1	Fincantieri S.p.A.	100.00%	100.00%
78. Fincantieri USA Holding. LLC (3)	Washington, DC	Wilmington, DE	1	Fincantieri S.p.A.	100.00%	100.00%
79. Fincantieri USA Inc.	Washington, DC	Wilmington, DE	1	Fincantieri S.p.A.	65.00%	65.00%
			1	Fincantieri USA Holding LLC	35.00%	35.00%
80. Fintecna S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
81. FIV Comparto Extra	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
82. FIV Comparto Plus	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
83. FMSNA YK	Nagasaki	Nagasaki	1	Fincantieri Marine Systems North America Inc.	100.00%	100.00%
84. FNT Fondo Nazionale del Turismo	Rome	Rome	4	CDP S.p.A.	74.29%	74.29%
85. FOF Private Debt	Milan	Milan	4	CDP S.p.A.	62.50%	62.50%
86. Fondo Italiano di Investimento SGR S.p.A.	Milan	Milan	4	CDP Equity S.p.A.	68.00%	68.00%
87. FSE Fondo Sviluppo Export	Milan	Milan	4	SACE S.p.A.	100.00%	100.00%
88. FSI Investimenti S.p.A.	Milan	Milan	1	CDP Equity S.p.A.	77.12%	77.12%
89. FSIA Investimenti S.r.l.	Milan	Milan	1	FSI Investimenti S.p.A.	70.00%	70.00%
90. FT1 Fondo Turismo 1	Rome	Rome	4	FNT Fondo Nazionale del Turismo	100.00%	100.00%
91. Gannouch Maintenance S.a.r.l.	Tunis	Tunis	1	Ansaldo Energia Switzerland AG	1.00%	1.00%
			1	SPVTCCC BV	99.00%	99.00%
92. Gasrule Insurance D.A.C.	Dublin	Dublin	1	SNAM S.p.A.	100.00%	100.00%
93. Gaxa S.p.A	Milan	Milan	1	Italgas S.p.A.	51.85%	51.85%
94. Gestione Bacini La Spezia S.p.A.	La Spezia	La Spezia	1	Fincantieri S.p.A.	99.89%	99.89%
95. GNL Italia S.p.A.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
96. HMS IT S.p.A.	Rome	Rome	1	Fincantieri NexTech S.p.A.	60.00%	60.00%
97. IES Biogas S.r.l.	Pordenone	Pordenone	1	Snam 4 Mobility S.p.A.	100.00%	70.00%
98. Infrastrutture Trasporto Gas S.p.A.	Milan	S. Donato Milanese (MI)	1	Asset Company 2 S.r.l.	100.00%	100.00%
99. Isotta Fraschini Motori S.p.A.	Bari	Bari	1	Fincantieri S.p.A.	100.00%	100.00%
100. Issel Nord S.r.l.	Follo	Follo	1	Fincantieri S.p.A.	100.00%	100.00%
101. Italgas Acqua S.p.A.	Caserta	Milan	1	Italgas S.p.A.	100.00%	100.00%
102. Italgas Newco S.r.l.	Milan	Milan	1	Italgas S.p.A.	100.00%	100.00%
103. Italgas Reti S.p.A.	Turin	Turin	1	Italgas S.p.A.	100.00%	100.00%
104. Italgas S.p.A.	Milan	Milan	2	Snam S.p.A.	13.50%	13.50%

Company name	Operational headquarters	Registered office	Type of relation-ship (1)	Equity investment Investor	% holding	% of votes (2)
			2	CDP Reti S.p.A.	26.04%	26.04%
105. Luxury Interiors Factory S.r.l.	Pordenone	Pordenone	1	Marine Interiors Cabins S.p.A.	100.00%	100.00%
106. Marina Bay S.A.	Luxembourg	Luxembourg	1	Fincantieri NexTech S.p.A.	100.00%	100.00%
107. Marine Interiors Cabins S.p.A.	Pordenone	Trieste	1	Marine Interiors S.p.A.	100.00%	100.00%
108. Marine Interiors S.p.A.	NA	Trieste	1	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	100.00%	100.00%
109. Marinette Marine Corporation	Marinette - WI	Green Bay - WI	1	Fincantieri Marine Group LLC	100.00%	100.00%
110. Medea S.p.A.	Sassari	Sassari	1	Italgas Reti S.p.A.	51.85%	51.85%
111. MI S.p.A.	NA	Trieste	1	Marine Interiors S.p.A.	100.00%	100.00%
112. Mieci S.p.A.	Milan	Milan	1	Snam 4 Efficiency S.r.l.	100.00%	70.00%
113. New SIA Greece S.A.	Athens	Athens	1	SIA S.p.A.	100.00%	100.00%
114. Niehlgas Gmbh	Oberursel	Oberursel	1	Ansaldo Energia Switzerland AG	100.00%	100.00%
115. Nuclear Enginnering Group Limited	Warrington/Egremont	Wolverhampton	1	Ansaldo Nucleare S.p.A.	100.00%	100.00%
116. P4cards S.r.l.	Verona	Verona	1	SIA S.p.A.	100.00%	100.00%
117. Pentagramma Perugia S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
118. Pentagramma Piemonte S.p.A. in liquidation	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
119. Pentagramma Romagna S.p.A. in liquidation unipersonale	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
120. Perago Financial System Enablers Ltd.	Centurion	Centurion	1	SIA S.p.A.	100.00%	100.00%
121. PforCards GmbH	Vienna	Vienna	1	SIA S.p.A.	100.00%	100.00%
122. PI.SA. 2 S.r.l.	Rome	Rome	1	Terna Interconnector S.r.l.	100.00%	100.00%
123. Power System M Japan	Tokyo	Tokyo	1	Power System MSG LLC	100.00%	100.00%
124. Power System MSG LLC	Jupiter	Jupiter	1	Ansaldo Energia Holding USA Co.	100.00%	100.00%
125. Quadrifoglio Modena S.p.A in liquidazione	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
126. REICOM S.r.l.	Padua	Milan	1	Fincantieri NexTech S.p.A.	100.00%	100.00%
127. Renerwaste Lodi S.r.l.	Bolzano	Bolzano	1	Renerwaste S.r.l.	100.00%	100.00%
128. Renerwaste S.r.l.	Bolzano	Bolzano	1	Snam 4 Environment S.r.l.	100.00%	100.00%
129. Resia Interconnector S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
130. Residenziale Immobiliare 2004 S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
131. Rete S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
132. Rete Verde 17 S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100.00%	100.00%
133. Rete Verde 18 S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100.00%	100.00%
134. Rete Verde 19 S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100.00%	100.00%
135. Rete Verde 20 S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100.00%	100.00%
136. S.L.S. - Support Logistic Services S.r.l.	Guidonia Montecelio	Guidonia Montecelio	1	Fincantieri NexTech S.p.A.	60.00%	60.00%
137. SACE BT	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%
138. SACE do Brasil	São Paulo	São Paulo	1	SACE S.p.A.	100.00%	100.00%
139. SACE FCT	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%
140. SACE Servizi	Rome	Rome	1	SACE BT	100.00%	100.00%
141. SACE S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
142. Seanergy a Marine Interiors Company S.r.l.	Cordignano (TV)	Pordenone	1	Marine Interiors Cabins S.p.A.	85.00%	85.00%
143. Seaonics AS	Alesund	Alesund	1	Vard Group AS	56.40%	56.40%
144. Seaonics Polska Sp.zo.o.	Gdańsk	Gdańsk	1	Seaonics AS	100.00%	100.00%
145. Seaside S.r.l.	Casalecchio di Reno (BO)	Casalecchio di Reno (BO)	1	Italgas S.p.A.	100.00%	100.00%
146. Seastema S.p.A.	Genoa	Genoa	1	Fincantieri S.p.A.	100.00%	100.00%
147. Securitè des environnements Complexes S.r.l.	Aosta	Milan	1	Fincantieri NexTech S.p.A.	100.00%	100.00%
148. SIA Central Europe. a.s.	Bratislava	Bratislava	1	SIA S.p.A.	100.00%	100.00%
149. SIA Croatia d.o.o.	Zagreb	Zagreb	1	SIA S.p.A.	100.00%	100.00%

Company name		Operational headquarters	Registered office	Type of relation-ship (1)	Equity investment Investor	% holding	% of votes (2)
150.	SIA Czech Republic. S.r.o.	Prague	Prague	1	SIA S.p.A.	100.00%	100.00%
151.	SIA Romania Payment Technologies S.r.l.	Bucharest	Bucharest	1	SIA S.p.A.	100.00%	100.00%
152.	SIA RS d.o.o. Beograd	Belgrade	Belgrade	1	SIA S.p.A.	100.00%	100.00%
153.	SIA S.p.A.	Milan	Milan	1	FSIA Investimenti S.r.l.	57.42%	57.42%
				1	CDP Equity S.p.A.	25.69%	25.69%
154.	SIAadvisor S.r.l.	Rome	Rome	1	SIA S.p.A.	100.00%	100.00%
155.	SIApay S.r.l.	Milan	Milan	1	SIA S.p.A.	100.00%	100.00%
156.	Simest S.p.A.	Rome	Rome	1	SACE S.p.A.	76.01%	76.01%
157.	Snam 4 Envirorment	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
158.	Snam 4 Mobility S.p.A.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
159.	Snam Gas & Energy Services (Beijing) Co. Ltd.	Beijing	Beijing	1	Snam International B.V.	100.00%	100.00%
160.	Snam International B.V.	Amsterdam	Amsterdam	1	Snam S.p.A.	100.00%	100.00%
161.	Snam Rete Gas S.p.A.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
162.	Snam S.p.A.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	2	CDP Reti S.p.A.	31.35%	31.35%
163.	Snam 4 Efficiency S.r.l.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
164.	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
165.	SPE Santa Lucia 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%
166.	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%
167.	SPE Transmissora De Energia Linha Verde I S.A.	Belo Horizonte	Belo Horizonte	1	Terna Plus S.r.l.	100.00%	100.00%
168.	SPE Transmissora De Energia Linha Verde II S.A.	Belo Horizonte	Belo Horizonte	1	Terna Plus S.r.l.	75.00%	75.00%
169.	Stogit S.p.A.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
170.	Tamini Transformatori India Private limited	Magarpatta City, Hadapsar, Pune	Magarpatta City, Hadapsar, Pune	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
171.	Tamini Transformers USA L.L.C.	Sewickley	Sewickley	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
172.	Tamini Trasformatori S.r.l.	Legnano (MI)	Legnano (MI)	1	Terna Energy Solutions S.r.l.	70.00%	70.00%
173.	Tep Energy Solution S.r.l.	Milan	Rome	1	Snam 4 Efficiency S.r.l.	100.00%	100.00%
174.	Terna 4 Chacas S.A.C.	Lima	Lima	1	Terna Plus S.r.l.	99.99%	99.99%
				1	Terna Chile S.p.A.	0.01%	0.01%
175.	Terna Chile S.p.A.	Santiago de Chile	Santiago de Chile	1	Terna Plus S.r.l.	100.00%	100.00%
176.	Terna Crna Gora d.o.o.	Podgorica	Podgorica	1	Terna S.p.A.	100.00%	100.00%
177.	Terna Energy Solutions S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
178.	Terna Interconnector S.r.l.	Rome	Rome	1	Terna Rete Italia S.p.A.	5.00%	5.00%
				1	Terna S.p.A.	65.00%	65.00%
179.	Terna Peru S.A.C.	Lima	Lima	1	Terna Plus S.r.l.	99.99%	99.99%
				1	Terna Chile S.p.A.	0.01%	0.01%
180.	Terna Plus S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
181.	Terna Rete Italia S.p.A.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
182.	Terna S.p.A.	Rome	Rome	2	CDP Reti S.p.A.	29.85%	29.85%
183.	Tlux S.r.l.	Piancogno (BS)	Piancogno (BS)	1	Mieci S.p.A.	100.00%	85.00%
184.	Toscana Energia Green S.p.A.	Pistoia	Pistoia	1	Toscana Energia S.p.A.	100.00%	100.00%
185.	Toscana Energia S.p.A.	Florence	Florence	1	Italgas S.p.A.	50.66%	50.66%
186.	Unione di Tamini - CERB – DZZD	Sofia	Sofia	1	Tamini Trasformatori S.r.l.	78.48%	78.48%
187.	Vard Accommodation AS	Tennfjord	Tennfjord	1	Vard Group AS	100.00%	100.00%
188.	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%
189.	Vard Aqua Chile S.A.	NA	Puerto Montt	1	Vard Aqua Sunndal AS	95.00%	95.00%

Company name		Operational headquarters	Registered office	Type of relation-ship (1)	Equity investment		
					Investor	% holding	% of votes (2)
190.	Vard Aqua Scotland Ltd	Lochgilphead	Aberdeen	1	Vard Aqua Sunndal AS	100.00%	100.00%
191.	Vard Aqua Sunndal AS	Sunndal	Sunndal	1	Vard Group AS	100.00%	100.00%
192.	Vard Braila S.A.	Braila	Braila	1	Vard Group AS	5.88%	5.88%
				1	Vard RO Holding S.r.l.	94.12%	94.12%
193.	Vard Contracting AS	Vatne	Vatne	1	Vard Group AS	100.00%	100.00%
194.	Vard Design AS	Alesund	Alesund	1	Vard Group AS	100.00%	100.00%
195.	Vard Design Liburna Ltd.	Rijeka	Rijeka	1	Vard Design AS	51.00%	51.00%
196.	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%
197.	Vard Electro AS	Tennfjord	Tennfjord	1	Vard Group AS	100.00%	100.00%
198.	Vard Electro Braila S.r.l.	Braila	Braila	1	Vard Electro AS	100.00%	100.00%
199.	Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niterói	Niterói	1	Vard Electro AS	99.00%	99.00%
				1	Vard Group AS	1.00%	1.00%
200.	Vard Electro Canada Inc	Vancouver	Vancouver	1	Vard Electro AS	100.00%	100.00%
201.	Vard Electro Italy S.r.l.	Trieste	Trieste	1	Vard Electro AS	100.00%	100.00%
202.	Vard Electro Tulcea S.r.l.	Tulcea	Tulcea	1	Vard Electro AS	99.96%	99.96%
203.	Vard Electro US Inc.	Delaware	Delaware	1	Vard Electro Canada Inc	100.00%	100.00%
204.	Vard Engineering Brevik AS	Brevik	Brevik	1	Vard Group AS	100.00%	100.00%
205.	Vard Engineering Constanta S.r.l.	Konstanz	Konstanz	1	Vard Braila S.A.	30.00%	30.00%
				1	Vard RO Holding S.r.l.	70.00%	70.00%
206.	Vard Engineering Gdansk Sp.zo.o.	Gdańsk	Gdańsk	1	Vard Engineering Brevik AS	100.00%	100.00%
207.	Vard Group AS	Alesund	Alesund	1	Vard Holdings Limited	100.00%	100.00%
208.	Vard Holdings Limited	Singapore	Singapore	1	Fincantieri Oil & Gas S.p.A.	98.30%	98.30%
209.	Vard Infraestrutura Ltda	NA	Ipojuca	1	Vard Promar S.A.	99.99%	99.99%
				1	Vard Group AS	0.01%	0.01%
210.	Vard International Services S.r.l.	Konstanz	Konstanz	1	Vard Braila S.A.	100.00%	100.00%
211.	Vard Marine Inc.	Vancouver	Vancouver	1	Vard Group AS	100.00%	100.00%
212.	Vard Marine US Inc.	Houston	Dallas	1	Vard Marine Inc.	100.00%	100.00%
213.	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%
214.	Vard Piping AS	Sovik	Sovik	1	Vard Group AS	100.00%	100.00%
215.	Vard Promar S.A.	Recife	Recife	1	Vard Group AS	100.00%	100.00%
216.	Vard RO Holding S.r.l.	Tulcea	Tulcea	1	Vard Group AS	100.00%	100.00%
217.	Vard Seaonics Holding AS	Alesund	Alesund	1	Vard Group AS	100.00%	100.00%
218.	Vard Shipholding Singapore Pte Ltd.	Singapore	Singapore	1	Vard Holdings Limited	100.00%	100.00%
219.	Vard Singapore Pte. Ltd.	Singapore	Singapore	1	Vard Group AS	100.00%	100.00%
220.	Vard Tulcea S.A.	Tulcea	Tulcea	1	Vard Group AS	0.004%	0.004%
				1	Vard RO Holding S.r.l.	99.996%	99.996%
221.	Vard Vung Tau Ltd	Vũng Tàu	Vũng Tàu	1	Vard Singapore Pte. Ltd.	100.00%	100.00%
222.	VBD1 AS	Sovik	Sovik	1	Vard Group AS	100.00%	100.00%
223.	Yeni Aen Insaat Anonim Sirketi	Istanbul	Istanbul	1	Ansaldo Energia S.p.A.	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 Art. 26.1 of Legislative Decree 87/92;
6 = Unitary management pursuant to Art. 26.2 of Legislative Decree 87/92.
(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes.
(3) 49% of the voting rights of Fincantieri USA Holding Inc. is held through USA Marine Trust, a legally recognised independent trust based in the state of Delaware (USA).

Compared with 31 December 2019, the most significant changes in the scope of line-by-line consolidation are listed below:
- inclusion of the companies of the Brugg group in the scope of consolidation, over which Terna acquired control, during the first quarter of 2020, through the acquisition of 90% stake in the share capital of Brugg Kabel AG, one of the leading European operators in the underground cable sector, designing, developing, creating, installing and maintaining electrical cables of all voltage levels and accessories for high-voltage cables;
- establishment by Fincantieri of the company E-Phors S.p.A., which deals with cybersecurity, and acquisition through its subsidiary Insis of a majority interest in Support Logistic Services (SLS), specialised in the construction, installation and maintenance of satellite communication systems and radar and radio communication systems for military and civil applications. Furthermore, through its subsidiary Fincantieri Infrastructure, Fincantieri finalised the acquisition of the main business line under INSO – Sistemi per le Infrastrutture Sociali S.p.A., including the subsidiary SOF, already part of the Condotte group, constituting a newco, Fincantieri Infrastrutture Sociali. Finally, the subsidiary Arsenal S.r.l., previously consolidated using the equity method, entered the scope of line-by-line consolidation;
- acquisition by SNAM of 70% of Mieci S.p.A. and Evolve S.r.l., companies operating in the energy efficiency sector in Italy;
- entry into the scope of line-by-line consolidation of the subsidiaries Pentagramma Piemonte S.p.A. in liquidation, previously consolidated using the equity method, and Italgas Newco S.r.l.

When examining the changes regarding the income statement items, it should also be considered that starting from 1 January 2020 the contributions of the companies of the SIA and Ansaldo Energia groups and of Fondo Italiano di Investimento SGR, which had contributed only to the balance sheet items in 2019, were also consolidated, since the date of inclusion into the Group's scope of consolidation was 31 December 2019.

Please refer to "Part G - Business combinations" for detailed information regarding the entry of new subsidiaries in the scope of consolidation in 2020.

A summary of the analyses performed in relation to the correct application to the equity investment held in SACE of IFRS 10 - Consolidated Financial Statements, IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations and IAS 10 - Events after the Reporting Period, is provided below.

The analyses performed in the preparation of the CDP Group's half-yearly condensed consolidated financial statements at 30 June 2020 have been updated with regard to the classification and measurement of the controlling equity investment held in SACE.

As regards to the issuance of guarantees from SACE, in accordance with Art. 1 of Decree Law 23/2020 of 8 April 2020 ("Liquidity Decree")[64] converted into Law 40 of 5 June 2020, it should be noted that this activity was launched shortly after the Decree Law came into force, and continued with a steady growing trend in the second half of 2020. This activity, examined in light of SACE's overall business, can reasonably be considered not "significant" for the purposes of the provisions of IFRS 10 as its duration is limited to the estimated Covid-19 emergency period and it is essentially neutral with respect to "investee returns"65. Assigning this new operational function to SACE does not change the governance of the CDP Group and of SACE itself. The Liquidity Decree requires SACE, where providing such guarantees, to comply with the guidelines of the MEF, which bears all the risks in the event of insolvency of the guaranteed entity. Coordinating the activities in accordance with the aforementioned Art. 1 is merely protective.

Art. 3 of the Liquidity Decree, to be read in conjunction with Art. 2, introduced some changes to SACE's decision-making and governance structures with regard to the activities performed to support exports and international expansion. In this respect, in general:
- Art. 3 requires that SACE must consult the MEF and the Ministry of Foreign Affairs and International Cooperation with regard to major decisions on international expansion and investment relaunch policies, and that CDP must agree with the MEF, having consulted the Ministry of Foreign Affairs and International Cooperation, its exercise of the voting rights and resolutions relating to the management of the equity investment in SACE;
- pursuant to Art. 2, premium collection activity will be performed by SACE based on the MEF's guidelines, according to a co-insurance mechanism whereby the MEF will natively guarantee 90% of the commitments undertaken by SACE, while SACE will remain responsible for 10% of the guarantees given. Therefore, the risks and benefits of the insurance business, excluding commissions, which will remunerate the commercial and administrative service provided by SACE, will fall mainly on the MEF.

64 Art. 1, "*Temporary measures to support the liquidity of companies*" of the Liquidity Decree, defines a new form of operation for SACE, which envisages the issue by SACE of state guarantees in favour of banks, financial institutions and entities authorised to grant credit in Italy, on loans granted by the latter to companies based in Italy. These guarantees could have been issued until **31/12/**2020, though this deadline was then further extended by the 2021 Budget Law until 30.6.2021, in line with the European Commission's decisions to extend the "temporary framework" to support the economy.

65 The commissions received by SACE in performing the service are aligned to the costs incurred by it for this purpose (as also provided for by the Liquidity Decree, Art. 1, paragraph 2, letter h).

The holistic analysis of the provisions of Art.s 2 and 3 of the Decree and the observation of the progress made in the set-up of tools and mechanisms required by the legislation to enable the MEF to exercise its governance allow us to conclude that the activities envisaged by the Decree may be fully carried out in compliance with the purposes and methods set forth in the legislation only after the reporting date, i.e. 31 December 2020, and as such it cannot reasonably be qualified as "substantive" in the assessment of control under IFRS 10.

Based on the analyses and assessments performed, also with the support of experts, it is argued that CDP still had control over SACE at 31 December 2020, in accordance with IFRS 10. Therefore, CDP continues to qualify SACE as a subsidiary to be included in its scope of consolidation for the purposes of the consolidated financial statements at 31 December 2020, in line with the 2019 financial statements and the half-yearly condensed consolidated financial statements at 30 June 2020.

Art. 67 of Decree Law no. 104 of 14 August 2020, converted, with amendments, into Law no. 126 of 13 October 2020 ("August Decree") relating to the definition of the reorganisation of the SACE group:
- in paragraph 2 requires that, following an agreement between the Ministry of the Economy and Finance and CDP, a decree of the Minister of the Economy and Finance, in agreement with the Minister of Foreign Affairs and International Cooperation, subject to registration by the Court of Auditors, will determine the reorganisation of the SACE group and the value of the equity investments transferred that is deemed appropriate by the parties, without prejudice to the provisions of Art.s 2 and 3 of Decree Law no. 23 of 8 April 2020, converted, with amendments, by Law no. 40 of 5 June 2020, to the extent that these are compatible;
- in paragraph 3 requires that the financial requirements deriving from the payment of the consideration for the transfer under paragraph 2, are met through Government bonds, also specifically issued, up to a maximum amount of 4,500 million.

In this regard, it should be noted that, at 31 December 2020, the vagueness of the regulatory provisions of the August Decree, the failure to identify the actual scope of the reorganisation and the consequent absence of any decision by the CDP Board of Directors led to the conclusion that, at year-end, the provisions of IFRS 5 did not apply to the net assets of the SACE Group. Therefore, on that date, the latter were not "available for the immediate sale in its present condition". Indeed, the August Decree did not define the scope of the sale, the sale price or the elements of a programme for the sale, while it postponed the definition of the SACE group's new structure to a possible agreement between the Ministry of the Economy and Finance and Cassa Depositi e Prestiti, to be implemented by decree of the Minister of the Economy and Finance, in agreement with the Minister of Foreign Affairs and International Cooperation, subject to registration by the Court of Auditors.

The first few months of the 2021 financial year featured the performance of the activities needed to define the SACE group's new structure, as provided for by Art. 67, paragraph 2, of the August Decree, which led to a hypothetical agreement in the first few days of March, while the ministerial decree has not been issued yet. Therefore, the conditions set out in IFRS 5 are only met starting from that date.

In this regard, the hypothetical agreement, which is included among the events after the reporting date pursuant to IAS 10, did not have any impact on the consolidated financial statements at 31 December 2020, as there were no indications that individual assets of the SACE group to be sold in the future were impaired at the reporting date with respect to the values in the consolidated financial statements of the CDP Group determined in application of the measurement criteria pursuant to IAS/IFRS. In fact, the assets of the SACE Group are largely composed of financial assets measured in accordance with the criteria set out in IFRS 9, and are therefore already aligned with their individually determined recoverable amount (fair value, mostly level 1, or amortised cost for which the absence of impairment has been verified). As mentioned above, the net assets identified in the hypothetical agreement do not meet the definition of "disposal group" as at 31 December 2020 (in accordance with IFRS 5), and therefore do not constitute a single unit of account for the purpose of determining their total recoverable amount. The draft agreement drawn up in application of the regulatory provisions included in the aforementioned article 67, paragraph 2, which identifies a maximum limit of the consideration equal to 4,500 million euro for the total value of the total net assets subject to future sale, did not have an effect on the book values of the Group's assets as at 31 December 2020. The identification of the net assets of the SACE group subject to future sale as a "disposal Group" (and/or the concurrent sale of the net assets subject to sale included in the equity investment held in SACE to the Ministry of the Economy and Finance) and the application of the related measurement criteria (fair value less costs of disposal applied to the unit of account identified by the "disposal group" instead of to the individual assets subject to sale) may determine an economic effect in the 2021 consolidated financial statements of the CDP Group equal to the difference between the carrying value of the net assets of the SACE group (5,418 million euro at 31/12/2020) in the consolidated financial statements of the CDP Group – at the effective date of the sale – and the sale price definitively identified in the ministerial decree.

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 newly acquired companies, the difference between the acquisition price and equity, net of goodwill, if any, recognised in the financial statements of the acquirees, is subject to provisional allocation. In accordance with IFRS 3, paragraphs 45 ff., within twelve months of the acquisition date the changes to be made to the accounting balances of the investee used for the preparation of the consolidated financial statements of the CDP Group shall be definitively identified to restate them at fair value at the date of acquisition of control by adjusting the initial provisional allocation where appropriate.

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 joint ventures 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.

Equity investments in joint ventures or companies subject to significant influence with a value of less than 20 million euro are excluded from the valuation using the equity method due to the insignificance of the value of the investment and in order to avoid incurring disproportionate burdens for the production of reporting packages in accordance with the accounting policies of the CDP Group with respect to the benefits that would derive from their inclusion in the scope of consolidation.

The consolidation of joint ventures 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 Art.s 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 balancing entry 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 year 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.

Subsidiaries with total assets of less than 20 million euro are excluded from the scope of consolidation due to the non-significant value of assets and in order to avoid incurring disproportionate burdens for the production of reporting packages in accordance with the accounting policies of the CDP Group with respect to the benefits that would derive from their inclusion in the scope of consolidation.

Also excluded from the scope of line-by-line consolidation are UCIs over which control has been ascertained that invest in:
- other UCIs (funds of funds), provided that they have an asset side not exceeding 200 million euro and that the cumulative value of the funds excluded from the line-by-line scope does not result in the failure to represent payables to third-party subscribers exceeding a predetermined threshold;
- primary assets, provided that they have an asset side not exceeding 100 million euro and that the cumulative value of the funds excluded from the line-by-line scope does not result in the failure to represent payables to third-party subscribers exceeding a predetermined threshold.

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.	82.34%	70.13%	424,039
2. Snam S.p.A.	80.96%	67.78%	641,343
3. Italgas S.p.A.	82.04%	60.46%	183,809

(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.	20,696,489	242	3,834,954	15,137,642	12,594,229	4,415,764	(75,240)	(138,391)	1,182,087	1,044,612	758,433		758,433	(45,292)	713,141
2. Snam S.p.A.	26,129,758	733	3,468,911	17,939,225	15,974,319	6,472,218	(107,641)	(151,303)	1,374,000	1,470,670	1,101,052		1,101,052	93	1,101,145
3. Italgas S.p.A.	9,397,646	194	674,024	7,430,009	5,426,852	1,981,042	(47,372)	(50,641)	599,774	555,605	403,626		403,626	(11,127)	392,499

4. Significant restrictions

There are no significant restrictions except as specified in paragraph 7.9 of these explanatory notes.

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 2020 are summarised below.

Fincantieri

On 25 January 2021, Naviris, the 50/50 joint venture of Fincantieri and Naval Group, officially received the ISO 9001:2015 and AQAP 2110 certifications from Lloyd's Register, in accordance with the NATO supplementary regulations established for the main Defence suppliers. These certifications are a further step forward in the development of the joint venture, whose purpose is to manage export and cooperation programmes for surface vessels as well as research and development projects.

On 3 February 2021, Fincantieri officially started its activities as part of the SEA Defence project, selected as part of the European Defence Industrial Development Programme (EDIDP 2019) launched last December. EDIDP, the forerunner of the European Defence Fund, aims to strengthen the technological and industrial base of European defence, as well as to increase the technological leadership and strategic autonomy of the EU.

Through its subsidiary E-phors, specialised in the provision of cybersecurity services and products, on 8 February 2021 Fincantieri announced the provision of a pilot training course in partnership with the Italian Academy of the Merchant Navy, with the aim of introducing deck officers to the foundations of cybersecurity.

On 11 February 2021, Naviris, the 50/50 joint venture between Fincantieri and Naval Group in charge of the development of cooperation programmes, and Navantia signed a Memorandum of Understanding (MoU) aimed at expanding industrial cooperation for the European Patrol Corvette (EPC) programme, the most important naval initiative within the framework of the European Permanent Structured Cooperation (PESCO) project.

On 18 February 2021, Vard, one of the top companies in the world engaged in the construction of special ships, announced that it will design a ship to repair cables for the French company Orange Marine, leader in submarine telecommunications, which has chosen the project of the Fincantieri subsidiary.

Terna

On 26 January 2021, the acquisition of the remaining 30% of the company Avvenia the Energy Innovator S.r.l. was completed, exercising the Call Option for a total value of 3,600,000 euro. The Non-Controlling Interest will be deemed to be transferred with regular dividend rights and will include the full assignment of the right to the profits accrued for the years 2018 and 2019. Therefore, Avvenia will now be considered as a "sole quotaholder" company fully owned by the Terna Group through Terna Energy Solutions S.r.l.

On 28 January 2021 Terna became the first Italian electric utility to join the Nasdaq Sustainable Bond Network, the platform managed by Nasdaq dedicated to sustainable finance, which brings together investors, issuers, investment banks and expert organisations. The "Terna Driving Energy" logo projected on the Nasdaq Tower in Times Square rewards Terna's strong commitment as an enabler of the energy transition, for an increasingly reliable, efficient, technological and, above all, green grid. "Terna is the director of the Italian energy system: sustainability is naturally at the heart of our mission", declared Stefano Antonio Donnarumma, Terna's Chief Executive Officer. "We were pioneers in the green bond market and today we are happy to join the Nasdaq Network."

On 2 February 2021, APG became the fifth European transmission system operator to collaborate with Equigy, joining the founding TSOs TenneT GmbH (Germany), TenneT TSO BV (Netherlands), Swissgrid (Switzerland) and Terna (Italy) in the pioneering crowd balancing platform. Using the Equigy platform, the TSOs are working with OEM partners (such as electric vehicle manufacturers and solar panel manufacturers), energy companies and other aggregators on a number of new projects to accelerate the energy transition.

On 17 February 2021, Terna launched the joint project for the Adriatic Link, the new submarine cable between Abruzzo and Marche, in which the national electricity grid operator will invest over 1 billion euro, involving around 120 direct companies and interconnected suppliers. The new interconnection, approximately 285 km long and completely 'invisible', will consist of a submarine cable, two underground terrestrial cables - hence without any impact on the environment - and two conversion stations located in the vicinity of the respective existing power stations of Cepagatti (Abruzzo) and Fano (Marche). A strategic project for the national electrical system, at the forefront of technology and environmental sustainability. The infrastructure will aid the development and integration of renewable sources by contributing to the decarbonisation of the Italian energy system, in line with the objectives outlined in the Integrated National Energy and Climate Plan. Furthermore, it will make it possible to improve the electricity exchange capacity between the different areas of the country, particularly between the Centre-South and the Centre-North thanks to an increase of approximately 1,000 MW of power, thereby increasing the efficiency, reliability and resilience of the transmission grid.

On 24 February 2021, Terna was awarded a 300 million euro tender for the development and modernisation of the electricity grid, relating to the laying of new high voltage underground cables. The 17 successful tenderers, as Temporary Groupings of Competing Firms, are all Italian and form part of Terna's qualification system, and are highly specialised given the complexity of the processes. The activities will include infrastructure for 150 kV cable power lines to be laid across the national territory over the next 3 years.

On 11 March 2021, as part of the reorganisation of the Brugg Group, the demerger of Brugg Kabel AG was completed with the establishment of the companies Brugg Kabel Services AG and Brugg Kabel Manufacturing AG, controlled by Terna S.p.A. through its subsidiary Terna Energy Solutions S.r.l.

Italgas

On 28 January 2021, following the framework agreement signed between Italgas and CONSCOOP on 28 December 2018, the acquisition of the business unit of Mediterranea Energia related to the gas concession in the Municipality of Olevano sul Tusciano was completed. The network extends for approximately 26 kilometres, covering a potential catchment area amounting to a total of 2,500 resident households. Following this agreement, the parties agreed that, by 5 July 2021 and once certain conditions precedent have been met, Italgas will acquire the entire equity investment in Isgas 33, of which it currently holds a non-controlling interest of 10%.

On 4 March 2021, the Municipality of Turin contracting entity officially awarded to Italgas Reti the contract for the natural gas distribution service in the "Turin 1" territorial area, which includes Turin and the municipalities of Moncalieri, Grugliasco, Rivoli, Rivalta di Turin and Nichelino. The awarding of the ATEM, consisting of approximately 560 thousand users, will allow the Company to continue managing the service in a region in which it has operated since 1837 and for which an investment plan of approximately 330 million euro is envisaged.

On 12 February 2021, the Company challenged Resolution no. 550/2020/r/efr, which determined the tariff contribution on Energy Efficiency Certificates for the year 2019. The relevant hearing has not yet been scheduled. Furthermore, on 12 February

2021 and 18 February 2021, it challenged, with two separate appeals, Resolution no. 567/2020/R/gas, disputing its lawfulness in regard to the provisions on cancellation of the premiums due for safety gas recovery operations for 2017, and to the provisions on cancellation of the premiums for the emergency service for the year 2017. Scheduling of the hearing is pending.

On 18 February 2021, the Lombardy Regional Administrative Court issued a ruling that, without entering into the merits of the claim made by Italgas, solely established that Resolution no. 270/2020/R/efr did not violate prior ruling no. 2358/2019 by the Lombardy Regional Administrative Court on Energy Efficiency Certificates, which establishes that the Ministerial Decree of 10 May 2018, in the part which set at 250 euro/Energy Efficiency Certificate the cap on the tariff adjustment of costs incurred to purchase the certificates, unlawfully exceeded the tariff authority given to ARERA. A new hearing to decide on the merits will be scheduled.

With Resolution no. 74/2021/S/gas of 2 March 2021, ARERA imposed a fine of 500 thousand euro against Italgas Reti, alleging that the company violated the provisions of the Regulation of the Quality of Gas Distribution and Metering Services for the period 2014-2019, as well as the Guidelines by CIG (Comitato Italiano Gas) with regard to the emergency service. The Company is considering to challenge the Resolution.

On 3 March 2021, the AGCM (Italian Competition Authority), with reference to the investigation initiated against Italgas Reti for alleged abuse of dominant position in several municipalities of the Venezia 1 ATEM, accepted the Company's commitments and closed the investigation without deeming any offence to have occurred. With regard to the appeal before the Council of State filed by the Municipalities belonging to the Belluno ATEM against ruling no. 1208 of 7 December 2020, through which the Veneto Regional Administrative Court declared as inadmissible the appeal against the awarding of the contract to Italgas Reti, at the hearing of 4 March 2021, the Council of State acknowledged the waiver of the precautionary motion by the appellant Municipalities and set the relevant hearing for 7 October 2021.

On 5 February 2021, Italgas, in implementation of the EMTN Programme, successfully completed the launch of the fixed-rate dual tranche 7 and 12-year bond issue, with each tranche at fixed rate and for 500 million euro each, with an annual coupon of 0% and 0.5% respectively.

On the same date, a buyback transaction was launched for two bond issues with a nominal value of 750 million euro maturing in January 2022 and 650 million euro maturing in March 2024. The buyback was completed on 15 February 2021, at a buyback percentage of over 58% in the first case and 20% in the second case, and a total nominal value of approximately 256.0 million euro.

On 10 March 2021, the Board of Directors resolved to submit to the Shareholders' Meeting the proposal to increase the share capital free of charge by issuing a maximum of 4,500,000 ordinary shares of the Company, for a nominal amount of a maximum of 5,580,000 euro to be reserved for the beneficiaries of the 2021-2023 Co-Investment Plan.

Moreover, the first tranche of the free share capital increase approved by the Shareholders' Meeting of 19 April 2018 was executed for a maximum amount of 4,960,000 euro through the issuance of a maximum number of 4,000,000 new ordinary shares to be allocated – pursuant to art. 2349 of the Civil Code, for a corresponding maximum amount taken from the retained earnings reserve – exclusively to the beneficiaries of the 2018-2020 Co-Investment Plan approved by the same Shareholders' Meeting. The first tranche of the aforementioned capital increase was carried out on 10 March 2021, following the resolution of the Board of Directors, by issuing 632,852 new ordinary shares of the Company, for a nominal amount of 784,736.48 euro, assigned to the beneficiaries of the 2018-2020 Co-Investment Plan.

SIA

On 1 January 2021 the merger by incorporation of the company P4cards S.r.l. into SIA S.p.A. became effective in accounting, statutory and tax terms, following the signing of the merger on 28 December 2020. In light of the fact that the entire share capital of the merged company was wholly owned by the acquiring company, the provisions of art. 2505 of the Civil Code have been applied, and therefore with effect from 1 January 2021 the shares representing the entire share capital of the merged company have been cancelled without exchange, without issuance of new shares and without capital increase. The merger is part of the broader project to rationalise the activities of SIA Group companies in order to achieve greater operational and corporate efficiency, to increase effectiveness and promote the achievement of economies of scale and synergies in the performance of operational and commercial activities.

On 18 January 2021, SIA fully subscribed a bond issued by the subsidiary SIA Greece for an amount of 30 million euro maturing on 31 December 2025 for its operational needs.

On 9 February 2021, SIA signed a loan agreement called "Facility Agreement" ("Bridge Loan Contract") with UniCredit Bank Austria AG as mandated lead arranger and original lending bank, and UniCredit S.p.A. as mandated lead arranger, original lending bank and agent bank, for a total principal amount of approximately 400 million euro to meet its working capital requirements and finance the general business activities of the Parent Company. On the same date, SIA and Pforcards GmbH entered into an intra-group loan agreement for an amount of 4.3 million euro in order to allow the Austrian subsidiary to fulfil the obligations related to the agreements with the UniCredit Group, of which information is provided below.

On 11 February 2021, following the approval by the Boards of Directors of Cassa Depositi e Prestiti, CDP Equity, Mercury UK, SIA and Nexi, the final agreement relating to the merger by incorporation of SIA into Nexi was signed, in line with the terms and conditions of the memorandum of understanding signed and announced on 5 October 2020. The closing of the merger is conditional on the fulfilment of certain standard conditions precedent for transactions of this type, like obtaining the relevant authorisations, including that of the competent Antitrust Authority. The transaction is also subject to voting with the so-called whitewash mechanism at the Extraordinary Shareholders' Meeting of Nexi called to approve the merger. The agreement provides that if the closing of the planned merger by incorporation of Nets into Nexi (hereinafter the "Nets Transaction") occurs as expected before the closing of the transaction with SIA, CDP Equity will have the right to resolve a capital increase of SIA aimed at balancing the dilutive effect on its prospective equity investment in Nexi's capital resulting from the completion of the Nets Transaction. Also in the event that the merger occurs after the completion of the Nets Transaction, a shareholders' agreement will be entered into by Mercury UK, CDP Equity and FSIA and Nets' current shareholders.

On 12 February 2021, the SIA Group entered into two different agreements with the UniCredit Group. The first agreement is aimed at defining the requests received from the UniCredit Group with regard to some aspects relating to the services provided, including the levels of performance contributed under the processing contract in place for the 2016-2020 period. At the time of its signing, this agreement entailed the payment by SIA (as acquirer of P4Cards S.r.l. from 1 January 2021) of 48.2 million euro, entirely accounted for in the provisions for risks and charges in the consolidated financial statements as at 31 December 2020 as already evidenced at the date of preparation thereof and relating to previous years. The second agreement gives SIA the right to extend said processing contract expiring in 2026 to the period 2027-2036, including the expansion of the potential content of the services provided by the SIA Group to the UniCredit Group as Preferred Provider and cooperation for the development of new outsourced services. As a result of this agreement, and at the same time as it was signed, SIA (as the acquirer of P4cards S.r.l.) and PforCards Austria GmbH made a total upfront payment of 180 million euro to the legal entities of the UniCredit Group to acquire the aforementioned extension right to be exercised between 2021 and 2025. More specifically, each year between 2021 and 2025 SIA is required to communicate any waiver of the aforementioned right, while the absence of communication in 2026 is valid as confirmation of the maintenance of the right to extend the contract for the duration specified above. If in the period 2021-2024 SIA expressly notifies UniCredit of the waiver of this right of extension, it will obtain the return of a portion of the consideration paid consistent with the years remaining to extend the contract. In the presence of the explicit scope out of IAS 38, the agreement to extend the duration of the contract was qualified by the SIA Group as consideration paid to the customer as part of a contractual amendment according to IFRS 15.70 and IFRS 15.20, with recognition thereof in 2021 as a non-current asset classified in other assets and charged to the income statement to reduce the revenues of the service covered by the contract over the extension of the performance obligation in which the corresponding benefits are expected, namely the period 2027-2036, in direct correlation with the curve of the expected volumes of revenues. The consideration indicated above was paid by the SIA Group to UniCredit Group entities on 15 February 2021 using the aforementioned Bridge Loan for a principal amount of approximately 274 million euro.

SNAM

The acquisition of an interest in Industrie De Nora, a global innovator in sustainable energy and water treatment technologies, was completed on 8 January 2021. The company holds a 34% equity investment in ThyssenKrupp Uhde Chlorine Engineers (TKUCE), a joint venture with ThyssenKrupp among the world leaders in water electrolysis, involved in several major green hydrogen production projects. Snam's current stake in De Nora is 37%.

On 29 January 2021, the operation was completed with which CDP Equity entered into the capital of Snam 4 Efficiency, which took the name of Renovit, 70% owned by Snam and 30% by CDP Equity. Renovit is proposed as the new Italian platform to promote the energy efficiency of condominiums, companies and the Public Administration and to promote the country's sustainable development and energy transition.

The Shareholders' Meeting of 2 February 2021 approved the amendment of article 2 of the By-laws to include the corporate purpose of the company, "Energy to inspire the world", in order to reflect Snam's commitment to fostering the energy transition towards forms of use of energy resources and sources that are compatible with environmental protection and progressive decarbonisation, as well as the obligation to comply with the principle of the pursuit of sustainable success, amongst the purposes that must be pursued within the company's business. Furthermore, without prejudice to the company's commitment to the core business of regulated natural gas transport, storage and regasification, the Shareholders' Meeting approved the amendment of the corporate purpose referred to in article 2 of the By-laws aimed at expressly including, in addition to these activities, those related to the energy transition, in particular the transport and management of renewable energy (such as biomethane and hydrogen), the construction and management of plants related to sustainable mobility and energy efficiency (new paragraph 3, Art. 2), in line with the 2020-2024 strategic plan. The amendment of art. 2 became fully effective following the fulfilment of the conditions precedent it was subject to, specifically the non-exercise of special powers by the Prime Minister's Office pursuant to the so-called golden power legislation and, lastly, based on the declarations of withdrawal received before the deadline for the exercise of the right for 11,047,475 shares representing 0.329% of the share capital, for a total equivalent value of 49,304,880.93 euro, therefore lower than the maximum disbursement limit approved.

Ansaldo Energia

On 19 March 2021 Ansaldo Energia signed the contract for the sale of seven companies by Ansaldo Energia and its subsidiary Ansaldo Energia Switzerland to Hanwha General Chemical. Specifically, the companies involved are Ansaldo Thomassen, Ansaldo Energia Holding USA Corporation, Power Systems, Power Systems Manufacturing Japan, Ansaldo Energia Korea, Ansaldo Serviços de Energia Brasil, Ansaldo Energia Mexico. The closing of the transaction is subject to conditions precedent in line with market practice for this type of transaction. The closing is expected to be completed by June 2021.

CDP Equity

On 28 January 2021, CDP resolved to provide the Company with additional financial resources for 300 million euro as a capital contribution and implemented its resolution in the following month of February. As part of the operation of the funds, CDP Equity also requested to be endowed with an additional 40 million euro to cover the commitments entered into at the subscription of the funds and in line with the expected use during the first part of the 2021 financial year.

On 15 January 2021, CDP Equity signed a commitment equal to 100 million euro in Fondo Evoluzione, managed by CDP Venture Capital SGR.

On 11 February 2021, CDP Equity and its subsidiary FSIA signed binding agreements to proceed with the SIA-Nexi-Nets merger, the completion of which is expected in Q4 2021 following the fulfilment of a series of conditions precedent, including authorisations by various regulators and AGCM.

For the month of April 2021, the entry into the capital of Euronext B.V. is also expected to be completed through a capital increase for a maximum commitment of up to 800 million euro.

CDP Reti

On 11 January 2021, the Chairman of the Board of Directors convened the ordinary Shareholders' Meeting of CDP RETI called upon to resolve on renewing the Board of Directors and the Board of Statutory Auditors (reaching maturity in May 2020 and whose term of office had been extended until 20 January 2021). It should be noted that since the Board of Directors had concluded the term of office, the Shareholders' Meeting held on 20 January 2021 appointed a new Board of Directors consisting of five directors who will remain in office for three financial years and end their term of office on the date of the Shareholders' Meeting that will be convened in 2024 to approve the financial statements for the year ending 31 December 2023. The directors, who can be re-elected, were appointed on the basis of two lists of candidates, one submitted by the shareholder CDP (which holds 59.1% of the Company's shares) and the other by State Grid Europe Limited ("SGEL", which holds 35.0% of the Company's shares). During that same session, the Board of Statutory Auditors was also re-elected according to the list-based voting system (with a term of office matching that of the Board of Directors).

SACE

As regards the events concerning the equity investment in SACE, please refer to the considerations reported in Section 3 above.

Section 5 - Other issues

IFRS endorsed at 31 December 2020 and in force since 2020

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 2020, are provided below.

- Commission Regulation (EU) 2019/2014 of 29 November 2019, published in Official Journal L 318 of 10 December 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) 1 and 8. Entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2020;
- Commission Regulation (EU) 2019/2075 of 29 November 2019, published in Official Journal L 316 of 6 December 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) 1, 8, 34, 37 and 38, International Financial Reporting Standards (IFRS) 2, 3, and 6, Interpretations 12, 19, 20 and 22 of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretation 32 of the Standing Interpretations Committee (SIC). Entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2020;
- Commission Regulation (EU) 2020/34 of 15 January 2020, published in Official Journal L 12 of 16 January 2020, amending Regulation (EC) no. 1126/2008 of the Commission, 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 Standard (IAS) 39 and International Financial Reporting Standards (IFRS) 7 and 9. Companies should apply the changes set out in Art. 1, at the latest, from the start of the first financial year that begins on or after 1 January 2020. The main amendments concern the interest rate benchmark reform;
- Commission Regulation (EU) 2020/551 of 21 April 2020, published in Official Journal L 127 of 22 April 2020, 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 International Financial Reporting Standard 3 (Business Combinations). Companies should apply the changes set out in Art. 1, at the latest, from the start of the first financial year that begins on or after 1 January 2020;
- Commission Regulation (EU) 2020/1434 of 9 October 2020, published in Official Journal L 331 of 12 October 2020, 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 Financial Reporting Standard (IFRS) 16.

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 2021)

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 2020:

- Commission Regulation (EU) 2020/2097 of 15 December 2020, published in Official Journal L 425 of 16 December 2020, 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 Financial Reporting Standard (IFRS) 4;
- Commission Regulation (EU) 2021/25 of 13 January 2021, published in Official Journal L 11/7 of 14 January 2021, 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 Standard (IAS) 39 and International Financial Reporting Standards (IFRS) 4, 7, 9 and 16.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at 31 December 2020

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) including Amendments to IFRS 17 (issued on 25 June 2020);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (issued 14 May 2020).

Other information

The annual consolidated financial statements are subject to approval by the CDP Board of Directors and will be published within the times and in the manner envisaged by the applicable legislation in force.

Restatement of the comparative figures at 31 December 2019

Restated consolidated balance sheet at 31 December 2019

(thousands of euro) Assets	31/12/2019	31/12/2019 Restated	Differences
10. Cash and cash equivalents	1,340	1,340	
20. Financial assets measured at fair value through profit or loss	4,817,701	4,817,701	
a) financial assets held for trading	1,473,366	1,473,366	
b) financial assets designated at fair value			
c) other financial assets mandatorily measured at fair value	3,344,335	3,344,335	
30 Financial assets measured at fair value through other comprehensive income	12,360,038	12,360,038	
40. Financial assets measured at amortised cost	344,205,246	344,205,246	
a) loans to banks	32,684,128	32,684,128	
b) loans to customers	311,521,118	311,521,118	
50. Hedging derivatives	431,066	431,066	
60. Fair value change of financial assets in hedged portfolios (+/-)	1,467,343	1,467,343	
70. Equity investments	18,952,123	18,952,123	
80. Reinsurers' share of technical reserves	1,002,469	1,002,469	
90. Property, plant and equipment	39,354,499	39,372,483	17,984
100. Intangible assets	13,192,067	13,965,016	772,949
of which:			
- *goodwill*	*2,786,040*	*2,232,487*	*(553,553)*
110. Tax assets	1,878,706	1,881,245	2,539
a) current tax assets	243,033	243,033	
b) deferred tax assets	1,635,673	1,638,212	2,539
120. Non-current assets and disposal groups held for sale	342,486	342,486	
130. Other assets	10,719,235	10,710,135	(9,100)
Total assets	**448,724,319**	**449,508,691**	**784,372**

(thousands of euro) Liabilities and equity	31/12/2019	31/12/2019 Restated	Differences
10. Financial liabilities measured at amortised cost	385,657,519	385,657,519	
a) due to banks	41,840,044	41,840,044	
b) due to customers	302,011,550	302,011,550	
c) securities issued	41,805,925	41,805,925	
20. Financial liabilities held for trading	89,965	89,965	
30. Financial liabilities designated at fair value	61,200	61,200	
40. Hedging derivatives	3,054,893	3,054,893	
50. Fair value change of financial liabilities in hedged portfolios (+/-)	18,699	18,699	
60. Tax liabilities	3,650,788	4,031,380	380,592
a) current tax liabilities	162,971	162,971	
b) deferred tax liabilities	3,487,817	3,868,409	380,592
70. Liabilities associated with non-current assets and disposal groups held for sale	165,706	165,706	
80. Other liabilities	13,407,795	13,407,795	
90. Staff severance pay	252,728	252,728	
100. Provisions for risks and charges	3,443,251	3,443,251	
a) guarantees issued and commitments	363,636	363,636	
b) pensions and other post-retirement benefit obligations			
c) other provisions	3,079,615	3,079,615	
110. Technical reserves	2,811,818	2,811,818	
120. Valuation reserves	1,147,528	1,147,528	
130. Redeemable shares			
140. Equity instruments			
145. Interim dividends			
150. Reserves	14,677,901	14,677,901	
160. Share premium reserve	2,378,517	2,378,517	
170. Share capital	4,051,143	4,051,143	
180. Treasury shares (-)	(489,111)	(489,111)	
190. Non-controlling interests (+/-)	12,559,778	12,963,558	403,780
200. Net income (loss) for the year	1,784,201	1,784,201	
Total liabilities and equity	**448,724,319**	**449,508,691**	**784,372**

The restatement of the figures at 31 December 2019 was necessary following the completion of the purchase price allocation process carried out on Ansaldo Energia S.p.A. and SIA S.p.A. in accordance with the provisions of IFRS 3, whose control was acquired in the last months of the 2019 financial year. Following the restatement at fair value of the investees' assets and liabilities, including contingent liabilities, greater equity pertaining to non-controlling interests for 2019 amounted to 404 million euro. For a more detailed analysis please refer to the specific section of Part G.

Interest Rate Benchmark Reform

In 2013, the G20 tasked the Financial Stability Board (FSB) with carrying out a comprehensive review of the key benchmark rates of the money market and developing plans for their possible replacement in order to enhance their integrity and representativeness for all market participants. In July 2014, the FSB published its recommendations, which essentially set two basic objectives: (1) reform the IBORs (Interbank Offered Rates) benchmark rates, of which LIBOR is one of the most commonly used, in order to strengthen their existing methodologies and make them more consistent with real transactions; (2) develop more robust alternative benchmark rates.

More specifically, the European Union Benchmarks Regulation (Regulation (EU) 2016/1011), published in 2016 and in force since January 2018, set out the new regulatory framework for EURIBOR, LIBOR and EONIA benchmark rates, bringing market indices and the methodology by which they are calculated in line with international standards, aiming to ensure the integrity of benchmarks used in the Eurozone (including benchmark interest rates), reducing the use of discretion, improving governance controls and tackling conflicts of interest. Furthermore, with regard to "critical benchmarks", that are widely used in the markets, Art. 28.2 of the Regulation requires that supervised entities produce robust written plans setting out the actions that they would take in the event that a benchmark materially changes or ceases to be provided, or reflect them in the contractual relationship with the customer.

Recently, Regulation No. 34 "Interest Rate Benchmark Reform", endorsed by the European Commission on 15 January 2020, approved the amendments to IFRS 9, IAS 39 and IFRS 7 issued by the IASB on 26 September 2019 as part of the "Interest Rate Benchmark Reform" project.

This amendment completes the first phase of the IASB's project to find ways to reduce the effects of the interest rate reform on the financial statements, with particular reference to potential impacts before replacing the existing benchmarks. In particular, the IASB has provided for some exceptions to the accounting for hedging relationships, aimed at avoiding the discontinuing effects due to the mere uncertainty of the interest rate reform. Specifically, for the economic relationship to be assessed, the amendments introduced require the entity to assume that the interest rate benchmark for determining the interest rates of the hedged instrument and the hedging instrument has not changed following the rate reform. Applying these amendments, in force since 5 February 2020, is compulsory from 1 January 2020.

In order to assess the significant risks associated with this global reform, and to take appropriate action to ensure an orderly transition to the alternative or reformed benchmark rates before the end of 2021, as required by the EU Benchmarks Regulation (BMR), the CDP Group undertook all the initiatives necessary to ensure an orderly transition to the new benchmark rates by managing the prospective termination of the IBORs (Interbank Offered Rates) and the Eonia rate, with regard to both customer relationships and its own organisational and operational structures, and by providing appropriate fallback[66] clauses in contracts.

Disclosure of Covid–19 impacts

In preparing the Annual Financial Report at 31 December 2020, CDP and the Group companies are required to consider the impacts of the current economic situation following the Covid-19 outbreak, as well as the related accounting implications with regard to the measurement of assets and liabilities, and the disclosure and assessment on the going concern basis, taking also into account the guidance published by the Bank of Italy, ESMA, IOSCO and Consob, specifically:

- ESMA 32-63-951 statement dated 25 March 2020, 'Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9';
- ESMA 32-63-972 statement dated 20 May 2020 'Implications of the Covid-19 outbreak on the half-yearly financial reports';
- IOSCO OR/02/2020 dated 29 May 2020 'Statement on Importance of Disclosure about Covid-19';
- Consob warning notice no. 6/20 dated 9 April 2020, 'Covid-19 - Drawing attention to financial reporting';
- Consob warning notice no. 8/20 dated 16 July 2020, 'Covid-19 - Drawing attention to financial reporting';
- ESMA 32-63-1041 statement dated 28 October 2020 'European common enforcement priorities for 2020 annual financial reports';
- Communication of the Bank of Italy dated 15 December 2020, 'Supplements to the provisions in Circular no. 262 Bank financial statements: presentation formats and rules';
- Consob warning notice no. 1/21 dated 16 February 2021, 'Covid-19 – Measures on support for the economy – Drawing attention to reporting that needs to be provided'.

The aim of this paragraph is to introduce the main areas of focus analysed by the management in order to prepare the consolidated Annual Financial Report at 31 December 2020, in consideration of the current reference context characterised by the Covid-19 pandemic. Detailed information on the CDP Group's risk management strategies, objectives and policies, as well as financial position, is provided in the specific sections of these Notes, as referred to below.

See paragraph 4.2.1.4 "Business outlook" for more information on the impacts of Covid-19 on strategies, objectives and financial performance, the measures adopted to address and mitigate these effects and the business outlook.

In a context like the current one, CDP and the Group companies continue to play an increasingly crucial role in implementing the measures issued by the Italian government to mitigate the impacts of Covid-19 and to support the economy.

66 In order to minimise the risk that one or more LIBOR rates or other benchmark rates may be discontinued even though market participants are still exposed to such rate, financial institutions and customers are encouraged to include fallback clauses indicating alternative reference rates (ARRs) to substitute unavailable pre-existing reference rates, or a procedure to be followed to identify one.

Indeed, several initiatives were implemented for the benefit of Institutions, businesses and the Public Administration, both by CDP and the Group companies, as summarised below:

- the confirmation of the "Liquidity Advances" product in favour of Municipalities, Metropolitan Cities, Provinces, Regions and Autonomous Provinces;
- the continuation of the expansion, started at the end of 2019, of the credit access tools offered by CDP, by means of granting loans in favour of Local Authorities and Regions, with the aim of converting existing mortgage loans, in order to benefit from the more favourable interest rates currently offered by the market;
- the management of the "MEF Fund", established to deal with the Covid-19 emergency, with a total provision of state resources of 12 billion euro for 2020, to ensure the liquidity needed to pay certain, liquid and collectable debts of the Entities outstanding at 31 December 2019;
- the suspension of the payment of mortgage loan instalments due in 2020 for the first Municipalities affected by the emergency in the Lombardy and Veneto Regions;
- the launch of the largest debt renegotiation programme in recent years in favour of Local Authorities;
- the management of the measures following the health emergency in favour of the Regions and Local Authorities, relating to deferring the payment of the principal of the amortisation instalments falling due in 2020;
- an initiative to support those entities performing social and welfare activities, which have been severely affected by the Covid-19 pandemic emergency, allowing the payment of the instalments for the year 2020 of the loans granted by CDP to be deferred, at the expense of those entities, without applying additional interest to them;
- the possibility for entities with the subjective characteristics set forth in Art. 56, paragraph 2, letter c) of Decree Law no. 18 of 17 March 2020 to suspend the payment of the entire portion (principal and interest) or only the principal of the instalments of outstanding mortgage loans falling due on 30 June 2020, a possibility later extended to instalments falling due on 31 December 2020 under Art. 65 of Decree Law no. 104/2020;
- as of March 2020, 125 moratoriums on payments have been requested for Italian debtors, mainly pursuant to the "Cura Italia" Decree Law, for an average duration of 12 months and a moratorium amount of approximately 15 million euro on loans granted of approximately 150 million euro. In addition, 15 suspension of checks on financial covenants ('Covenant Holiday') have been requested for about 1 year on a loan portfolio totalling 400 million euro;
- as part of the measures introduced by the "Liquidity Decree" to support companies affected by the Covid-19 emergency, loans totalling 870 million euro were disbursed to 65 companies that benefited from the SACE guarantee and the State counter-guarantee ("Garanzia Italia");
- by resolution of the Board of Directors dated 15 May 2020, CDP has joined the Debt Holiday initiative launched by the Italian export credit agency (SACE). Consequently, from 1 July 2020, agreements have been signed to amend existing agreements, thus allowing the suspension of covenants and the deferral of principal repayments due from 1 April 2020 to 31 March 2021 by creating separate tranches to be repaid over the next four years, for a moratorium amount totalling about 320 million euro on a loan portfolio of 4 billion euro;
- in order to ensure the necessary liquidity to companies affected by the Covid-19 pandemic based in Italy, following the publication of Decree Law no. 23 of 2020 (so-called "Liquidity Decree"), as at 31 December 2020 SACE granted 1,401 guarantees intended to cover financing, factoring, leases and debt securities, for a total amount of 20.8 billion euro. Moreover, following the publication of Decree Law no. 34 of 2020 (so-called "Relaunch Decree"), in order to retain continuity of trade between companies and to ensure that insurance services for trade receivables continue to be available to companies hit by the economic effects of the Covid-19 pandemic, SACE provided guarantees equal to 90% of the compensation generated by exposures relating to trade receivables accrued from the entry into force of the decree to 5 companies representing 86% of the credit insurance market, to the benefit of some 14,000 insured companies. With the publication of Legislative Decree no. 76 of 2020 (so-called "Simplification Decree"), SACE was also authorised to take on guarantees (with counter-guarantee from the State) for projects aimed at facilitating the transition to a clean, circular economy and accelerating the transition towards sustainable mobility. In 2020 the Company thus approved 7 guarantees (financed amount of 615 million euro, of which 303 million euro have already been issued within the year);
- SIMEST implemented several interventions through the 394/81 Fund, whose allocation was increased by 2,485 million euro, referring to: art. 54-*bis* of Decree Law no. 18/2020 converted by Law no. 27/2020 "Cura Italia"; ii) art. 48, paragraph 2, letter a) of Decree Law no. 34/2020, the so-called "Relaunch Decree"; iii) Art. 6-*bis*, paragraph 14, of Decree Law no. 137/2020, the so-called "Relief Decree", converted with amendments by Law no. 176 of 18 December 2020; iv) 2021 Draft Budget Law; v) the so-called "August" Decree Law, no. 104 of 14 August 2020, converted with amendments by Law no. 126 of 13 October 2020. In addition, resources were allocated for non-repayable co-financing of 1,272 million euro;
- SACE BT implemented a series of measures in support of customers in compliance with Decree Law no. 9 of 2 March 2020 which concerned the suspension of the payment of premiums, invoices for application fees and other invoices issued by SACE SRV, as well as the presentation of turnover notifications expiring from 21 February 2020 until 30 April 2020, ensuring the coverage of risks and the payment of claims for events that occurred during the suspension period even in the absence of payment of the premium during that period. Furthermore, the terms of certain facilities were extended to companies insured in the Credit segment, including the right to grant both Italian and foreign debtors additional extension periods on various deadlines;
- in connection with the Liquidity Decree, SACE Fct launched operations for new loans to small and medium-sized enterprises backed by the "SME Guarantee Fund" and SACE's "Garanzia Italia";

- SACE Fct also granted performing customers suffering temporary financial difficulties due to the current health emergency an extension of up to six months and the delay of payment deadlines.

For more details on the initiatives and the role of CDP and the Group companies in the current situation, please refer to the more detailed disclosure in the Report on Operations.

Disclosure on going concern, risks, uncertainties and impacts of the Covid-19 epidemic

Going concern

Based on the operations of CDP and its Group companies and having considered all information available on its capital structure, available liquidity and financial performance over the medium term, even in the context of the ongoing Covid-19 outbreak, there is no evidence of factors that might in any way affect the ability to continue as a going concern.

Significant risks and uncertainties

The main risks to which the CDP Group is exposed in conducting its business can be summarised based on the following taxonomy:
- credit risk: the risk that a debtor will not meet its commitments in relation to a loan or an issued bond;
- counterparty risk: the risk that a counterparty will not meet its commitments in respect of one or more derivative or treasury transactions;
- concentration risk: the risk arising from large exposures to individual counterparties, groups of connected counterparties or counterparties carrying out the same activity, belonging to the same economic sector or the same geographical area;
- liquidity risk: the risk that a financial institution will be unable to meet its commitments due to difficulties in financing itself or in divesting assets, or that it will be unable to monetise assets held in the market without significantly adverse conditions affecting their market price;
- market risks (interest rate and price risk, exchange rate risk): the risk that negative trends in interest and inflation rates and exchange rates will adversely affect the fair value, earnings or net assets value of a financial institution.
- equity risk: the risk that negative trends of equity security prices will adversely affect the fair value, earnings or net assets value of a financial institution;
- reputational risk: the current or prospective risk of a fall in profits, loss of economic value or damage to the institutional role, resulting from a negative perception of the image of CDP and the Group companies by customers, counterparties, shareholders, investors, regulators or other stakeholders.
- operational risk: the risk that inadequate information systems, operational errors, failures in internal controls or procedures, fraud, lawsuits, judgments or invalid agreements or external events (e.g. earthquakes, epidemics, etc.) may result in losses for a financial institution;
- country risk: the risk that events occurred in countries other than Italy may result in losses. This does not just refer to the credit risk associated with exposures to the public administration of the foreign country (sovereign risk), but to all exposures regardless of the type of counterparty.

The Covid-19 emergency has not generated risks other than those reported, as these types of events are considered within the risks already assessed and monitored. In particular, the following key risk areas have been identified:
- equity risks due to a fall in the price of listed equity investments and a possible drop in the value of the overall portfolio, including exposures to the Real Estate sector;
- credit risks due to a possible rise of debtors in financial distress, both on the loans and guarantees portfolio and on debt securities or for works in progress;
- operational risks due to partial use of premises, business continuity and the risk of employees on sick leave, as well as the management of liquidation activities and pending litigation;
- liquidity risks due to more difficult conditions to raise funding and/or dispose assets when required.

In addition to the above, as a result of the specific context/sector which some of the Group companies operate in, it is appropriate to detail the following additional areas:
- Snam, Terna, Italgas: risks related to possible changes in the regulatory environment;
- Fincantieri: risks related to the operational complexity characterising the shipbuilding industry, geographical and product diversification and the inorganic growth strategy;
- SIA: operational risks in the services rendered and technological risks;
- Ansaldo Energia: business risks associated with its operations.

For more details on the main exposures to risks of CDP and the Group companies and measurement and mitigation techniques, please refer to the section on risks, “Part E – Information on risks and related hedging policies”.

The global spread of Covid-19 and the resulting impacts on economic activity have increased the level of uncertainty, hence making it more difficult to make quantitative estimates, for example, with regard to possible future losses on receivables measured at amortised cost or cash flows from equity investments, also due to the increased uncertainty in the assumptions and parameters at the basis of the asset valuation analyses.

For the CDP Group, the areas subject to analysis, due to an increased level of uncertainty, are:
- the changes linked to regulatory measures adopted by the Italian Government to support and relaunch the economic-productive system as a result of the epidemiological crisis, for which CDP and the Group Companies have played a key role in implementing the measures or that led to significant changes to the business model of one or more investee companies (Decree Law 23/2020, which, inter alia, requires the termination of CDP management and coordination activity over SACE);
- the acceleration in the energy transition dynamics, with effects on investees that operate in the Oil & Gas sector or in directly related sectors; in this regard, following an analysis of the market discontinuity caused by the Covid-19 outbreak, Eni has announced and recently confirmed its strategic policies up to 2050, confirming the Eni Group's objective to become the biggest supplier of decarbonised products, contributing to the energy transition process and combining the objectives of profitability and sustainability;
- a possible increase in the insolvency risk in the loan portfolio, in terms of both rating transitions and the higher probability of short-term default.

With regard to the specificities of the Group companies, the following is highlighted:
- at an economic level, CDP Equity was affected by the prudent approach adopted by some subsidiaries with regard to the distribution of results, which led to the non-disbursement of dividends by some subsidiaries. However, this has not resulted in financial distress for the Company, as the available financial resources are sufficient to meet the financial needs expected in the short term and guarantee scope of action even in particularly critical situations.
- With specific regard to the managed real estate portfolio, CDPI SGR highlights that the impacts of the pandemic have had repercussions on three main aspects, as reported in the estimates of the 2020-2024 Business Plan approved in June 2020, in which the objectives of the year just ended were updated to consider the following elements: i) start-up and completion times of the works in progress and yet to be started (e.g. halting of activities, postponements of schedules); ii) lease issues (e.g. delinquency or delays in payments due to the temporary illiquidity of tenants) and iii) sales procedures (e.g. delays in sales in progress or in the formalisation of those already concluded).
- CDP Immobiliare also monitors the operational risks associated with the specific business, such as:
  - construction sites in progress or to be contracted, affected by delays or interruptions in the execution of the contracted works in the real estate portfolio (with consequent delay with respect to their schedules), and increase in costs due to the greater health and safety safeguards;
  - leases, affected by changing operator strategies and the lengthening of the time for finalising agreements;
  - sales processes, exposed to the risk of impossibility of real estate disinvestment transactions due to market illiquidity.
- SIMEST closely monitors the overall situation and has strengthened risk monitoring through a specific structured assessment of the impacts of Covid-19 on credit, reputational, fraud and money laundering risks that are becoming increasingly important in the context of Covid-19 and the general slowdown in the economy. The Company has launched a specific project aimed at strengthening the monitoring framework for risks related to public funds, which have seen expanding operations in terms of number of counterparties and volumes.
- The Group has incurred costs as a result of Covid-19 which had an impact on the final results at 31 December 2020, and refer mainly to the failure to absorb fixed production costs for the period of production shutdown, the impacts of the reduced efficiency resulting from implementation of the prevention measures adopted and costs for sanitary aids and expenses to ensure employee health and safety. It has been immediately established an active dialogue with shipowners, proceeding on the one hand to the suspension of the payment of instalments planned during construction and, on the other, to the redefinition of the schedule of deliveries in 2020 and in the first months of 2021. The deliveries planned in 2020 were made as promised prior to the pandemic and the Fincantieri Group was able to keep the backlog intact and without cancellations as at 31 December 2020.

Financial instruments and measurement of Expected Credit Losses

The assessment of any significant increase in credit risk (SICR) of CDP is based not only on the information relating to the classification of loans pursuant to banking regulations (e.g. “past due”, “forborne”) but also on the forward-looking information embedded in its own credit risk management systems in relation to:
- internal ratings, which reflect the forward-looking assessment by CDP analysts of the capacity of each debtor to meet its obligations over the entire life of the financial instruments. Internal ratings holistically incorporate, through an assignment and review process, all available quantitative and qualitative information that is relevant to the assessment, including, for example, up-to-date macroeconomic forecasts, sector dynamics assessments, public ratings issued by the primary agencies, market prices and regulatory measures;
- assigning specific debtors to the different “watchlists”, which in some cases may indicate the presence of additional uncertainty

factors, typically qualitative, other than the main drivers considered in the internal rating.

Consistent with the characteristics of its loan portfolio, mainly including exposures with public counterparties, banks operating in Italy, large corporations and special-purpose vehicles operating in the infrastructure sector, CDP has noted, as at 31 December 2020, that changes in ratings are limited in terms of cases, the amount and size of the exposures, even including the impacts of Covid-19 on a forward-looking basis.

No changes were deemed necessary in the models for the valuation and measurement of financial instruments related to the pandemic crisis. In particular, CDP has not made changes to its methodology for assessing the significant increase in credit risk, either as a result of Covid-19 or due to other factors, as it considers this methodology to be adequate in the current context.

In measuring Expected Credit Losses, CDP applies the internally-developed methodology, which takes into account the following elements: (i) the estimate of Through-the-Cycle probability of default and (ii) an internal model for estimating the cyclical component of probability of default. The model applied to estimate the cyclical component is based on the main macroeconomic drivers including GDP and employment rate forecasts, with reference to the European area and the USA.

Note that for none of the initiatives undertaken by CDP and described in the previous paragraphs ("Covenant Holiday", "Debt Holiday") did CDP derecognise any loan agreements or the underlying financial instruments.

With regard to Group companies, the following should be noted:
- SACE recognised significant impacts due to downgrades made by counterparty Rating Agencies and moratoria on guaranteed loans. Counterparties operating in the sectors of greatest exposure covered by the SACE guarantee portfolio such as the Cruise and Aeronautics sector were particularly affected. These specific elements led to an increase in credit risk measurable through expected loss metrics, with a consequent impact on Best Estimates, and on the impairment of loans, deposits and securities;
- SIMEST has carried out measurements of provisions on an individual and collective basis;
- with regard to individual impairment, the measurements were conducted at the level of the individual counterparty/transaction on the basis of the expected cash flows, the presence of guarantees and the recovery timing and percentages, also in light of the effects of the Covid-19 pandemic;
- with regard to provisions made on a collective basis the Expected Credit Loss values were updated for the portfolio classified at amortised cost by including i) changes in ratings on "single names" (whose risk profile in some cases deteriorated also as a result of the economic consequences related to the pandemic) carried out as part of the broader activity of performance monitoring and ii) the updating of the matrices of forward-looking PDs provided in December 2020 by the Parent Company after expert analysis of the appropriateness of the parameters by SIMEST. For the portion of the portfolio valued at Fair Value, impairment values were calculated using updated market parameters by factoring the valuation of the cost of funding with the moving average of the most recent observations, in order to contain the effects of volatility deriving from external market factors. The coverage ratio of the performing portfolio increased in December 2020 compared to December 2019, with an impact on the income statement of around 1.9 million euro. In order to better monitor the risk associated with the evolution of the pandemic, the Company further strengthened the monitoring of the portfolio and individual positions (updating of ratings and verification of the creditworthiness of counterparties), the results of which were periodically presented in a risk report shared with corporate bodies;
- SACE Fct has updated the method used to calculate expected credit losses in order to take into account the impacts of the Covid-19 pandemic on the risk level of the loan portfolio. The PD estimates for the first three years include prospective elements which consider the evolution of the economic cycle (forward-looking PD). To this end, the method also considers PD estimates deriving from the application of a satellite model which SACE Fct fine-tuned in 2020, linking expected changes in default rates to a number of macroeconomic variables (GDP, unemployment rate, ITA-coin). The macroeconomic variables were defined on the basis of three prospective scenarios (baseline, positive and negative), using different forecasts available from public and independent data sources (e.g. OECD, Eurostat, Bank of Italy, ISTAT, IMF).

For more details, please refer to the specific paragraphs of "Section 1 - Credit risk" of "Part E – Information on risks and related hedging policies".

Impairment of assets

Equity investments

The indicators of impairment (so-called triggers) and objective evidence of impairment are assessed on the basis of information taken from public sources or of any additional information received by the investees.

Specifically, at 31 December 2020, impairment triggers were activated on some of the key equity investments accounted for using the equity method (Eni, Saipem, Open Fiber and Webuild), essentially for the actual results and/or the performance of market prices.

With reference to the estimated recoverable amount of the equity investments, to be understood as the higher of their fair value less costs to sell and their value in use, CDP has adopted a range of key principles, taking also into account the challenges of the Covid-19 outbreak in this unique moment in time. Examples are given below:
- a general lengthening of the detection periods of certain key parameters;
- use of the average of the latest Country Risk Premiums instead of the latest available, where deemed to be more significant;
- use of an Equity Risk Premium "consensus" in line with the average of the latest values available instead of the latest value available.

In addition, CDP has conducted a sensitivity analysis on each equity investment against the main variables that determine the asset's value, including for example:
- the price of Brent for the companies operating primarily in the Oil & Gas sector;
- the cost of capital for all companies and, in particular, for those operating in the financial sector;
- the long-term growth rate, if applicable, based on the value estimation method used.

Goodwill

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 recoverability of its carrying amount. An impairment test is performed annually on goodwill, or whenever there is evidence of impairment. This involves comparing the carrying amount of the CGU, including goodwill, and the recoverable amount of said CGU. If the value of the CGU is higher than its recoverable amount, the difference is recognised in the income statement first reducing goodwill until it reaches zero.

At each reporting date, CDP conducts an assessment to detect the presence of indicators of impairment under IAS 36 and of any additional indicators, where applicable, also considering the indications of national and international regulators on financial reporting relating to risks, uncertainties, estimates, assumptions and assessments as well as the difficulties related to the impacts of the health crisis due to the spread of Covid-19. The global spread of Covid-19 and the resulting impacts on economic activity have increased the level of uncertainty, hence making it more complex to make quantitative estimates, for example, cash flows from the CGUs, also due to the increased uncertainty in the assumptions and parameters at the basis of the CGU valuation analyses.

For further information please refer to the more detailed description in "Section 7 – Equity Investments" and in "Section 10 – Goodwill" of the Notes to the Consolidated Financial Statements.

With reference to the foregoing, it should be noted that:
- the estimates have been made also considering stock prices and market parameters which are subject to fluctuation, even significant, due to the ongoing turbulence and volatility of the markets, also as a result of the Covid-19 outbreak;
- the evaluations were made using forecast data. Such forecasts are, by their nature, random and uncertain in that they are sensitive to changes in macroeconomic variables and to events outside the company's control. They are also based on a set of assumptions linked to future events and actions of management, which may not necessarily happen. In view of the uncertainty surrounding any future event - both as regards the actual occurrence of the event and in terms of when and to what extent it may happen - the differences between actual values and estimated values might be significant, even if the events at the basis of the forecast assumptions were to occur. This limit is even more pronounced in the current situation of uncertainty linked to the future impacts of the Covid-19 outbreak.

It is therefore important to highlight that there is strong uncertainty about the possible duration of the impacts of the pandemic, making it difficult to predict the associated short and medium-term impacts. This significantly increases the complexity and uncertainty of the estimates made, whose results are described in the specific sections referred to, given that the underlying assumptions and conditions might be subject to further review, to take into account developments outside the management's control, thus resulting in unexpected and unforeseeable impacts. Therefore, there is a need to constantly monitor the evolution of these elements in the current context.

Other areas of focus

Revenue Recognition

The following disclosure is provided with regard to the performance of revenues, solely with reference to the Group companies concerned:
- CDPI SGR opened negotiations with hotel managers with the aim of suspending lease payments due in 2020 and 2021 in derogation of current lease contracts, with the exception of the payment of a portion (so-called "Minimum Guaranteed Amount")

and defining repayment plans that provide for the full recovery of receivables in the years 2023-2026. Considering the difficulty faced by mountain resorts due to the profoundly negative impact of the pandemic, first on the 2019/2020 winter season, then on the 2020/2021 winter season for which closures were again confirmed, a write-down of the receivable linked to the lease payments invoiced and not yet collected (835 thousand euro) was made;
- SACE BT - due to a possible increase in claims from the second half of 2020, as a consequence of the recession linked to the Covid-19 outbreak, the company has put in place procedures to revise the estimates and determine reserves, which will have direct economic impacts on the income statement such as: (i) premiums: to take account of the prospects of decline in the volumes of insured turnover as a result of the economic crisis linked to Covid-19, the estimate of premiums to be issued as at 31 December was adjusted, with a reduction of approximately 2.7 million euro; (ii) change in the provision for unearned premiums: although there was no increase in claims as at 31 December 2020, a greater amount was nevertheless set aside for the provision for current risks to take into account the forecast growth in insolvency proceedings deriving from the effects of the pandemic. The increase in the provision compared to 31 December 2019 was 2,639 thousand euro;
- due to the production shutdown in Italy, the Fincantieri Group has experienced a reduction in production, which has caused delays in production schedules and consequently the deferral of revenues resulting in an EBITDA loss due to lack of progress on shipbuilding contracts during the lockdown;
- Snam: in 2020 the demand for gas in Italy equalled 71.30 billion cubic metres, recording a significant fall compared to 2019 (of 3.18 billion cubic metres; -4.3%), due to a reduction in withdrawals in all consumption sectors.

Hedge accounting

The impact of the Covid-19 environment on existing hedging relationships is currently marginal for CDP and the Group companies.

Employee benefits

There were no changes in the assumptions and variables forming the valuation of employee benefits.

CDP and the Group companies did not identify any legal obligations to employees relating to Covid-19 for which a liability could be recognised on the basis of IAS 19.

Government incentives and taxation

As regards current taxes, as provided for in the Communication from the European Commission dated 19 March 2020 “Temporary Framework for state aid measures to support the economy in the current Covid-19 outbreak”, in the first half of 2020, certain companies benefited from the exemption from paying the first advance payment of the regional tax on productive activities (IRAP) relating to 2020. Pursuant to article 24 of Decree Law No. 34 of 19 May 2020, this payment is not due by companies with revenues not exceeding 250 million euro in the 2019 tax period and is in any case excluded from the IRAP calculation to be paid as the balance for 2020. Considering the uncertainty about the interpretation of these provisions, the legislator subsequently intervened to defer the deadline for these payments to 30 April 2021.

Fair value measurement

The CDP Group has no significant impacts with regard to the fair value measurement of financial instruments.

Leases

There are no situations caused by the Covid-19 pandemic that resulted in contractual amendments, deferral of lease payments or the granting of discounts in the CDP Group.

Contingent liabilities

There are no events that resulted in the need for the CDP Group to make additional provisions for risks and charges and none of its current obligations are likely to result in cash outflows.

Donations

By resolution of 2 April 2020, the Board of Directors of CDP approved an Extraordinary Programme of Aid to help manage the Covid-19 health emergency ("Extraordinary Programme of Covid-19 Aid", detailed in the Covid-19 statement of CDP S.p.A.'s separate financial statements) by allocating a sum of 25 million euro to be used for donations to support actions aimed at tackling the health emergency, also through the CDP Foundation.

With regard to the Group companies, it should be noted that donations were made in response to the health and social emergency, in terms of: i) donations to hospitals and health facilities through contributions intended for the preparation of intensive care stations, the strengthening of ordinary care, the purchase of pulmonary ventilators and medical devices; ii) donations to Civil Defence Department; iii) organisation and management of testing and screening for employees, with the aim of relieving pressure on local health systems; iv) donations for the purchase of school materials to support remote learning and families in difficulty.

Dividend distribution

Covid-19 had no impact on the dividend distribution policy applicable to the 2020 financial statements of the CDP Group.

Initiatives for employees

During 2020 the Covid-19 emergency particularly impacted the organisation of the work of the staff of CDP Group companies, which, in coordination with the Parent Company, adopted measures to contain potential risks from the spread of Covid-19, by taking a number of measures to protect the health of its employees, including the use of remote work and a ban on business trips, the possibility of performing voluntary screenings (serological tests and swabs) as well as remote training projects (including the on-boarding of new resources) and support for employees and their families (dedicated webinars).

For details on the initiatives taken by Group companies to protect employees, please refer to the detailed information in the Covid-19 Statement contained in the separate financial statements of CDP S.p.A.

A.2 - The main financial statement items

The consolidated financial statements of the CDP Group as of and for the year ended 31 December 2020 have been prepared by applying the same accounting policies as those used for preparation of the consolidated financial statements for the previous financial year, except for the amendments endorsed and in force with effect from the financial year 2020, 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" including debt securities, equities, loans, units of UCIs included in an Other/Trading business model, and also derivatives not designated as hedging instruments;
b) "Financial assets designated at fair value" including debt securities and loans, measured at profit and loss in accordance with 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 an accounting mismatch;
c) "Other financial assets mandatorily measured at fair value" including 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 by solely payments of principal and interests (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 as hedging instruments, operational hedging derivatives, as well as embedded derivatives in complex financial contracts, whose host contract is a financial liability, which were recognised separately because:

- the financial characteristics and risks are not closely related 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 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 be both positive and negative, 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 Group companies 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 accordance with 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 trade 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 not 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 gains and losses and margins of operational hedging derivatives. The gains and losses 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 significant portion 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 control of any kind has been maintained over the assets. 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 (FVTOCI)

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.

This item also includes 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 recognising the subsequent changes in the fair value of the instrument through other comprehensive income (FVTOCI option[67]) has been irrevocably exercised.

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 measured 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 these financial assets are derecognised, the cumulative gains or losses, previously recognised in the other comprehensive income, are transferred from equity to the income statement.

67 Fair Value Through Other Comprehensive Income option.

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 an impairment loss 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)[68].

For financial assets that are performing (stages 1 and 2) impairment is calculated based on 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 impairment 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, the Group 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 other 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 significant portion 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 control of any kind has been maintained over the assets. 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.

68 The new rules under Art. 178 of Regulation (EU) no. 575/2013 govern the definition of prudential default of an obligor. Specifically, a default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place:
- objective condition ("past-due criterion") — the obligor is past due more than 90 consecutive days on any material credit obligation (in the case of approach at obligor level, in order to determine whether the obligation is material reference is made to all the obligations of the same obligor to the institution);
- subjective condition ("*unlikeliness to pay*") — the institution considers that the obligor is unlikely to pay its credit obligation (or obligations, in the approach at obligor level) without recourse by the institution to actions such as realising security.

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 business and 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 when the milestones of the above mentioned works have been completed. 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 IFRS.

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) impairment is calculated based on 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 impairment 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.

Non-performing 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 significant portion 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 control of any kind has been maintained over the assets. 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 hedge 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%;
- hedges of a net investment in a foreign operation are accounted for in the same way as cash flow hedges.

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 recognition 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, included in a group of 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 expenses, 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 value of the investment in the separate financial statements that exceeds the carrying value, 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)[69] in the year when it is declared.

69 The indicator takes into consideration the distribution of a higher dividend than the income in the comprehensive income (or statement of comprehensive income for financial companies) for the year when the dividend is declared (i.e. dividends declared in 2017, representing the distribution of the net income for 2016, larger than the total comprehensive income for 2017). In order to conduct the impairment test for the reporting date of the financial statements, in the absence of homogeneous comparison data, the indicator is verified by referring to the data relating to the previous year.

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 amount is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. If the reasons causing the impairment 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 carrying value that would have existed if no impairment had been previously recognised. Both the impairment 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

The item includes both the operating assets governed by IAS 16 and the investment property governed by IAS 40, as well as inventories of property, plant and equipment governed by IAS 2. Also included are rights of use acquired under a lease and relating to the use of property, plant and equipment (for the lessees)[70], assets granted under an operating lease (for the lessors), as well as leasehold improvements, provided they relate to identifiable and separable property, plant and equipment.

“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 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.

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.

70 Lease liabilities recognised by the Group as the lessee in lease transactions are recorded under financial liabilities measured at amortised cost.

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	1.5%	3.0%
Movables	10.0%	100.0%
Electrical plant	7.0%	33.0%
Other:		
Power lines	2.2%	4.0%
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	10.0%	25.0%
Other assets	5.0%	25.0%
Other plant and equipment	2.0%	33.3%

Land and art work are not depreciated 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 impairment indicators are identified, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less any costs of disposal, and the associated value in use of the asset (that is 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 impairment loss 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.

The “right-of-use assets” (RoU) under lease agreements are recognised by the lessee at the commencement date of the agreement, namely on the date that the asset is made available to the lessee and is initially valued at cost. In order to match the asset consisting of the right of use, the lessee enters a liability corresponding to the current value of the payments due for the lease. The discount rate to be used is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee’s incremental borrowing rate shall be used. In the event of operating sublease agreements, the sub-lessor enters the right of use among the Investment property.

The right of use is amortised on a straight-line basis throughout the lease term which includes the non-cancellable period of a lease and the options for renewal, if the lessee has a reasonable certainty of exercising it.

During the lease term, the carrying value of the right of use is adjusted in the event of a change to the lease term or to the lease payments, and also for changes to the lease contract which increase or reduce the scope of the lease.

As regards property, plant and equipment recognised in accordance with IAS 2, these are measured at the lower of cost and net realisable value. The carrying amount of the asset is anyway compared with its recoverable amount, where there is some evidence that shows that the asset may have incurred 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 measured 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 joint ventures 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 recognised.

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 assets Item "Tax assets" and consolidated 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 time value 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 recognised to the balance sheet. 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 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, the Parent Company 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 any changes in value 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 significant portion 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". 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 Art. 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

Reverse Factoring

Reverse Factoring is the service that allows suppliers to collect receivables from the debtor company in advance through a specific agreement therewith. This operation constitutes a "reversal" of the traditional Factoring process, since it is the debtor who decides to use this instrument in order to optimise the management of its liability cycle. The main characteristic of this contract is that the request for assignment of the receivable is made directly by the debtor company, so that the factor is entrusted with the complete management of the supply payable. The agreement with the factor may also provide for the advance payment of receivables or their payment when due. In the latter case, while the supplier immediately collects the receivable, the debtor company can take advantage of the deferred payment offered by the contract.

From an accounting point of view, the determining factor for the classification of the payable for reverse factoring is the occurrence of the settlement of the original liability (with consequent de-recognition) and the conclusion of a new relationship or otherwise. Specifically, IAS 39 in paragraph AG57 and IFRS 9 in paragraph B3.3.1 provide that "*a financial liability (or part of it) is extinguished when the debtor either:*

- *discharges the liability (or part of it) by paying the creditor, normally with cash, other financial assets, goods or services; or*
- *is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor. (If the debtor has given a guarantee this condition may still be met.)*

In CDP's consolidated financial statements reverse factored supply payables are shown under Other liabilities together with all other operating payables.

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 (Art. 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 (Art. 2120 of the Italian Civil Code), given the immateriality of the effects of adopting IAS 19.

Other income statement items

Revenue recognition

Revenues are 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-rata 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 classified 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 is recognised as a cost.

Grants received in relation to specific assets whose value is recognised under non-current assets are, for plants already in operation before 31 December 2002, recognised under other liabilities and 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 reinsurance.

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 investment 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.

Transactions involving two or more companies or business activities belonging to the Group that are carried out for reorganisation purposes are not considered business combinations. Such transactions ("*business combinations under common control*") are excluded from the scope of application of IFRS 3 and, in the absence of a reference standard, are accounted for based on Assirevi's preliminary interpretations/guidelines, i.e. predecessor basis of accounting of the acquired entity in the financial statements of the acquirer when they do not have a significant influence on future cash flows. More specifically, the values adopted are those resulting from the consolidated financial statements of the Group at the date of transfer of assets.

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 according to 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.

The CDP Group takes the following into consideration when selecting the valuation models:
- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they 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 2020.

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:

- 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.

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.

Asset-Backed Securities

For asset-backed securities that have not passed the SPPI test required by IFRS 9, there is no listing on an active market. Their fair value is established according to model-based prices produced by specialist providers in the sector, which, in view of the assumptions underlying certain relevant parameters for the valuation (such as default and prepayment rates, determining their amortisation profile, and pricing spreads), is classified at level 3 of the fair value hierarchy. Considering the low notional value of the securities and their limited residual life, the analysis of sensitivity to these parameters results in insignificant changes to the value of the assets.

NAV Adjustment

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. In this case, the fair value corresponds to the NAV of the fund, adjusted if necessary to take into account certain specific characteristics, including but not limited to elements occurring between the date of the last available NAV and the valuation date, transactions on the units of the fund being valued, any discounts relating to potential illiquidity of the units held and any other information that may be disclosed by the manager having a significant impact on the fair value of the assets held by the fund.

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	31/12/2020 Level 1	31/12/2020 Level 2	31/12/2020 Level 3	31/12/2019 Level 1	31/12/2019 Level 2	31/12/2019 Level 3
1. Financial assets designated at fair value through profit or loss:	1,067,801	409,830	3,446,189	1,791,283	348,873	2,677,545
a) financial assets held for trading	1,006,878	184,076	130,734	1,206,449	150,056	116,861
b) financial assets designated at fair value			478,671			
c) other financial assets mandatorily at fair value	60,923	225,754	2,836,784	584,834	198,817	2,560,684
2. Financial assets at fair value through other comprehensive income	13,390,517		147,485	12,248,485		111,553
3. Hedging derivatives		553,939		2,398	428,668	
4. Property, plant and equipment						
5. Intangible assets						
Total	**14,458,318**	**963,769**	**3,593,674**	**14,042,166**	**777,541**	**2,789,098**
1. Financial liabilities held for trading		244,186	23,972		65,172	24,793
2. Financial liabilities at fair value			30,513			61,200
3. Hedging derivatives		4,683,374			3,054,893	
Total		**4,927,560**	**54,485**		**3,120,065**	**85,993**

There were no transfers between fair value levels during the year as a result of changes in the observability of prices or market data used to value instruments or the significance of observable inputs.

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) Other financial assets mandatorily measured at fair value				
1. Opening balance	**2,677,545**	**116,861**		**2,560,684**	**111,553**			
2. Increases	**1,212,552**	**17,058**	**481,902**	**713,592**	**122,339**			
2.1 Purchases	664,870	14,819		650,051	60,952			
2.2 Profits taken to:	32,691			32,691	55,819			
2.2.1 Income statement	32,691			32,691	10,673			
- *of which: capital gains*	*25,603*			*25,603*				
2.2.2 Equity		X	X		45,146			
2.3 Transfers from other levels								
2.4 Other increases	514,991	2,239	481,902	30,850	5,568			
3. Decreases	**443,908**	**3,185**	**3,231**	**437,492**	**86,407**			
3.1 Sales	3,637	3,171		466	15			
3.2 Repayments	243,678			243,678	10,673			
3.3 Losses taken to:	186,231		3,231	183,000	178			
3.3.1 Income statement	186,231		3,231	183,000	178			
- *of which: capital losses*	*177,188*		*3,231*	*173,957*	*178*			
3.3.2 Equity		X	X					
3.4 Transfers to other levels								
3.5 Other decreases	10,362	14		10,348	75,541			
4. Closing balance	**3,446,189**	**130,734**	**478,671**	**2,836,784**	**147,485**			

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	**24,793**	**61,200**	
2. Increases	**7,383**	**22,925**	
2.1 Issues		21,175	
2.2 Losses taken to:	7,383	1,750	
2.2.1 Income statement	7,383	1,750	
- *of which: capital losses*	*7,315*	*1,750*	
2.2.2 Equity	X		
2.3 Transfers from other levels			
2.4 Other increases			
3. Decreases	**8,204**	**53,612**	
3.1 Repayments	7,843	20,700	
3.2 Buybacks			
3.3 Profits taken to:	361	29,154	
3.3.1 Income statement	361	29,154	
- *of which: capital gains*	*350*	*29,154*	
3.3.2 Equity	X		
3.4 Transfers to other levels			
3.5 Other decreases		3,758	
4. Closing balance	**23,972**	**30,513**	

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)	31/12/2020				31/12/2019			
Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	403,753,318	52,157,207	17,821,347	359,054,021	344,205,246	61,549,540	4,016,004	295,996,177
2. Investment property, plant and equipment	795,895		559,483	238,236	782,381		543,067	238,433
3. Non-current assets and disposal groups held for sale	291,483				342,486			342,486
Total	**404,840,696**	**52,157,207**	**18,380,830**	**359,292,257**	**345,330,113**	**61,549,540**	**4,559,071**	**296,577,096**
1. Financial liabilities measured at amortised cost	417,073,945	31,141,226	12,985,478	374,822,118	385,657,519	21,556,196	21,044,776	346,166,129
2. Liabilities associated with non-current assets and disposal groups held for sale	165,031				165,706			165,706
Total	**417,238,976**	**31,141,226**	**12,985,478**	**374,822,118**	**385,823,225**	**21,556,196**	**21,044,776**	**346,331,835**

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, the so-called "day one profit/loss", cannot be recognised immediately through profit or loss.

Subsequently, such difference must 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)	31/12/2020	31/12/2019
a) Cash	1,359	1,340
b) Free deposits with Central Banks		
Total	**1,359**	**1,340**

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)	31/12/2020									31/12/2019		
	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				1,006,640				77,577	129,753	1,206,083	82,447	116,861
1.1 Structured securities												
1.2 Other debt securities				1,006,640				77,577	129,753	1,206,083	82,447	116,861
2. Equity securities				238						366		
3. Units in collective investment undertakings									981			
4. Loans												
4.1 Repurchase agreements												
4.2 Other												
Total (A)				**1,006,878**				**77,577**	**130,734**	**1,206,449**	**82,447**	**116,861**
B. Derivatives												
1. Financial derivatives		105,827			75			597			67,609	
1.1 Trading		105,827						597			67,609	
1.2 Associated with fair value option												
1.3 Other					75							
2. Credit derivatives												
2.1 Trading												
2.2 Associated with fair value option												
2.3 Other												
Total (B)		**105,827**			**75**			**597**			**67,609**	
Total (A + B)		**105,827**		**1,006,878**	**75**			**78,174**	**130,734**	**1,206,449**	**150,056**	**116,861**

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

(thousands of euro) Items/Values	Prudential consolidation	Insurance companies	Other entities	31/12/2020	31/12/2019
A. On-balance-sheet assets					
1. Debt securities		**1,006,640**	**207,330**	**1,213,970**	**1,405,391**
a) Central banks					
b) General governments		992,361		992,361	1,155,815
c) Banks		14,279		14,279	50,268
d) Other financial companies			207,330	207,330	199,308
- *of which: insurance companies*					
e) Non-financial companies					
2. Equity securities		**238**		**238**	**366**
a) Banks					
b) Other financial companies					
- of which: insurance companies					
c) Non-financial companies		238		238	366
d) Other issuers					
3. Units in collective investment undertakings			**981**	**981**	
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 (A)		**1,006,878**	**208,311**	**1,215,189**	**1,405,757**
B. Derivatives					
a) Central Counterparties					
b) Others	105,827	75	597	106,499	67,609
Total (B)	**105,827**	**75**	**597**	**106,499**	**67,609**
Total (A + B)	**105,827**	**1,006,953**	**208,908**	**1,321,688**	**1,473,366**

2.3 Financial assets designated at fair value: breakdown by type

(thousands of euro) Items/Values	31/12/2020			31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Loans			**478,671**			
2.1 Structured						
2.2 Other			478,671			
Total			**478,671**			

Following the merger of Ligestra Due with Fintecna, the item includes the value of the separate assets of EFIM, IGED and SIR.

2.4 Financial assets designated at fair value: breakdown by debtor/issuer

(thousands of euro) Items/Values	Prudential consolidation	Insurance companies	Other entities	31/12/2020	31/12/2019
1. Debt securities					
a) Central banks					
b) General governments					
c) Banks					
d) Other financial companies					
- *of which: insurance companies*					
e) Non-financial companies					
2. Loans			**478,671**	**478,671**	
a) Central banks					
b) General governments					
c) Banks					
d) Other financial companies					
- *of which: insurance companies*					
e) Non-financial companies			478,671	478,671	
f) Households					
Total			**478,671**	**478,671**	

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

(thousands of euro) Items/Values	31/12/2020									31/12/2019		
	Prudential consolidation			Insurance companies			Other entities					
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities			92,688	60,828					99,337	584,733		276,304
1.1 Structured securities												
1.2 Other debt securities			92,688	60,828					99,337	584,733		276,304
2. Equity securities							95		13,797	101		4,135
3. Units in collective investment undertakings			2,148,675					225,754	51,971		198,817	1,779,285
4. Loans						210,632			219,684			500,960
4.1 Repurchase agreements												
4.2 Other						210,632			219,684			500,960
Total			**2,241,363**	**60,828**		**210,632**	**95**	**225,754**	**384,789**	**584,834**	**198,817**	**2,560,684**

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	31/12/2020	31/12/2019
1. Equity securities			**13,892**	**13,892**	**4,236**
of which: banks					
of which: other financial companies			*3,662*	*3,662*	*3,628*
of which: non-financial companies			*10,230*	*10,230*	*608*
2. Debt securities	**92,688**	**60,828**	**99,337**	**252,853**	**861,037**
a) Central banks					
b) General governments		47,644		47,644	519,098
c) Banks					52,451
d) Other financial companies	92,688	13,184	99,337	205,209	289,488
of which: insurance companies					
e) Non-financial companies					
3. Units in collective investment undertakings	**2,148,675**		**277,725**	**2,426,400**	**1,978,102**
4. Loans		**210,632**	**219,684**	**430,316**	**500,960**
a) Central banks					
b) General governments		64		64	69
c) Banks		215		215	490
d) Other financial companies		1,543		1,543	
of which: insurance companies					
e) Non-financial companies		208,810	219,684	428,494	500,401
f) Households					
Total	**2,241,363**	**271,460**	**610,638**	**3,123,461**	**3,344,335**

This item, which mainly includes the contribution of the Parent Company, consists of debt securities (approximately 253 million euro), loans (approximately 430 million euro) and units in collective investment undertakings (approximately 2,426 million euro).

The item includes the convertible bond (CB) issued by Valvitalia and subscribed 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 98 million euro at 31 December 2020.

Loans of 220 million euro to non-financial companies, reported under Other companies, mainly 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.

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	31/12/2020			31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	12,716,158			11,411,701		
1.1 Structured securities						
1.2 Other debt securities	12,716,158			11,411,701		
2. Equity securities	674,359		147,485	836,784		111,553
3. Loans						
Total	**13,390,517**		**147,485**	**12,248,485**		**111,553**

3.1 of which: pertaining to the Prudential consolidation

(thousands of euro) Items/Values	31/12/2020			31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	12,101,679			10,897,106		
1.1 Structured securities						
1.2 Other debt securities	12,101,679			10,897,106		
2. Equity securities	567,516		51,261	836,687		46,880
3. Loans						
Total	**12,669,195**		**51,261**	**11,733,793**		**46,880**

The financial assets relating to the Prudential consolidation at 31 December 2020 include:

- debt securities for a value of 12,102 million euro. This item includes Italian government securities with a value of approximately 10,170 million euro held by the Parent Company;
- investments in equity securities amounted to approximately 619 million euro (-265 million euro compared to the end of 2019). The decrease is mainly attributable to the effect of the fair value measurement of the equity investment in TIM S.p.A.

3.1 of which: pertaining to Other companies

(thousands of euro) Items/Values	31/12/2020 Level 1	31/12/2020 Level 2	31/12/2020 Level 3	31/12/2019 Level 1	31/12/2019 Level 2	31/12/2019 Level 3
1. Debt securities	614,479			514,595		
1.1 Structured securities						
1.2 Other debt securities	614,479			514,595		
2. Equity securities	106,843		75,170	97		64,673
3. Loans						
Total	**721,322**		**75,170**	**514,692**		**64,673**

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	31/12/2020	31/12/2019
1. Debt securities	**12,101,679**		**614,479**	**12,716,158**	**11,411,701**
a) Central banks					
b) General governments	10,707,216		614,479	11,321,695	9,876,082
c) Banks	1,045,902			1,045,902	1,157,033
d) Other financial companies	178,439			178,439	197,397
- *of which: insurance companies*					
e) Non-financial companies	170,122			170,122	181,189
2. Equity securities	**618,777**	**21,054**	**182,013**	**821,844**	**948,337**
a) Banks	41,702			41,702	41,881
b) Other issuer:	577,075	21,054	182,013	780,142	906,456
- other financial companies			12,077	12,077	10,307
- *of which: insurance companies*					
- non-financial companies	577,075	21,054	19,988	618,117	857,087
- other			149,948	149,948	39,062
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	**12,720,456**	**21,054**	**796,492**	**13,538,002**	**12,360,038**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and accumulated impairment

(thousands of euro)	Gross value				Accumulated impairment			
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Accumulated partial write-off (*)
Debt securities	12,078,593		652,690		(14,619)	(506)		
Loans								
Total 31/12/2020	**12,078,593**		**652,690**		**(14,619)**	**(506)**		
Total 31/12/2019	**10,879,629**		**546,942**		**(13,032)**	**(1,838)**		
- *of which: impaired financial assets acquired or originated*	*X*	*X*			*X*			

(*) Value to be shown for information purposes.

3.3a Loans measured at fair value through other comprehensive income subject to Covid-19 support measures: gross value and accumulated impairment

There are no loans measured at fair value through other comprehensive income subject to Covid-19 support measures.

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) Type of transactions/values	Total 31/12/2020						Total 31/12/2019					
	Carrying amount			Fair value			Carrying amount			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	**22,919,752**					**22,919,510**	**13,286,945**					**13,286,945**
1. Fixed-term deposits				X	X	X				X	X	X
2. Reserve requirement	22,900,167			X	X	X	13,286,945			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other	19,585			X	X	X				X	X	X
B. Loans to banks	**25,632,294**			**58,109**	**20,871**	**26,900,427**	**19,397,183**			**680,189**	**19,200**	**19,414,814**
1. Loans	23,789,435			13,954	20,871	25,025,241	17,837,438			6,735	19,200	18,521,775
1.1 Current deposit and demand deposit	9,392,997			X	X	X	5,532,876			X	X	X
1.2 Fixed-term deposits	223,486			X	X	X	300,775			X	X	X
1.3 Other financing:	14,172,952			X	X	X	12,003,787			X	X	X
- repurchase agreements				X	X	X						
- finance lease				X	X	X				X	X	X
- other	14,172,952			X	X	X	12,003,787			X	X	X
2. Debt securities	1,842,859			44,155		1,875,186	1,559,745			673,454		893,039
2.1 Structured												
2.2 Other debt securities	1,842,859			44,155		1,875,186	1,559,745			673,454		893,039
Total	**48,552,046**			**58,109**	**20,871**	**49,819,937**	**32,684,128**			**680,189**	**19,200**	**32,701,759**

Loans to banks are primarily composed of:

- the Parent Company's balance on the management account of the reserve requirement, which amounted to 22,900 million euro (around +9,613 million euro on the figure recorded at the end of 2019);
- other loans of approximately 14,193 million euro, mostly attributable to loans granted by the Parent Company to the banking system;
- term deposits for approximately 223 million euro, mainly for Terna investments;
- current account balances amounting to around 9,393 million euro.

4.1 of which: pertaining to the Prudential consolidation

	Total 31/12/2020						Total 31/12/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
(thousands of euro) 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	**22,919,752**					**22,919,510**	**13,286,945**					**13,286,945**
1. Fixed-term deposits				X	X	X				X	X	X
2. Reserve requirement	22,900,167			X	X	X	13,286,945			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other	19,585			X	X	X				X	X	X
B. Loans to banks	**16,498,045**			**44,155**	**20,871**	**17,780,132**	**13,841,049**			**673,454**	**19,200**	**13,865,415**
1. Loans	14,655,186				20,871	15,904,946	12,281,304				19,200	12,972,376
1.1 Current deposit and demand deposit	482,234			X	X	X	231,008			X	X	X
1.2 Fixed-term deposits				X	X	X	68,031			X	X	X
1.3 Other financing:	14,172,952			X	X	X	11,982,265			X	X	X
- repurchase agreements				X	X	X						
- finance lease				X	X	X				X	X	X
- other	14,172,952			X	X	X	11,982,265			X	X	X
2. Debt securities	1,842,859			44,155		1,875,186	1,559,745			673,454		893,039
2.1 Structured												
2.2 Other debt securities	1,842,859			44,155		1,875,186	1,559,745			673,454		893,039
Total	**39,417,797**			**44,155**	**20,871**	**40,699,642**	**27,127,994**			**673,454**	**19,200**	**27,152,360**

4.1 of which: pertaining to insurance companies

(thousands of euro) Type of transactions/values	Total 31/12/2020						Total 31/12/2019					
	Carrying amount			Fair value			Carrying amount			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	**91,932**					**91,932**	**56,120**					**56,120**
1. Loans	91,932					91,932	56,120					56,120
1.1 Current deposit and demand deposit	91,932			X	X	X	56,120			X	X	X
1.2 Fixed-term deposits				X	X	X				X	X	X
1.3 Other financing:				X	X	X				X	X	X
- repurchase agreements				X	X	X						
- 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	**91,932**					**91,932**	**56,120**					**56,120**

4.1 of which: pertaining to Other companies

(thousands of euro) Type of transactions/values	Total 31/12/2020						Total 31/12/2019					
	Carrying amount			Fair value			Carrying amount			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	**9,042,317**			**13,954**		**9,028,363**	**5,500,014**			**6,735**		**5,493,279**
1. Loans	9,042,317			13,954		9,028,363	5,500,014			6,735		5,493,279
1.1 Current deposit and demand deposit	8,818,831			X	X	X	5,245,748			X	X	X
1.2 Fixed-term deposits	223,486			X	X	X	232,744			X	X	X
1.3 Other financing:				X	X	X	21,522			X	X	X
- repurchase agreements				X	X	X						
- finance lease				X	X	X				X	X	X
- other				X	X	X	21,522			X	X	X
2. Debt securities												
2.1 Structured												
2.2 Other debt securities												
Total	**9,042,317**			**13,954**		**9,028,363**	**5,500,014**			**6,735**		**5,493,279**

Loans to banks pertaining to Other companies mainly include current accounts and demand deposits (8,819 million euro), mainly relating to the Terna group (2,691 million euro), the Fincantieri group (1,274 million euro), the Italgas group (669 million euro) and Snam (3,043 million euro).

4.2 Financial assets measured at amortised cost: breakdown by type of loans to customers

(thousands of euro) Type of transactions/values	Total 31/12/2020						Total 31/12/2019					
	Carrying amount			Fair value			Carrying amount			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	**285,436,942**	**307,436**				**304,486,998**	**244,659,569**	**311,803**		**16**		**259,065,222**
1.1 Current accounts	24,818			X	X	X	486,446			X	X	X
1.1.1 Cash and cash equivalents held with Central State Treasury	185,976,629			X	X	X	150,947,180			X	X	X
1.2 Repurchase agreements	1,522,479			X	X	X	378,365			X	X	X
1.3 Loans	92,935,870	177,626		X	X	X	87,840,419	199,110		X	X	X
1.4 Credit cards, personal loans and loans repaid by automatic deductions from wages	186			X	X	X	278			X	X	X
1.5 Finance lease	410			X	X	X				X	X	X
1.6 Factoring	1,786,053	63,836		X	X	X	1,361,779	92,866		X	X	X
1.7 Other	3,190,497	65,974		X	X	X	3,645,102	19,827		X	X	X
2. Debt securities	**69,456,894**			**52,099,098**	**17,800,476**	**4,747,086**	**66,549,746**			**60,869,335**	**3,996,804**	**4,229,196**
2.1 Structured securities												
2.2 Other debt securities	69,456,894			52,099,098	17,800,476	4,747,086	66,549,746			60,869,335	3,996,804	4,229,196
Total	**354,893,836**	**307,436**		**52,099,098**	**17,800,476**	**309,234,084**	**311,209,315**	**311,803**		**60,869,351**	**3,996,804**	**263,294,418**

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.

The above table provides a breakdown of the positions by technical form.

Starting from 1 January 2020, with respect to the cash and cash equivalents held with the Central State Treasury, account no. 29814, called "Cassa DP S.p.A. - Gestione Separata", which comprises the liquidity generated by Separate Account transactions of CDP, the Ministry of the Economy and Finance pays CDP interest based on a rate equal to the lower between:
- the cost of Postal Savings incurred by CDP;
- the average cost of the stock (balance) of national government securities[71].

The volume of mortgage loans amounted to approximately 92,936 million euro (+5,096 million euro compared to the end of 2019).

Reverse repurchase agreements amounted to approximately 1,552 million euro (+1,174 million euro compared to the end of 2019).

The volume of debt securities included in this item amounted to approximately 69,457 million euro, mainly pertaining to the Parent Company and including 60,960 million euro of Italian government securities.

71 The average cost of the stock (balance) of government securities and the cost of Postal Savings are determined as a forecast for the first half of the year and definitively, possibly adjusted for any difference, for the whole of the year.

The increase of 35,029 million euro in the balance of cash and cash equivalents with the Central State Treasury compared to last year is mainly due to the credit of the amount of 31 billion euro by the Ministry of the Economy and Finance in favour of SACE. In this regard, note that article 1 of the Decree named "Temporary measures to support the liquidity of companies" defined a new form of operation for SACE ("Garanzia Italia"), through a separate account dedicated to it, which envisage the issue by SACE of guarantees in favour of banks, financial institutions and entities authorised to grant credit in Italy, on loans granted by the latter to companies based in Italy. A guarantee issued by the State on first demand and without recourse has been envisaged against the guarantees issued by SACE. The payment by the State of the 31 billion euro indicated above to SACE was made as part of the operation envisaged by the 2020 regulatory measures in support of the economy, including Garanzia Italia.

4.3 Financial assets measured at amortised cost: breakdown by debtor/issuer of loans to customers

(thousands of euro) Type of transactions/values	Total 31/12/2020			Total 31/12/2019		
	Stage 1 & 2	Stage 3	of which: non-performing financial assets acquired or originated	Stage 1 & 2	Stage 3	of which: non-performing financial assets acquired or originated
1. Debt securities	**69,456,894**			**66,549,746**		
a) General governments	64,358,739			62,205,462		
b) Other financial companies	1,431,906			1,267,765		
- *of which: insurance companies*						
c) Non-financial companies	3,666,249			3,076,519		
2. Loans	**285,436,942**	**307,436**		**244,659,569**	**311,803**	
a) General governments	264,892,670	82,083		227,930,088	50,332	
b) Other financial companies	3,224,280			3,238,841		
- *of which: insurance companies*						
c) Non-financial companies	17,292,389	222,693		13,457,409	257,982	
d) Households	27,603	2,660		33,231	3,489	
Total	**354,893,836**	**307,436**		**311,209,315**	**311,803**	

4.4 Financial assets measured at amortised cost: gross value and accumulated impairment

(thousands of euro)	Gross value				Accumulated impairment			Partial write-off (*)
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	70,976,671		531,154		(89,066)	(119,006)		
Loans	316,457,469		16,479,812	509,223	(289,204)	(501,948)	(201,787)	(2,888)
Total 31/12/2020	**387,434,140**		**17,010,966**	**509,223**	**(378,270)**	**(620,954)**	**(201,787)**	**(2,888)**
Total 31/12/2019	**329,951,626**		**14,754,134**	**569,633**	**(300,197)**	**(512,120)**	**(257,830)**	**(364)**
- *of which: impaired financial assets acquired or originated*	*X*	*X*			*X*			

(*) Value to be shown for information purposes.

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and accumulated impairment

	Gross value				Accumulated impairment		
(thousands of euro)	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1. Loans subject to moratoria compliant with the GL	3,450,846		555		(3,873)	(3)	
2. Loans subject to forbearance measures							
3. New loans	871,868				(2,673)		
Total 31/12/2020	**4,322,714**		**555**		**(6,546)**	**(3)**	

This table shows the loans, with details of gross amount and accumulated impairment, broken down by risk status, subject to Covid-19 support measures. The line “Loans granted in accordance with the GLs” shows the loans subject to a moratorium that fall within the scope of the “*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid 19 crisis*” published by the EBA (EBA/GL/2020/02) and as amended and supplemented. The line “New loans” reports the loans which represent new liquidity backed by public guarantees.

Section 5 - Hedging Derivatives - Item 50

5.1 Hedging derivatives: breakdown by type of hedge and level

	Fair value 31/12/2020			Notional value	Fair value 31/12/2019			Notional value
(thousands of euro)	Level 1	Level 2	Level 3	31/12/2020	Level 1	Level 2	Level 3	31/12/2019
A. Financial derivatives		**553,939**		**12,517,139**	**2,398**	**428,668**		**14,913,339**
1) Fair value		541,285		12,353,818	2,398	424,449		14,725,650
2) Cash flow		12,654		163,321		4,219		187,689
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**553,939**		**12,517,139**	**2,398**	**428,668**		**14,913,339**

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(thousands of euro) Operation/Type of hedging	Fair value							Cash flow		
	Specific									
	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Credit	Commod-ities	Others	Generic	Specific	Generic	Investment in foreign operation
1. Financial assets at fair value through other comprehensive income					X	X	X		X	X
2. Financial assets at amortised cost		X	125,500		X	X	X	12,654	X	X
3. Portfolio	X	X	X	X	X	X		X		X
4. Other	98,662		12,380				X		X	
Total assets	**98,662**		**137,880**					**12,654**		
1. Financial liabilities	304,743	X		X			X		X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities	**304,743**									
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	31/12/2020	31/12/2019
1. Positive fair value change	**2,531,890**	**1,481,927**
1.1 Of specific portfolios:	2,531,890	1,481,927
a) financial assets measured at amortised cost	2,531,890	1,481,927
b) financial assets measured at fair value through other comprehensive income		
1.2 Overall		
2. Negative fair value change	**(57)**	**(14,584)**
2.1 Of specific portfolios:	(57)	(14,584)
a) financial assets measured at amortised cost	(57)	(14,584)
b) financial assets measured at fair value through other comprehensive income		
2.2 Overall		
Total	**2,531,833**	**1,467,343**

Section 7 - Equity investments - Item 70

7.1 Information on equity investments

	Company name	Registered office	Operational headquarters	Type of relation-ship (1)	Investor	% holding	% of votes (2)
A.	**Companies subject to joint control**						
1.	4TCC1 S.c.ar.l.	Trieste	Trieste	7	Fincantieri SI S.p.A.	75.00%	75.00%
				7	Fincantieri S.p.A.	5.00%	5.00%
2.	Ansaldo Gas Turbine Technology Co. Ltd. (JVA)	Shanghai	Shanghai	7	Ansaldo Energia S.p.A.	60.00%	60.00%
3.	AS Gasinfrastruktur Beteiligung GmbH	Vienna	Vienna	7	Snam S.p.A.	40.00%	40.00%
4.	BUSBAR4F S.c.ar.l.	Trieste	Trieste	7	Fincantieri SI S.p.A.	50.00%	50.00%
				7	Fincantieri S.p.A.	10.00%	10.00%
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.	Elmed Etudes S.a.r.l.	Tunis	Tunis	7	Terna S.p.A.	50.00%	50.00%
8.	Etihad Ship Building LLC	Abu Dhabi	Abu Dhabi	7	Fincantieri S.p.A.	35.00%	35.00%
9.	Fincantieri Clea Buildings S.c.ar.l.	Verona	Verona	7	Fincantieri Infrastructure S.p.A.	51.00%	51.00%
10.	Fondo Italiano Consolidamento e Crescita (FICC)	Milan	Milan	7	CDP S.p.A.	72.37%	72.37%
11.	Hotelturist S.p.A.	Padua	Padua	7	CDP Equity S.p.A.	45.95%	45.95%
12.	Iniziative Biometano S.p.A.	Cittadella (PD)	Cittadella (PD)	7	Snam 4 Environment S.r.l.	50.00%	50.00%
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.	Metano S. Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano (LO)	Sant'Angelo Lodigiano (LO)	7	Italgas S.p.A.	50.00%	50.00%
16.	Naviris S.p.A.	Genoa	Genoa	7	Fincantieri S.p.A.	50.00%	50.00%
17.	OLT Offshore LNG Toscana S.p.A.	Milan	Livorno	7	Snam S.p.A.	49.07%	49.07%
18.	OpEn Fiber S.p.A.	Milan	Milan	7	CDP Equity S.p.A.	50.00%	50.00%
19.	Orizzonte Sistemi Navali S.p.A.	Genoa	Genoa	7	Fincantieri S.p.A.	51.00%	51.00%
20.	PERGENOVA S.c.p.A.	Genoa	Genoa	7	Fincantieri Infrastructure S.p.A.	50.00%	50.00%
21.	Saipem S.p.A.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	7	CDP Industria S.p.A.	12.55%	12.55%
22.	Shanghai Electric Gas Turbine Co. Ltd. (JVS)	Shanghai	Shanghai	7	Ansaldo Energia S.p.A.	40.00%	40.00%
23.	Southeast Electricity Network Coordination Center S.A.	Thessaloniki	Thessaloniki	7	Terna S.p.A.	25.00%	25.00%
24.	Terēga Holding S.a.s.	Pau	Pau	7	Snam S.p.A.	40.50%	40.50%
25.	Trans Austria Gasleitung GmbH (5)	Vienna	Vienna	7	Snam S.p.A.	84.47%	84.47%
26.	Umbria Distribuzione Gas S.p.A.	Terni	Terni	7	Italgas S.p.A.	45.00%	45.00%
27.	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.	3.46%	3.46%
2.	Ansaldo Algerie S.a.r.l.	Algiers	Algiers	4	Ansaldo Energia S.p.A.	49.00%	49.00%
3.	Ansaldo Energia Netherlands B.V.	Breda	Breda	4	Ansaldo Energia Switzerland AG	100.00%	100.00%
4.	ATS S.p.A.	Milan	Milan	4	SIA S.p.A.	30.00%	30.00%
5.	A-U Finance Holdings B.V.	Amsterdam	Amsterdam	4	Ansaldo Energia S.p.A.	40.00%	40.00%
6.	B.F. S.p.A.	Jolanda di Savoia (FE)	Jolanda di Savoia (FE)	4	CDP Equity S.p.A.	18.79%	18.79%
7.	Brevik Technology AS	Brevik	Brevik	4	Vard Group AS	34.00%	34.00%
8.	Castor Drilling Solution AS	Kristiansand S	Kristiansand S	4	Seaonics AS	34.13%	34.13%
9.	Centro Servizi Navali S.p.A.	San Giorgio di Nogaro (UD)	San Giorgio di Nogaro (UD)	4	Fincantieri S.p.A.	10.93%	10.93%
10.	CESI S.p.A.	Milan	Milan	4	Terna S.p.A.	42.70%	42.70%
11.	CGES A.D.	Podgorica	Podgorica	4	Terna S.p.A.	22.09%	22.09%

Company name		Registered office	Operational headquarters	Type of relation-ship (1)	Investor	% holding	% of votes (2)
12.	Coreso S.A.	Brussels	Brussels	4	Terna S.p.A.	15.84%	15.84%
13.	CSS Design Limited	British Virgin Islands (GB)	British Virgin Islands (GB)	4	Vard Marine Inc.	31.00%	31.00%
14.	Decomar S.p.A.	Massa (MS)	Massa (MS)	4	Fincantieri S.p.A.	20.00%	20.00%
15.	DOF Iceman AS	Storebø	Storebø	4	Vard Group AS	50.00%	50.00%
16.	Elite S.p.A.	Milan	Milan	4	CDP S.p.A.	15.00%	15.00%
17.	Enerpaper S.r.l.	Turin	Turin	4	Seaside S.r.l.	10.00%	10.00%
18.	Eni S.p.A.	Rome	Rome	4	CDP S.p.A.	25.96%	25.96%
19.	EUR-Europrogetti & Finanza S.r.l. in liquidation	Rome	Rome	4	CDP S.p.A.	31.80%	31.80%
20.	FSI SGR S.p.A.	Milan	Milan	4	CDP Equity S.p.A.	39.00%	39.00%
21.	Galaxy Pipeline Assets Holdco Limited	Jersey	Jersey	4	Snam S.p.A.	12.33%	12.33%
22.	Gesam Reti S.p.A.	Lucca	Lucca	4	Toscana Energia S.p.A.	42.96%	42.96%
23.	Gruppo PSC S.p.A.	Maratea (PZ)	Rome	4	Fincantieri S.p.A.	10.00%	10.00%
24.	Interconnector (UK) Ltd.	London	London	4	Snam International B.V.	23.68%	23.68%
25.	Interconnector Zeebrugge Terminal S.C./C.V. S.c.r.l.	Brussels	Brussels	4	Snam International B.V.	25.00%	25.00%
26.	Island Diligence AS	Stålhaugen	Stålhaugen	4	Vard Group AS	39.38%	39.38%
27.	Island Offshore XII Ship AS	Ulsteinvik	Ulsteinvik	4	Vard Group AS	35.66%	35.66%
28.	Kedrion S.p.A.	Castelvecchio Pascoli (LU)	Castelvecchio Pascoli (LU)	4	FSI Investimenti S.p.A.	25.06%	25.06%
29.	Leonardo Sistemi Integrati S.r.l.	Genoa	Genoa	4	Fincantieri NexTech S.p.A.	14.58%	14.58%
30.	M.T. Manifattura Tabacchi S.p.A.	Rome	Rome	4	CDP Immobiliare S.r.l.	40.00%	40.00%
31.	MC4COM - Mission critical for communication S.c.ar.l.	Milan	Milan	4	HMS IT S.p.A.	50.00%	50.00%
32.	Møkster Supply AS	Stavanger	Stavanger	4	Vard Group AS	40.00%	40.00%
33.	Møkster Supply KS	Stavanger	Stavanger	4	Vard Group AS	36.00%	36.00%
34.	Olympic Challenger KS	Fosnavåg	Fosnavåg	4	Vard Group AS	35.00%	35.00%
35.	Olympic Green Energy KS	Fosnavåg	Fosnavåg	4	Vard Group AS	29.50%	29.50%
36.	Polaris Anserv S.r.l.	Bucharest	Bucharest	4	Ansaldo Nucleare S.p.A.	20.00%	20.00%
37.	Poste Italiane S.p.A.	Rome	Rome	4	CDP S.p.A.	35.00%	35.00%
38.	Prelios Solutions & Technologies S.r.l.	Milan	Milan	4	Fincantieri NexTech S.p.A.	49.00%	49.00%
39.	QuattroR SGR S.p.A.	Milan	Milan	4	CDP Equity S.p.A.	40.00%	40.00%
40.	Rem Supply AS	Alesund	Alesund	4	Vard Group AS	26.66%	26.66%
41.	Rocco Forte Hotels Limited	London	London	4	FSI Investimenti S.p.A.	23.00%	23.00%
42.	Senfluga Energy Infrastructure Holdings S.A.	Athens	Athens	4	Snam S.p.A.	60.00%	60.00%
43.	Trans Adriatic Pipeline AG	Baar	Baar	4	Snam S.p.A.	20.00%	20.00%
44.	Trevi Finanziaria Industriale S.p.A.	Cesena	Cesena	4	SACE S.p.A.	6.99%	6.99%
				4	FSI Investimenti S.p.A.	25.67%	25.67%
45.	Unifer Navale S.r.l.	Finale Emilia (MO)	Finale Emilia (MO)	4	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	20.00%	20.00%
46.	Valdarno S.r.l.	Pisa	Pisa	4	Toscana Energia S.p.A.	30.04%	30.04%
47.	Webuild S.p.A.	Milan	Milan	4	CDP Equity S.p.A.	18.68%	18.68%
C.	**Unconsolidated subsidiaries (3)**						
1.	Arbolia S.r.l. Società Benefit	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
2.	Asset Company 10 S.r.l.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
3.	Asset Company 11 S.r.l.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
4.	Asset Company 4 S.r.l.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
5.	Asset Company 7 B.V.	Amsterdam	Amsterdam	1	Snam S.p.A.	100.00%	100.00%
6.	Asset Company 9 S.r.l.	S. Donato Milanese (MI)	S. Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
7.	Cagliari 89 S.c.ar.l. in liquidation	Monastir (CA)	Monastir (CA)	1	Fintecna S.p.A.	51.00%	51.00%

Company name	Registered office	Operational headquarters	Type of relation-ship (1)	Investor	% holding	% of votes (2)
8. CDP Venture Capital SGR S.p.A. (4)	Rome	Rome	1	CDP Equity S.p.A.	70.00%	70.00%
9. Cinecittà Luce S.p.A. in liquidation	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
10. Consorzio Codelsa in liquidation	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
11. Consorzio IMAFID in liquidation	Naples	Naples	1	Fintecna S.p.A.	56.85%	56.85%
12. Consorzio MED.IN. in liquidation	Rome	Rome	1	Fintecna S.p.A.	85.00%	85.00%
13. Copower S.r.l.	Rome	Rome	1	TEP Energy Solution S.r.l.	51.00%	51.00%
14. DMAN in liquidation	Athens	Athens	1	SIA S.p.A.	100.00%	100.00%
15. FoF Private Equity Italia (4)	Milan	Milan	8	CDP S.p.A.	100.00%	100.00%
16. FoF Private Debt Italia (4)	Milan	Milan	8	CDP Equity S.p.A.	100.00%	100.00%
17. FoF Venture Capital (4)	Milan	Milan	8	CDP S.p.A.	76.69%	76.69%
18. Fondo acceleratori (4)	Rome	Rome	8	CDP Equity S.p.A.	100.00%	100.00%
19. Fondo di Fondi Venturitaly (4)	Rome	Rome	8	CDP Equity S.p.A.	93.02%	93.02%
20. Fondo Technology Transfer - comparto diretto (4)	Rome	Rome	8	CDP Equity S.p.A.	100.00%	100.00%
21. Fondo Technology Transfer - comparto indiretto (4)	Rome	Rome	8	CDP Equity S.p.A.	100.00%	100.00%
22. IES Biogas S.r.l. (Argentina)	Buenos Aires	Buenos Aires	1	IES Biogas S.r.l.	95.00%	95.00%
			1	Snam 4 Mobility S.p.A.	5.00%	5.00%
23. ITsART S.p.A. (6)	Milan	Milan	1	CDP S.p.A.	51.00%	75.74%
24. Tea Innovazione Due S.r.l.	Brescia	Brescia	1	Tep Energy Solution S.r.l.	100.00%	100.00%
25. Termoroma S.r.l.	Rome	Rome	1	Evolve S.r.l.	100.00%	100.00%
26. XXI Aprile S.r.l. in liquidation	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
D. Unconsolidated associates (3)						
1. Albanian Gas Service Company Sh.a.	Tirana	Tirana	4	Snam S.p.A.	25.00%	25.00%
2. Astaldi S.p.A.	Rome	Rome	4	SACE S.p.A.	1.02%	1.02%
			4	Fincantieri S.p.A.	0.21%	0.21%
			4	SACE FCT	0.17%	0.17%
3. Consorzio INCOMIR in liquidazione	Mercogliano (AV)	Mercogliano (AV)	4	Fintecna S.p.A.	45.46%	45.46%
4. Energy Investment Solution S.r.l.	Brescia	Brescia	4	Tep Energy Solution S.r.l.	40.00%	40.00%
5. Latina Biometano S.r.l.	Rome	Rome	4	IES Biogas S.r.l.	32.50%	32.50%
6. Quadrifoglio Brescia S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
7. Quadrifoglio Genoa S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
8. Quadrifoglio Piacenza S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
9. Quadrifoglio Verona S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
10. Redo SGR S.p.A.	Milan	Milan	4	CDP S.p.A.	30.00%	30.00%
11. Senfluga2 S.r.l.	Brussels	Brussels	4	Snam S.p.A.	40.00%	40.00%

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 = Entity subject to significant influence;
5 = Unitary management pursuant to Art. 26.1 of Legislative Decree 87/92;
6 = Unitary management pursuant to Art. 26.2 of Legislative Decree 87/92;
7 = Joint control;
8 = Other form of control.
(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes.
(3) This classification includes companies in liquidation or subsidiaries in the start-up phase without equity content, or associate companies excluded from the scope of consolidation in consideration of the total value of equity.
(4) Companies / Investment funds over which CDP has acquired control and which, in compliance with the practices adopted for the purpose of defining the scope of full consolidation, are excluded from it in consideration of the overall value of the assets.
(5) Participation in financial rights is equal to 89.2%.
(6) The effective voting rights in the ITsART shareholders' meeting correspond to 75.74% by virtue of multiple voting rights granted to the type A shares held by the investor CDP S.p.A.

The figure at 31 December 2020 was 15,834 million euro, compared to 18,952 million euro at 31 December 2019.

The decrease of 3,118 million euro is mainly attributable to the following impacts:
- Eni - the decrease deriving from net income for the year pertaining to the Group (including the effect of consolidation entries), equal to -2,464 million euro, and the change in valuation reserves, equal to -731 million euro. Added to these effects is the impact of the reversal of the dividend and other changes for a total value of -524 million euro;
- Poste Italiane - an increase of 336 million euro (including the effect of consolidation entries) deriving from net income for the year, as well as the effects of the change in valuation reserves, the reversal of the dividend and other changes, totalling 210 million euro;
- Saipem - a decrease deriving from net income for the year pertaining to the Group (including the effect of consolidation entries) equal to -150 million euro, as well as the effects of the change in valuation reserves, the reversal of the dividend and other changes totalling 5 million euro.

Impairment testing of equity investments

The CDP Group's equity investment portfolio includes listed and unlisted companies of major national interest, which are also pivotal in the promotional activity of supporting the growth and international expansion of businesses and the development of infrastructure. In its capacity as a National Promotional Institution, CDP invests in companies' share capital, mainly over a long-term horizon.

At each reporting date, CDP conducts an assessment to detect the presence of indicators of impairment under IAS 36 and of any additional indicators, where applicable, also considering the indications of national and international regulators on financial reporting relating to risks, uncertainties, estimates, assumptions and assessments as well as the difficulties related to the impacts of the health crisis due to the spread of Covid-19. In this regard, the global spread of Covid-19 and the resulting impacts on economic activity have increased the level of uncertainty, hence making it more complex to make quantitative estimates, for example, cash flows from equity investments, also due to the increased uncertainty in the assumptions and parameters at the basis of the asset valuation analyses.

Specifically, in light of the above, note that:
- the estimates also considered stock prices and market parameters which are subject to fluctuation, even significant, due to the ongoing turbulence and volatility of the markets, also as a result of the Covid-19 outbreak;
- the evaluations were made using forecast data. Such forecasts are, by their nature, random and uncertain in that they are sensitive to changes in macroeconomic variables and to events outside the company's control. They are also based on a set of assumptions linked to future events and actions of management, which may not necessarily happen. In view of the uncertainty surrounding any future event - both as regards the actual occurrence of the event and in terms of when and to what extent it may happen - the differences between actual values and estimated values might be significant, even if the events at the basis of the forecast assumptions were to occur. This limit is even more pronounced in the current situation of uncertainty linked to the future impacts of the Covid-19 outbreak.

It is therefore important to highlight that there is strong uncertainty about the possible duration of the impacts of the pandemic, making it difficult to predict the associated short and medium-term impacts. This significantly increases the complexity and uncertainty of the estimates made, given that the underlying assumptions and conditions might be subject to further review, to take into account developments outside the management's control, thus resulting in unexpected and unforeseeable impacts. Therefore, there is a need to constantly monitor the evolution of these elements in the current context.

For more details, please refer to part A1 of Section 5 - Other issues and A2 - The main financial statement items.

The indicators of impairment (so-called triggers) and objective evidence of impairment are assessed on the basis of information taken from public sources or of any additional information received by the investees.

Specifically, at 31 December 2020, impairment triggers were activated on some of the key equity investments accounted for using the equity method (Eni, Saipem, Open Fiber and Webuild), essentially for the actual results and/or the performance of market prices.

With reference to the estimated recoverable amount of the equity investments, to be understood as the higher of their fair value less costs to sell and their value in use, CDP has adopted a range of key principles, taking also into account the challenges of the Covid-19 outbreak in this unique moment in time, the guidance issued by national and international regulators as well as the guidelines issued by industry bodies. The key general principles used are as follows:
- a general lengthening of the detection periods of certain key parameters;

- use of the average of the latest Country Risk Premiums instead of the latest available, where deemed to be more significant;
- use of an Equity Risk Premium "consensus" in line with the average of the latest values available instead of the latest value available.

In addition, CDP has conducted a sensitivity analysis on each equity investment against the main variables that determine the asset's value, including for example:
- the price of Brent for the companies operating primarily in the Oil & Gas sector;
- the cost of capital for all companies and, in particular, for those operating in the financial sector;
- the long-term growth rate, if applicable, based on the value estimation method used.

The following summary table lists the main equity investments recognised at consolidated level and accounted for using the equity method, with indication of the carrying value at consolidated level and the methods used to calculate the recoverable amount for the purpose of the impairment test.

Note that equity investments accounted for using the equity method were measured using the "closed box" method, which measures the equity investment as a whole in accordance with the IAS 28 Standard

(thousands of euro) Equity Investment	Carrying amount at consolidated level	Recoverable amount	Methodology used
Eni	8,719,311	Value in use	Sum of the parts (e.g. DCF for main business unit E&P)
Open Fiber	435,449	Fair value	Comparable transaction (i.e. binding offer)
Saipem	380,166	Value in use	DCF
Webuild	256,668	Value in use	DDM

Eni

The recoverable amount of the equity investment in Eni was measured at value in use based on the discounted cash flow method for the main business unit (Exploration & Production) and taking into account the value of the other residual business units, so as to reflect the specificity of the different business segments it operates in. More specifically:
- for the Exploration & Production sector, the largest, the discounted cash flow (unlevered DCF) method was used, based on a closed portfolio model which develops and measures the entirety of the group's oil and natural gas reserves until stocks are exhausted over a specific multi-stage forecast period that extends until 2050 (without components of value in perpetuity):
  - production volumes were calculated starting from current proven reserves communicated by Eni and on the assumption that by 2035 about 80% of the proven and unproven reserves (i.e. possible and probable, adequately risked) will be produced, in line with what was declared by Eni. While production volumes after 2035 have been calculated on the assumption that proven and uncertain reserves will be exhausted in 2050;
  - sales prices were calculated on the basis of the geographical macro-area the mineral reserves belong to, taking into account the spread between the unit sales prices published by Eni and the value of Brent for oil or the virtual trading point (VTP) for gas, at the expected values of the two indices. These values are aligned with the updated scenario for the crude oil in question published by Eni with the 2021-2024 strategic plan, which highlights a Brent price of 61.2 Usd/bbl and a virtual trading point price of 181 euro/kcm for 2024;
  - unit operating costs were estimated on a constant basis by geographical macro-area of mineral reserves, taking into account technological progress and the resulting cost efficiency process;
  - investments were estimated in a differentiated manner for proven reserves and possible/probable reserves by referring to the current expenditure per barrel produced – including development costs – that Eni incurs in areas where it has historically been present, and prospectively considering an improvement in efficiency in real terms;
  - the WACC was estimated applying the Capital Asset Pricing Model for the cost of equity and based on the cost of the company's indebtedness for debt. The capital structure was estimated starting from a panel of comparable companies, adjusted to take into account the specificity of E&P;
- mainly considering the limited contribution to the overall value in use of the equity investment and the significant sensitivity of the results to long-term forecasts in the current context of uncertainty connected with the expected energy transition process, for sectors other than "Exploration & Production", net invested capital was used as the best estimate of recoverable amount, except for the investment in Eni Gas & Luce, for which the multiples method of a panel of comparable listed companies (P/E multiple) was used.

The impairment test found that the recoverable amount was much higher than the carrying value of the equity investment in the consolidated financial statements, and consequently its carrying amount was confirmed. Sensitivity analyses were performed on the main assumptions and variables used in estimating the value in use, with particular reference to the Brent prices for oil and the VTP for gas as well as the WACC discount rate, which show that any non-marginal negative changes in the main assumptions at the basis of test could result in a recoverable amount lower than what was identified at the reporting date but still higher than the carrying value of the equity investment.

Open Fiber

The recoverable amount for Open Fiber was estimated in the calculation of the fair value, taking as a reference the value of the binding offer submitted by a major investment fund for a share in Open Fiber that is substantially similar to the one held by CDP Equity.

The impairment test found that the recoverable amount was significantly higher than the carrying value of the equity investment and, consequently, the carrying amount of the equity investment was confirmed.

Saipem

The recoverable amount of the equity investment held in Saipem was measured at value in use, estimated using the discounted cash flow method (unlevered DCF) based on a two-stage model, with (i) a clearly stated forecast of future cash flows for the years 2021-2023 and (ii) the calculation of the terminal value using the algorithm of cash flows in perpetuity. Note that the information needed to estimate the cash flows and the other information needed to calculate the value in use was taken from public sources.

Specifically:
- the values in the specific period 2021-2023 are based on the estimates prepared by a selected group of financial analysts who track the stock;
- the terminal value was calculated using the perpetuity growth model, estimating the cash flows achievable from the asset portfolio of the Saipem group, considered on an indivisible basis. More specifically:
  - Revenues: estimated using the value of the last specific forecast year plus the value of expected inflation;
  - EBITDA margin: measured using the medium-term forecast supplied by a market source, which collects consensus estimates on the Saipem stock;
  - Capex: investments in maintaining production capacity over the long term, estimated starting from the historical impact of such type of investments on the revenues of a panel of comparable companies;
- the WACC was estimated applying the Capital Asset Pricing Model for the cost of equity and based on the cost of the company's indebtedness for debt. The ratio of equity to debt was derived from the analysis of the structure of sources of financing of a number of listed companies operating in the sector.

The impairment test found that the recoverable amount was higher than the carrying value of the equity investment and, consequently, the carrying amount of the equity investment was confirmed. Note that any non-marginal negative changes in the main assumptions at the basis of the test would result in a recoverable amount lower than that identified at the reporting date but still higher than the carrying value of the equity investment.

Webuild

The recoverable amount of the equity investment in Webuild was measured at value in use, estimated using the discounted dividend flow method (DDM) based on a two-stage model, with (i) a clearly stated forecast of future cash flows for the years 2021-2023 and (ii) the calculation of the terminal value using the algorithm of cash flows in perpetuity. The information needed to estimate the cash flows and the other information needed to calculate the value in use was taken from public sources. Specifically:
- the values in the specific period 2021-2023 are based on the simple average of the estimates prepared by a selected group of financial analysts who track the stock;
- the terminal value was calculated using the perpetuity growth model, estimating the distributable dividend based on the normalised net profit forecasts;
- the cost of equity was estimated applying the Capital Asset Pricing Model for the cost of equity.

The impairment test found that the recoverable amount was higher than the carrying value of the equity investment and, consequently, the carrying amount of the equity investment was confirmed; note that any non-marginal negative changes in the main assumptions at the basis of the test would result in a recoverable amount lower than that identified at the reporting date but still higher than the carrying value of the equity investment.

7.2 Significant equity investments: carrying amount, fair value and dividends received

(thousands of euro) Company name	Carrying amount	Fair value (*)	Dividends received
A. Joint ventures			
1. Trans Austria Gasleitung GmbH	520,989		82,598
B. Companies subject to significant influence			
1. Eni S.p.A.	8,719,311	8,002,462	514,899
2. Poste Italiane S.p.A.	3,689,348	3,803,392	215,312

(*) The fair value shown in the table regarding listed securities is calculated by multiplying the number of shares held by the stock market price recorded at the end of 2020 (30 December 2020).

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	Writedowns 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. Joint ventures														
1. Trans Austria Gasleitung GmbH	7		1,112	333	202	322	(10)		126	93		93	1	94
B. Companies under significant influence														
1. Eni S.p.A.	x	6,764	93,471	31,704	40,451	44,947	X	X	(5,978)	(8,628)		(8,628)	(2,780)	(11,408)
2. Poste Italiane S.p.A.	x	247,883	19,959	98,230	162,620	10,526	X	X	1,577	1,206		1,206	1,255	2,461

The consolidated accounting figures for joint arrangements and significant associates were produced based on the information provided by the investees at 31 December 2020.

(thousands of euro) Company name	Net assets	% holding	Net assets held	Goodwill	Other adjustments	Book value
A. Joint ventures						
1. Trans Austria Gasleitung GmbH	583,972	84.47%	493,281	9,650	18,058	520,989
B. Companies subject to significant influence						
1. Eni S.p.A.	37,415,000	25.96%	9,714,668		(995,356)	8,719,311
2. Poste Italiane S.p.A.	11,502,430	35.00%	4,025,850		(336,502)	3,689,348

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)
Joint ventures	1,428,496	22,213,540	16,781,265	8,988,499	(1,153,389)		(1,034,362)	18,332	(1,016,030)
Companies subject to significant influence	1,449,561	32,723,538	24,663,556	7,113,720	(155,801)	(18,018)	312,242	(214,487)	97,755

The accounting figures for non-significant equity investments in companies subject to joint control and associates were produced based on the information provided by the investees.

7.5 Equity investments: changes for the year

(thousands of euro)	31/12/2020	31/12/2019
A. Opening balance	**18,952,123**	**20,395,661**
B. Increases	**1,544,481**	**1,709,848**
B.1 Purchases	471,678	432,466
B.2 Writebacks	871	460
B.3 Revaluations	568,108	681,393
B.4 Other increases	503,824	595,529
C. Decreases	**4,662,219**	**3,153,386**
C.1 Sales	125,994	47,153
C.2 Writedowns	16,342	9,130
C.3 Impairment	2,671,983	394,180
C.4 Other decreases	1,847,900	2,702,923
D. Closing balance	**15,834,385**	**18,952,123**
E. Total revaluations	**2,839,036**	**4,755,333**
F. Total writedowns	**684,116**	**491,287**

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

CDP Equity approved the subscription of an equity commitment for 125 million euro in favour of the subsidiary Open Fiber and for 1 million euro in favour of the subsidiary Hotelturist.

7.8 Commitments relating to companies under significant influence

The most significant commitments relating to companies under significant influence comprise:

- the commitment related to the equity investment in Kedrion S.p.A. regarding the 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 2020, the value of the option was negative by approximately 4,556 thousand euro;
- 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 2020, the effective value of the guarantee relating to the aforementioned loan amounted to approximately 779 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.

7.9 Significant restrictions

There are no significant restrictions on equity investments.

7.10 Other information

With regard to equity investments in associates or joint ventures, financial statements or reports with a reporting date of up to three months from 31 December 2020 were 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	30/09/2020
Kedrion S.p.A.	Significant influence	30/09/2020
Rocco Forte Hotels Ltd	Significant influence	31/10/2020
Trevi Finanziaria Industriale S.p.A.	Significant influence	30/06/2020
Hotelturist S.p.A.	Joint control	31/10/2020

Furthermore, when the accounting data of an associate or a joint operation used to apply the equity method is different from 31 December 2020, 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)	31/12/2020	31/12/2019
A. Non-life insurance	**2,594,711**	**1,002,469**
A.1 Reserves for unearned premiums	2,293,318	829,088
A.2 Reserves for claims outstanding	301,164	147,141
A.3 Other	229	26,240
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	**2,594,711**	**1,002,469**

At 31 December 2020, the reinsurers' share of technical provisions was 2,595 million euro, up by 1,592 million euro compared to the previous financial year.

This value is affected by the provisions of the Liquidity Decree, which established that ninety percent of the outstanding commitments undertaken by SACE S.p.A. resulting from insurance business - excluding those for which a report of non-collection has already been received - are reinsured by the State.

8.2 Change in item 80 "Reinsurers' share of technical provisions"

	Non-life insurance		
(thousands of euro)	Provision for unearned premiums	Provision for claims outstanding	Other
Opening balance	**829,088**	**147,141**	**26,240**
a) Increases	1,464,230	154,023	
b) Decreases			(26,011)
Closing balance	**2,293,318**	**301,164**	**229**

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	31/12/2020	31/12/2019
1. Owned	**107,013**	**58,962**	**37,920,731**	**38,086,706**	**37,211,643**
a) Land	62,276	49,800	467,382	579,458	578,722
b) Buildings	31,131	7,437	2,665,637	2,704,205	2,614,120
c) Movables	3,078	1,442	7,782	12,302	11,379
d) Electrical plant	2,960	230	474,112	477,302	455,447
e) Other	7,568	53	34,305,818	34,313,439	33,551,975
2. Right of use acquired under leases	**16,508**	**11,412**	**403,400**	**431,320**	**390,854**
a) Land			9,376	9,376	10,741
b) Buildings	14,813	10,692	272,957	298,462	280,160
c) Movables					
d) Electrical plant	102			102	148
e) Other	1,593	720	121,067	123,380	99,805
Total	**123,521**	**70,374**	**38,324,131**	**38,518,026**	**37,602,497**
- *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 16 billion euro, referring to power lines for 7 billion euro and transformation stations for 4.7 billion euro;
- investments by Snam for approximately 20 billion euro, including transport for 14.3 billion euro (gas pipelines, gas reduction regulation stations and plants), storage for 3 billion euro (wells, pipelines, and processing and compression stations) and regasification;
- assets under construction and advances for 3.3 billion euro, of which 1.8 billion euro ascribable to Terna and 1.1 billion euro to Snam.

9.2 Investment property: breakdown of assets measured at cost

(thousands of euro) Items/Values	31/12/2020				31/12/2019			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	**791,924**		**559,483**	**234,265**	**778,058**		**543,067**	**234,110**
a) Land	58,899		5,263	55,130	59,509		4,500	55,130
b) Buildings	733,025		554,220	179,135	718,549		538,567	178,980
2. Right of use acquired under leases	**3,971**			**3,971**	**4,323**			**4,323**
a) Land								
b) Buildings	3,971			3,971	4,323			4,323
Total	**795,895**		**559,483**	**238,236**	**782,381**		**543,067**	**238,433**
- *of which: obtained via the enforcement of the guarantees received*								

9.2 of which: pertaining to the Prudential consolidation

(thousands of euro) Items/Values	31/12/2020				31/12/2019			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	**225,414**			**225,414**	**225,301**			**225,301**
a) Land	55,130			55,130	55,130			55,130
b) Buildings	170,284			170,284	170,171			170,171
2. Right of use acquired under leases	**3,860**			**3,860**	**4,323**			**4,323**
a) Land								
b) buildings	3,860			3,860	4,323			4,323
Total	**229,274**			**229,274**	**229,624**			**229,624**
- *of which: obtained via the enforcement of the guarantees received*								

9.2 of which: pertaining to Insurance companies

(thousands of euro) Items/Values	31/12/2020				31/12/2019			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	**12,667**		**14,491**		**12,708**		**14,333**	
a) Land	3,769		5,263		4,379		4,500	
b) Buildings	8,898		9,228		8,329		9,833	
2. Right of use acquired under leases								
a) Land								
b) Buildings								
Total	**12,667**		**14,491**		**12,708**		**14,333**	
- *of which: obtained via the enforcement of the guarantees received*								

9.2 of which: pertaining to Other companies

(thousands of euro) Items/Values	31/12/2020				31/12/2019			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	**553,843**		**544,992**	**8,851**	**540,049**		**528,734**	**8,809**
a) Land								
b) Buildings	553,843		544,992	8,851	540,049		528,734	8,809
2. Right of use acquired under leases	**111**			**111**				
a) Land								
b) Buildings	111			111				
Total	**553,954**		**544,992**	**8,962**	**540,049**		**528,734**	**8,809**
- *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 31/12/2020	Total 31/12/2019
1. Inventories of property, plant and equipment from enforcement of the guarantees received		
a) Land		
b) Buildings		
c) Furniture		
d) Electrical systems		
e) Others		
2. Other inventories of property, plant and equipment	**1,001,577**	**987,605**
Total	**1,001,577**	**987,605**
- *of which: measured at fair value, less costs of disposal*		

Inventories of property, plant and equipment comprise property owned by CDP Immobiliare for 305 million euro and the mutual funds included in the scope of consolidation for 697 million euro.

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	**626,289**	**4,305,247**	**33,600**	**1,017,624**	**55,330,672**	**61,313,432**
A.1 Total net writedowns	(36,826)	(1,406,813)	(22,221)	(562,029)	(21,701,030)	(23,728,919)
A.2 Opening net balance	**589,463**	**2,898,434**	**11,379**	**455,595**	**33,629,642**	**37,584,513**
A.3 Change in opening balance		**(4,154)**			**22,138**	**17,984**
B. Increases	**5,158**	**315,765**	**5,098**	**113,202**	**3,542,706**	**3,981,929**
B.1 Purchases	1,215	106,481	2,724	27,931	2,559,764	2,698,115
- *of which: business combinations*		*25,226*		*132*	*55,119*	*80,477*
B.2 Capitalized improvement costs		6,047				6,047
B.3 Writebacks		1,976				1,976
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	3,943	201,261	2,374	85,271	982,942	1,275,791
C. Decreases	**5,787**	**207,378**	**4,175**	**91,393**	**2,757,667**	**3,066,400**
C.1 Sales	2,432	15,245	131	853	107,592	126,253
C.2 Depreciation	1,535	139,776	2,958	76,948	1,489,266	1,710,483
C.3 Writedowns for impairment recognised in:	51	97		101	20,085	20,334
a) equity						
b) income statement	51	97		101	20,085	20,334
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	1,609	24,770		12,581	7,513	46,473
C.6 Transfers to:		1,082			249	1,331
a) investment property			X	X	X	
b) assets held for sale		1,082			249	1,331
C.7 Other changes	160	26,408	1,086	910	1,132,962	1,161,526
D. Closing net balance	**588,834**	**3,002,667**	**12,302**	**477,404**	**34,436,819**	**38,518,026**
D.1 Total net writedowns	(38,266)	(1,438,075)	(23,686)	(613,108)	(23,040,639)	(25,153,774)
D.2 Closing gross balance	**627,100**	**4,440,742**	**35,988**	**1,090,512**	**57,477,458**	**63,671,800**
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	**62,276**	**72,331**	**13,686**	**14,010**	**31,569**	**193,872**
A.1 Total net writedowns		(23,379)	(11,154)	(11,950)	(25,761)	(72,244)
A.2 Opening net balance	**62,276**	**48,952**	**2,532**	**2,060**	**5,808**	**121,628**
B. Increases		**1,313**	**1,911**	**2,265**	**5,800**	**11,289**
B.1 Purchases		62	692	1,496	5,627	7,877
B.2 Capitalized improvement costs		9				9
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		1,242	1,219	769	173	3,403
C. Decreases		**4,321**	**1,365**	**1,263**	**2,447**	**9,396**
C.1 Sales						
C.2 Depreciation		3,544	654	1,057	908	6,163
C.3 Writedowns for impairment recognised in:						
a) equity						
b) income statement						
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) investment property			X	X	X	
b) assets held for sale						
C.7 Other changes		777	711	206	1,539	3,233
D. Closing net balance	**62,276**	**45,944**	**3,078**	**3,062**	**9,161**	**123,521**
D.1 Total net writedowns		(26,730)	(11,158)	(12,884)	(26,702)	(77,474)
D.2 Closing gross balance	**62,276**	**72,674**	**14,236**	**15,946**	**35,863**	**200,995**
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	**83,229**	**28,626**	**4,727**	**2,522**	**1,212**	**120,316**
A.1 Total net writedowns	(33,429)	(8,183)	(3,284)	(2,322)	(806)	(48,024)
A.2 Opening net balance	**49,800**	**20,443**	**1,443**	**200**	**406**	**72,292**
B. Increases		**1,076**	**908**	**111**	**788**	**2,883**
B.1 Purchases		1,076	544	111	96	1,827
B.2 Capitalized improvement costs						
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property			X	X	X	
B.7 Other changes			364		692	1,056
C. Decreases		**3,390**	**909**	**81**	**421**	**4,801**
C.1 Sales						
C.2 Depreciation		2,818	534	81	421	3,854
C.3 Writedowns for impairment recognised in:						
a) equity						
b) income statement						
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) investment property			X	X	X	
b) assets held for sale						
C.7 Other changes		572	375			947
D. Closing net balance	**49,800**	**18,129**	**1,442**	**230**	**773**	**70,374**
D.1 Total net writedowns	(33,429)	(10,993)	(3,438)	(2,403)	(1,227)	(51,490)
D.2 Closing gross balance	**83,229**	**29,122**	**4,880**	**2,633**	**2,000**	**121,864**
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	**480,784**	**4,204,290**	**15,187**	**1,001,092**	**55,297,891**	**60,999,244**
A.1 Total net writedowns	(3,397)	(1,375,251)	(7,783)	(547,757)	(21,674,463)	(23,608,651)
A.2 Opening net balance	**477,387**	**2,829,039**	**7,404**	**453,335**	**33,623,428**	**37,390,593**
A.3 Change in opening balance		**(4,154)**			**22,138**	**17,984**
B. Increases	**5,158**	**313,376**	**2,279**	**110,826**	**3,536,118**	**3,967,757**
B.1 Purchases	1,215	105,343	1,488	26,324	2,554,041	2,688,411
- *of which: business combinations*		*25,226*		*132*	*55,119*	*80,477*
B.2 Capitalized improvement costs		6,038				6,038
B.3 Writebacks		1,976				1,976
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	3,943	200,019	791	84,502	982,077	1,271,332
C. Decreases	**5,787**	**199,667**	**1,901**	**90,049**	**2,754,799**	**3,052,203**
C.1 Sales	2,432	15,245	131	853	107,592	126,253
C.2 Depreciation	1,535	133,414	1,770	75,810	1,487,937	1,700,466
C.3 Writedowns for impairment recognised in:	51	97		101	20,085	20,334
a) equity						
b) income statement	51	97		101	20,085	20,334
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	1,609	24,770		12,581	7,513	46,473
C.6 Transfers to:		1,082			249	1,331
a) investment property			X	X	X	
b) assets held for sale		1,082			249	1,331
C.7 Other changes	160	25,059		704	1,131,423	1,157,346
D. Closing net balance	**476,758**	**2,938,594**	**7,782**	**474,112**	**34,426,885**	**38,324,131**
D.1 Total net writedowns	(4,837)	(1,400,352)	(9,090)	(597,821)	(23,012,710)	(25,024,810)
D.2 Closing gross balance	**481,595**	**4,338,946**	**16,872**	**1,071,933**	**57,439,595**	**63,348,941**
E. Measurement at cost						

9.7 Investment property: changes for the year

(thousands of euro)	Prudential consolidation		Insurance companies		Other entities	
	Land	Buildings	Land	Buildings	Land	Buildings
A. Opening gross balance	**55,130**	**195,139**	**4,379**	**8,329**		**599,158**
A.1 Total net writedowns		(20,645)				(59,109)
A.2 Opening net balance	**55,130**	**174,494**	**4,379**	**8,329**		**540,049**
B. Increases		**5,908**		**569**		**28,079**
B.1 Purchases						27,639
B.2 Increases in internally-generated intangible assets		5,908				
B.3 Fair value gains						
B.4 Writebacks						25
B.5 Positive exchange rate differences						
B.6 Transfers from operating property						
B.7 Other changes				569		415
C. Decreases		**6,258**	**610**			**14,174**
C.1 Sales						429
C.2 Depreciation		6,258				29
C.3 Fair value losses						
C.4 Writedowns for impairment			41			13,716
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			569			
D. Closing balance	**55,130**	**174,144**	**3,769**	**8,898**		**553,954**
D.1 Total net writedowns		(26,903)	(41)			(72,534)
D.2 Closing gross balance	**55,130**	**201,047**	**3,810**	**8,898**		**626,488**
E. Measurement at fair value	**55,130**	**174,144**	**5,263**	**9,228**		**553,954**

9.8 Inventories of property, plant and equipment governed by IAS 2: changes for the year

	Inventories of property, plant and equipment obtained via the enforcement of the guarantees received					Other inventories of property, plant and equipment	Total
	Land	Buildings	Movables	Electrical plant	Other		
A. Opening gross balance						**987,605**	**987,605**
B. Increase						**79,221**	**79,221**
B.1 Purchase						30,083	30,083
B.2 Writebacks						6,110	6,110
B.3 Positive exchange rate differences							
B.4 Other changes						43,028	43,028
C. Decreases						**65,249**	**65,249**
C.1 Sales						13,843	13,843
C.2 Writedowns for impairment						51,042	51,042
C.3 Negative exchange rate differences							
C.4 Other changes						364	364
D. Closing gross balance						**1,001,577**	**1,001,577**

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 2020, had commitments for the purchase of property, plant and equipment for approximately 181 million euro;
- the SNAM group, whose purchase commitments with respect to property, plant and equipment amounted to approximately 1,162 million euro.

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by category

	Prudential consolidation		Insurance group		Other entities		31/12/2020		31/12/2019	
(thousands of euro) Items/Values	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**	**2,227,633**	**X**	**2,227,633**	**X**	**2,232,487**
A.1.1 pertaining to Group	X		X		X	2,227,633	X	2,227,633	X	2,232,487
A.1.2 non-controlling interests	X		X		X		X		X	
A.2 Other intangible assets	**43,718**		**8,423**		**12,062,626**	**15,076**	**12,114,767**	**15,076**	**11,716,061**	**16,468**
A.2.1 Assets carried at cost:	43,718		8,423		12,062,626	15,076	12,114,767	15,076	11,716,061	16,468
a) internally-generated intangible assets			4,899		258,245		263,144		166,950	
b) other assets	43,718		3,524		11,804,381	15,076	11,851,623	15,076	11,549,111	16,468
A.2.2 Assets carried at fair value:										
a) internally-generated intangible assets										
b) other assets										
Total	**43,718**		**8,423**		**12,062,626**	**2,242,709**	**12,114,767**	**2,242,709**	**11,716,061**	**2,248,955**

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 1,013 million euro, which mainly include the value of concessions for the storage of natural gas;
- infrastructure rights worth 7,831 million euro, of which 7,716 million euro relating to Italgas, and the remainder to Snam and 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 1,056 million euro;
- trademarks worth 78 million euro;
- technological know-how worth 633 million euro;
- software licences worth 158 million 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	**2,786,434**	**1,215,266**		**17,475,189**	**16,468**	**21,493,357**
A.1 Total net writedowns	(394)	(784,580)		(7,516,316)		(8,301,290)
A.2 Opening net balance	**2,786,040**	**430,686**		**9,958,873**	**16,468**	**13,192,067**
A.3 Change in opening balance	**(553,553)**	**(263,736)**		**1,590,238**		**772,949**
B. Increases	**15,060**	**172,534**		**1,250,239**		**1,437,833**
B.1 Purchases	6,568	107,406		1,153,414		1,267,388
- *of which: business combinations*	*4,739*	*446*		*51,530*		*56,715*
B.2 Increases in internally-generated intangible assets	X	6,922		7,506		14,428
B.3 Writebacks	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences	8,492	234		7,016		15,742
B.6 Other changes		57,972		82,303		140,275
C. Decreases	**19,914**	**76,340**		**947,727**	**1,392**	**1,045,373**
C.1 Sales				91,957		91,957
C.2 Writedowns:		75,641		809,863		885,504
- Amortisation	X	75,618		798,523		874,141
- Impairment:		23		11,340		11,363
+ equity	X					
+ income statement		23		11,340		11,363
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	16,723	432		14,575	1,392	33,122
C.6 Other changes	3,191	267		31,332		34,790
D. Closing net balance	**2,227,633**	**263,144**		**11,851,623**	**15,076**	**14,357,476**
D.1 Total net writedowns	(459)	(807,629)		(7,753,075)		(8,561,163)
E. Closing gross balance	**2,228,092**	**1,070,773**		**19,604,698**	**15,076**	**22,918,639**
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				**70,689**		**70,689**
A.1 Total net writedowns				(38,440)		(38,440)
A.2 Opening net balance				**32,249**		**32,249**
B. Increases				**22,351**		**22,351**
B.1 Purchases				21,972		21,972
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				379		379
C. Decreases				**10,882**		**10,882**
C.1 Sales						
C.2 Writedowns:				9,762		9,762
- Amortisation	X			9,762		9,762
- 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				1,120		1,120
D. Closing net balance				**43,718**		**43,718**
D.1 Total net writedowns				(48,581)		(48,581)
E. Closing gross balance				**92,299**		**92,299**
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**		**12,476**		**19,233**
A.1 Total net writedowns		(2,281)		(7,670)		(9,951)
A.2 Opening net balance		**4,476**		**4,806**		**9,282**
B. Increases		**1,226**		**1,029**		**2,255**
B.1 Purchases		1,204		823		2,027
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		22		206		228
C. Decreases		**803**		**2,311**		**3,114**
C.1 Sales						
C.2 Writedowns:		803		2,198		3,001
- Amortisation	X	803		2,198		3,001
- 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				113		113
D. Closing net balance		**4,899**		**3,524**		**8,423**
D.1 Total net writedowns		(3,062)		(9,981)		(13,043)
E. Closing gross balance		**7,961**		**13,505**		**21,466**
F. Measurement at cost						

10.2 Of which: pertaining to Other 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	**2,786,434**	**984,732**		**17,615,801**	**16,468**	**21,403,435**
A.1 Total net writedowns	(394)	(794,070)		(7,458,435)		(8,252,899)
A.2 Opening net balance	**2,786,040**	**190,662**		**10,157,366**	**16,468**	**13,150,536**
A.3 Change in opening balance	**(553,553)**	**(263,736)**		**1,590,238**		**772,949**
B. Increases	**15,060**	**171,309**		**1,226,858**		**1,413,227**
B.1 Purchases	6,568	106,202		1,130,619		1,243,389
- *of which: business combinations*	*4,739*	*446*		*51,530*		*56,715*
B.2 Increases in internally-generated intangible assets	X	6,922		7,506		14,428
B.3 Writebacks	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences	8,492	234		7,016		15,742
B.6 Other changes		57,951		81,717		139,668
C. Decreases	**19,914**	**75,537**		**934,534**	**1,392**	**1,031,377**
C.1 Sales				91,957		91,957
C.2 Writedowns:		74,838		797,903		872,741
- Amortisation	X	74,815		786,563		861,378
- Impairment:		23		11,340		11,363
+ equity	X					
+ income statement		23		11,340		11,363
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	16,723	432		14,575	1,392	33,122
C.6 Other changes	3,191	267		30,099		33,557
D. Closing net balance	**2,227,633**	**22,698**		**12,039,928**	**15,076**	**14,305,335**
D.1 Total net writedowns	(459)	(804,567)		(7,694,513)		(8,499,539)
E. Closing gross balance	**2,228,092**	**827,265**		**19,734,441**	**15,076**	**22,804,874**
F. Measurement at cost						

Impairment testing of goodwill

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 recoverability of its carrying amount. An impairment test is performed annually on goodwill, or whenever there is evidence of impairment. This involves comparing the carrying amount of the CGU, including goodwill, and the recoverable amount of said CGU. If the value of the CGU is higher than its recoverable amount, the difference is recognised in the income statement first reducing goodwill until it reaches zero.

At each reporting date, CDP conducts an assessment to detect the presence of indicators of impairment under IAS 36 and of any additional indicators, where applicable, also considering the indications of national and international regulators on financial reporting relating to risks, uncertainties, estimates, assumptions and assessments as well as the difficulties related to the impacts of the health crisis due to the spread of Covid-19. The global spread of Covid-19 and the resulting impacts on economic activity have increased the level of uncertainty, hence making it more complex to make quantitative estimates, for example, cash flows from the CGUs, also due to the increased uncertainty in the assumptions and parameters at the basis of the CGU valuation analyses.

Specifically, in light of the above, note that:
- the estimates also considered stock prices and market parameters which are subject to fluctuation, even significant, due to the ongoing turbulence and volatility of the markets, also as a result of the Covid-19 outbreak;
- the evaluations were made using forecast data. Such forecasts are, by their nature, random and uncertain in that they are sensitive to changes in macroeconomic variables and to events outside the company's control. They are also based on a set of assumptions linked to future events and actions of management, which may not necessarily happen. In view of the uncertainty surrounding any future event - both as regards the actual occurrence of the event and in terms of when and to what extent it may happen - the differences between actual values and estimated values might be significant, even if the events at the basis of the forecast assumptions were to occur. This limit is even more pronounced in the current situation of uncertainty linked to the future impacts of the Covid-19 outbreak.

It is therefore important to highlight that there is strong uncertainty about the possible duration of the impacts of the pandemic, making it difficult to predict the associated short and medium-term impacts. This significantly increases the complexity and uncertainty of the estimates made, given that the underlying assumptions and conditions might be subject to further review, to take into account developments outside the management's control, thus resulting in unexpected and unforeseeable impacts. Therefore, there is a need to constantly monitor the evolution of these elements in the current context.

For more details, please refer to part A1 of Section 5 - Other issues and A2 - The main financial statement items.

In relation to Snam, Terna, Italgas, SIA and Ansaldo Energia, the CGUs to which goodwill was allocated coincide with the individual sub-consolidated entities. With reference to Fincantieri, note that the amount of goodwill recognised in the consolidated financial statements of CDP refers to the companies headed by the Vard Group, in relation to which goodwill of 130 million euro was recognised directly by the subsidiary Fincantieri.

The following summary table lists the goodwill amounts recognised at consolidated level, with indication of the carrying value and the methods used to calculate the recoverable amount determined for the purpose of the impairment test.

(thousands of euro) CGU	Goodwill amount	Recoverable amount	Methodology
Snam	246,370	Fair value	Stock market price
Terna	215,345	Fair value	Stock market price
Italgas	73,978	Fair value	Stock market price
Fincantieri	129,869	Fair value	Stock market price
SIA	1,202,295	Fair value	Stock market price[72]
Ansaldo Energia	359,776	Value in use	DDM

72 The fair value was determined based on the exchange value of the SIA shares with the Nexi shares as reported in the agreements signed by the parties in the context of the merger by incorporation of SIA by Nexi (listed on the Milan stock exchange).

In relation to Snam, Terna, Italgas, SIA and Ansaldo Energia, the CGUs to which goodwill was allocated coincide with the single legal entities, and the recoverable amount was identified:

- for Snam, Terna and Italgas, the fair value less costs to sell, determined on the basis of the average of the respective trading prices for December 2020, weighted with the relevant volumes;
- for SIA, the fair value less sales costs, determined on the basis of the exchange ratio in Nexi shares — established under the agreements signed by the parties during the first months of 2021 with respect to the merger between SIA and Nexi — applied to the average of Nexi's stock prices, weighted with the relevant volumes;
- for Ansaldo Energia, the value in use was measured using the Discounted Dividend Model (DDM Method) based on a two-stage model, with (i) a clearly stated forecast of future cash flows for the years 2021-2025 and (ii) the calculation of the terminal value using the algorithm of cash flows in perpetuity. The discount rate is equal to the estimated cost of equity capital of 10.3%, based on specific parameters derived from a panel of comparable listed companies. The long-term growth rate in terminal value was estimated at 1.5% based on the industrial sector and the geographic areas the company operates in. The economic-financial forecasts for the specific period are based on the 2021-2025 Plan subject to approval by the company's Board of Directors, while the Terminal Value was determined on the basis of normalised forecasts of the income statement.

In relation to Fincantieri, goodwill is the amount recognised in the consolidated financial statements of the same CGU following the acquisition of the Vard Group and is reflected in the consolidated financial statements of CDP given that the equity investment is consolidated on a line-by-line basis. In any event, note that the fair value, measured on the basis of the stock prices of the equity investment, was found to be higher than the value of net assets inclusive of goodwill.

The impairment tests found that the recoverable amounts were higher than the carrying value of the net assets of the CGUs to which goodwill is allocated, and consequently no change in value was required. If the recoverable amount is determined to be the fair value net of sales costs, since the stock market prices qualify as Level 1 in the fair value hierarchy no sensitivity analysis is provided.

With regard to the recoverable amount of the CGU identified with Ansaldo Energia, note that any non-marginal negative changes in the main assumptions at the basis of the test could result in a recoverable amount lower than that identified at the reporting date but still higher than the carrying value.

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	31/12/2020	31/12/2019
Deferred tax assets recognised in income statement	**332,884**	**113,958**	**1,200,833**	**1,647,675**	**1,526,025**
Losses carried forward	457		10,771	11,228	19,291
Grants			64,690	64,690	66,623
Sundry writedowns			31,537	31,537	35,127
Financial instruments		50	162	212	1,233
Debts	17			17	11
Dismantling and site restoration			199,206	199,206	181,600
Provisions for risks and charges	90,518	13,001	96,301	199,820	193,184
Writedowns of receivables	192,312	5,470	31,967	229,749	250,740
Property, plant and equipment/intangible assets	3,001	400	333,805	337,206	319,466
Product guarantee			7,991	7,991	7,610
Employee benefits			29,005	29,005	32,295
Technical provisions		41,849		41,849	130,994
Exchange rate differences	26,731	18,074		44,805	18,258
Other temporary differences	19,848	35,114	395,398	450,360	269,593
Deferred tax assets recognised in equity	**40,164**		**128,695**	**168,859**	**112,187**
Financial assets measured at fair value through other comprehensive income	2,215		3,387	5,602	11,962
Cash flow hedge	37,870		90,180	128,050	76,654
Other assets	79		35,128	35,207	23,571
Total	**373,048**	**113,958**	**1,329,528**	**1,816,534**	**1,638,212**

11.2 Deferred tax liabilities: breakdown

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2020	31/12/2019
Deferred tax liabilities recognised in income statement	**130,529**	**199,827**	**3,190,540**	**3,520,896**	**3,747,519**
Capital gains taxed in instalments			2,319	2,319	1,994
Staff severance pay			13,672	13,672	12,837
Leasing		183		183	1,482
Property, plant and equipment		2,404	2,356,257	2,358,661	2,483,361
Own securities portfolio		23,640		23,640	16,633
Equity investments	101,711	330	31,641	133,682	129,484
Other financial instruments	7,964	3,264		11,228	4,447
Technical provisions		114,946		114,946	226,081
Exchange rate differences	14,187	36,302		50,489	19,718
Other temporary differences	6,667	18,758	786,651	812,076	851,482
Deferred tax liabilities recognised in equity	**140,137**	**308**	**4,071**	**144,516**	**120,890**
Financial assets measured at fair value through other comprehensive income	137,010		21	137,031	113,241
Other reserves			3,760	3,760	
Other liabilities	3,127	308	290	3,725	7,649
Total	**270,666**	**200,135**	**3,194,611**	**3,665,412**	**3,868,409**

11.3 Changes in deferred tax assets (recognised in the income statement)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2020	31/12/2019
1. Opening balance	**315,390**	**189,804**	**1,018,293**	**1,523,487**	**1,403,804**
Change in opening balance			2,539	2,539	
2. Increases	**75,295**	**69,506**	**278,137**	**422,938**	**308,967**
2.1 Deferred tax assets recognised during the year:	72,970	69,506	247,259	389,735	176,091
a) in respect of previous periods			377	377	248
b) due to change in accounting policies					
c) writebacks					
d) other	72,970	69,506	246,882	389,358	175,843
2.2 New taxes or increases in tax rates					
2.3 Other increases	2,325		30,878	33,203	132,876
- *of which: business combinations*					*120,129*
3. Decreases	**57,801**	**145,352**	**98,136**	**301,289**	**189,284**
3.1 Deferred tax assets derecognised during the year:	57,798	17,880	63,926	139,604	185,357
a) reversals	52,670	17,880	44,862	115,412	131,408
b) writedowns for supervening non-recoverability			15,897	15,897	18,903
c) due to change in accounting policies					
d) other	5,128		3,167	8,295	35,046
3.2 Reduction in tax rates					
3.3 Other decreases:	3	127,472	34,210	161,685	3,927
a) transformation in tax credits under Law 214/2011					
b) other	3	127,472	34,210	161,685	3,927
4. Closing balance	**332,884**	**113,958**	**1,200,833**	**1,647,675**	**1,523,487**

11.5 Changes in deferred tax liabilities (recognised in the income statement)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2020	31/12/2019
1. Opening balance	**139,038**	**287,732**	**2,940,157**	**3,366,927**	**3,219,303**
Change in opening balance			380,592	380,592	
2. Increases	**24,946**	**44,301**	**75,439**	**144,686**	**335,713**
2.1 Deferred tax liabilities recognised during the year:	24,946	44,301	23,282	92,529	91,171
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	24,946	44,301	23,282	92,529	91,171
2.2 New taxes or increases in tax rates			1,266	1,266	1,852
2.3 Other increases			50,891	50,891	242,690
- *of which: business combinations*			11,610	11,610	218,013
3. Decreases	**33,455**	**132,206**	**205,648**	**371,309**	**188,089**
3.1 Deferred tax liabilities derecognised during the year:	33,413	4,662	195,043	233,118	187,551
a) reversals	33,413	4,004	162,090	199,507	158,189
b) due to change in accounting policies					
c) other		658	32,953	33,611	29,362
3.2 Reduction in tax rates					
3.3 Other decreases	42	127,544	10,605	138,191	538
4. Closing balance	**130,529**	**199,827**	**3,190,540**	**3,520,896**	**3,366,927**

11.6 Changes in deferred tax assets (recognised in equity)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2020	31/12/2019
1. Opening balance	**15,355**		**96,832**	**112,187**	**129,091**
2. Increases	**29,794**		**42,074**	**71,868**	**81,645**
2.1 Deferred tax assets recognised during the year:	29,775		29,661	59,436	64,520
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	29,775		29,661	59,436	64,520
2.2 New taxes or increases in tax rates					
2.3 Other increases	19		12,413	12,432	17,125
- *of which: business combinations*					8,427
3. Decreases	**4,985**		**10,211**	**15,196**	**98,549**
3.1 Deferred tax assets derecognised during the year:	4,985		6,341	11,326	97,986
a) reversals	4,985		709	5,694	97,310
b) writedowns for supervening non-recoverability			5,632	5,632	
c) due to changes in accounting policies					
d) other					676
3.2 Reduction in tax rates					
3.3 Other decreases			3,870	3,870	563
4. Closing balance	**40,164**		**128,695**	**168,859**	**112,187**

11.7 Changes in deferred tax liabilities (recognised in equity)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2020	31/12/2019
1. Opening balance	**118,371**	**217**	**2,302**	**120,890**	**65,051**
2. Increases	**24,868**	**91**	**6,702**	**31,661**	**87,494**
2.1 Deferred tax liabilities recognised during the year:	24,868	90	21	24,979	85,206
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	24,868	90	21	24,979	85,206
2.2 New taxes or increases in tax rates					
2.3 Other increases		1	6,681	6,682	2,288
3. Decreases	**3,102**		**4,933**	**8,035**	**31,655**
3.1 Deferred tax liabilities derecognised during the year:	3,102		871	3,973	30,366
a) reversals	3,102		871	3,973	30,366
b) due to change in accounting policies					
c) other					
3.2 Reduction in tax rates					
3.3 Other decreases			4,062	4,062	1,289
4. Closing balance	**140,137**	**308**	**4,071**	**144,516**	**120,890**

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)	31/12/2020	31/12/2019
A. Assets held for sale		
A.1 Financial assets		
A.2 Equity investments		9,931
A.3 Property, plant and equipment	1,400	2,076
- *of which: obtained via the enforcement of the guarantees received*		
A.4 Intangible assets		
A.5 Other non-current assets		
Total (A)	**1,400**	**12,007**
of which		
- *carried at cost*	*1,400*	*2,076*
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*		*9,931*
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	50,884	6,141
- *of which: obtained via the enforcement of the guarantees received*		
B.6 Intangible assets	16,742	
B.7 Other assets	222,457	324,338
Total (B)	**290,083**	**330,479**
of which		
- *carried at cost*	*290,083*	*330,479*
- *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)		
of which		
- *carried at cost*		
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*		
D. Liabilities associated with disposal groups held for sale		
D.1 Financial liabilities measured at amortised cost	33,348	36,725
D.2 Financial liabilities held for trading		
D.3 Financial liabilities designated at fair value		
D.4 Provisions		
D.5 Other liabilities	131,683	128,981
Total (D)	**165,031**	**165,706**
of which		
- *carried at cost*	*165,031*	*165,706*
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*		

12.2 Other information

This item mainly includes the assets and liabilities of the disposal companies of the Ansaldo group. These equity investments – relating to companies operating in the Service sector – are Ansaldo Thomassen, Ansaldo Energia Holding USA Corporation, Power Systems, Power Systems Manufacturing Japan, Ansaldo Energia Korea, Ansaldo Serviços de Energia Brasil, Ansaldo Energia Messico.

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2020	31/12/2019
Payments on account for withholding tax on postal passbooks	78,286			78,286	78,286
Other tax receivables	718	10,775	228,230	239,723	182,438
Leasehold improvements	2,399		5,552	7,951	7,960
Receivables due from investees	464		109,975	110,439	177,666
Trade receivables and advances to public entities	159,194		245,480	404,674	403,396
Construction contracts			3,384,844	3,384,844	3,023,935
Advances to suppliers	2,387	1,178	533,632	537,197	490,238
Inventories			1,547,255	1,547,255	1,471,037
Advances to personnel	168	2,622	21,100	23,890	20,794
Other trade receivables	334	262,125	4,117,859	4,380,318	3,947,501
Accrued income and prepaid expenses	14,156	1,466	360,745	376,367	279,349
Other items	9,473		623,259	632,732	627,535
Total	**267,579**	**278,166**	**11,177,931**	**11,723,676**	**10,710,135**

The item includes assets that are not classified under the previous items.

With regard to trade receivables – detailed in Trade receivables and advances to public entities and in Other trade receivables in the table above – for a total of 4,785 million euro (4,351 million euro as at 31 December 2019), the information relating to gross values and accumulated impairment referring to each of the three stages in which receivables were classified according to the associated credit risk as required by IFRS 9 is shown below.

	Gross value			Accumulated impairment		
(thousands of euro)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Total receivables at 31/12/2020	**3,562,566**	**1,274,545**	**302,926**	**(122,110)**	**(6,691)**	**(226,244)**
Total receivables at 31/12/2019	**3,172,022**	**1,222,703**	**312,204**	**(127,016)**	**(6,830)**	**(222,186)**

As regards in particular Other trade receivables deriving from the contribution of Other entities, their total refers mainly to SNAM for 1,548 million euro (1,213 million euro as at 31 December 2019), Terna for 1,127 million euro (1,156 million euro as at 31 December 2019), Italgas for 619 million euro (571 million euro as at 31 December 2019), Fincantieri for 497 million euro (511 million euro as at 31 December 2019) and Ansaldo Energia for 283 million euro (354 million euro as at 31 December 2019). Please refer to Section 4 - The risks of other entities, Part E for credit risk considerations and further details on credit ageing and geographical distribution.

Contract work in progress, equal to 3,385 million euro (3,024 million euro as at 31 December 2019) refers predominantly to the activities deriving from the Fincantieri group business, for a total of 3,125 million euro (2,698 million euro as at 31 December 2019) and includes orders whose progress has a higher value than what was invoiced to the customer. The relative progress is determined by the costs incurred added to the margins recognised and net of any expected losses. The net assets for contract work in progress of the Fincantieri group, totalling 1,963 million euro (1,415 million euro as at 31 December 2019), are calculated considering also what is represented in item 80 Other liabilities for orders whose progress has a value lower than what was invoiced to the customer.

Inventories of semi-finished goods and work in progress in the amount of 1,547 million euro include:
- mandatory gas reserves, kept at its storage sites by the subsidiary Stogit;
- raw materials, supplies and consumables of the Ansaldo Energia group, amounting to about 532 million euro;
- semi-finished products of the Fincantieri group, amounting to about 382 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	31/12/2020				31/12/2019			
	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	**19,608,631**	**X**	**X**	**X**	**2,483,946**	**X**	**X**	**X**
2. Due to banks	**42,694,641**	**X**	**X**	**X**	**39,356,098**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	20,600	X	X	X	22,370	X	X	X
2.2 Fixed-term deposits	2,019,101	X	X	X	1,815,156	X	X	X
2.3 Loans	37,101,413	X	X	X	35,256,650	X	X	X
2.3.1 Repurchase agreements	17,726,595	X	X	X	21,591,003	X	X	X
2.3.2 Other	19,374,818	X	X	X	13,665,647	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
2.5 Lease liabilities		X	X	X		X	X	X
2.6 Other payables	3,553,527	X	X	X	2,261,922	X	X	X
Total	**62,303,272**		**522,181**	**61,989,295**	**41,840,044**		**590,966**	**41,311,650**

Payables to central banks of the Parent Company increased compared to the end of 2019 (+17.1 billion euro) due to the participation in the TLTRO III programme[73] for 4.6 billion euro and the participation in the PELTRO programme[74] for 15 billion euro, with the early repayment of the TLTRO-II programme for about 2.5 billion euro.

Recorded among due to banks are repurchase agreements which refer to the Parent Company for 17,727 million euro (roughly -3,864 million euro compared to 2019).

Loans payable refer mainly to:

- loans granted to the Parent Company, equal to 4,887 million euro (approximately +881 million euro on 2019), 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 5,271 million euro, to Fincantieri for approximately 3,346 million euro, to Italgas for 1,474 million euro and to Terna for 1,125 million euro. Please refer to Section 4 – The risks of other entities, part E for liquidity risk considerations and an analysis of the maturity of financial liabilities to banks.

Term deposits, again referring to the Parent Company, equal to 2,019 million euro, refer to the balance of passbook savings accounts and postal savings bonds held by banks (+204 million euro on 2019).

The increase in the item "Other payables" mainly refers to Credit Support Annex contracts to hedge counterparty risk on derivatives of the Parent Company (+693 million euro on 2019).

73 Targeted Longer-Term Refinancing Operations.
74 Pandemic Emergency Longer-Term Refinancing Operations.

1.2 Financial liabilities measured at amortised cost: breakdown by type of amounts due to customers

(thousands of euro) Types of operations/values	31/12/2020 Carrying amount	31/12/2020 Fair value Level 1	31/12/2020 Fair value Level 2	31/12/2020 Fair value Level 3	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3
1. Current accounts and demand deposits	2,006	X	X	X	273,872	X	X	X
2. Time deposits	279,784,753	X	X	X	275,213,730	X	X	X
3. Loans	26,805,833	X	X	X	21,754,454	X	X	X
3.1 Repurchase agreements	24,209,307	X	X	X	19,605,860	X	X	X
3.2 Other	2,596,526	X	X	X	2,148,594	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
5. Lease liabilities	405,692	X	X	X	393,175	X	X	X
6. Other payables	4,389,648	X	X	X	4,376,319	X	X	X
Total	**311,387,932**			**311,387,875**	**302,011,550**			**303,988,154**

The amounts due to customers mainly consist of the Parent Company's term deposits, which include the balance of passbook savings accounts, equal to 103,114 million euro (+1,721 million euro compared to 2019), and of postal savings bonds equal to 169,442 million euro (+7,591 million euro compared to 2019).

The balance related to loans, equal to 26,806 million euro at 31 December 2020, refers to the repurchase agreements of the Parent Company, of around 23,212 million euro (+3,607 million euro compared to 2019).

Sub-item "6. 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 4,037 million euro (around -32 million euro on 2019).

Again with reference to the Parent Company, the amounts due to customers include the balance of the MEF's liquidity management transactions (OPTES) equal to approximately 6,997 million euro, with a substantial decrease on 2019 (-5,001 million euro).

With reference to the fair value of amounts due to customers, it should be noted that the value reported above for the part relating to postal savings bonds is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium (spread) in line with that on medium/long-term government securities. The application of these valuation techniques would lead to a fair value greater than the carrying amount in cases where the rates paid to savers are higher than market rates, when also taking into account early redemption options.

In view of the persistence of a scenario of low and in particular negative rates on short to medium maturities, the percentage impact of credit spreads on total interest rates remains high, as already highlighted in previous years. Since this factor contributes to increasing the 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 securities/Values	31/12/2020 Carrying amount	31/12/2020 Fair value Level 1	31/12/2020 Fair value Level 2	31/12/2020 Fair value Level 3	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3
A. Securities								
1. Bonds:	40,163,395	31,141,226	9,243,191	1,444,948	39,007,154	21,556,196	17,653,704	866,325
1.1 structured	50,721		41,057		50,970		55,489	
1.2 other	40,112,674	31,141,226	9,202,134	1,444,948	38,956,184	21,556,196	17,598,215	866,325
2. Other securities:	3,219,346		3,220,106		2,798,771		2,800,106	
2.1 structured								
2.2 other	3,219,346		3,220,106		2,798,771		2,800,106	
Total	**43,382,741**	**31,141,226**	**12,463,297**	**1,444,948**	**41,805,925**	**21,556,196**	**20,453,810**	**866,325**

1.3 of which: pertaining to the Prudential consolidation

(thousands of euro) Types of securities/Values	31/12/2020 Carrying amount	31/12/2020 Fair value Level 1	31/12/2020 Fair value Level 2	31/12/2020 Fair value Level 3	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3
A. Securities								
1. Bonds:	17,976,700	9,867,903	9,228,785		17,163,771		17,653,704	130,259
1.1 structured	50,721		41,057		50,970		55,489	
1.2 other	17,925,979	9,867,903	9,187,728		17,112,801		17,598,215	130,259
2. Other securities:	3,219,346		3,220,106		2,798,771		2,800,106	
2.1 structured								
2.2 other	3,219,346		3,220,106		2,798,771		2,800,106	
Total	**21,196,046**	**9,867,903**	**12,448,891**		**19,962,542**		**20,453,810**	**130,259**

With respect to the Prudential consolidation, the balance of securities issued at 31 December 2020 refers to the Parent Company and includes:

- bonds issued under the "Euro Medium Term Notes" (EMTN) and "Debt Issuance Programme" (DIP) programmes, with a stock of 12,187 million euro (+1,838 million euro compared to the end of 2019). In 2020 new bond issues were completed under the "Debt Issuance Programme" (DIP), totalling 2.95 billion euro. These include the issuance of a 750 million euro Social Housing Bond to support residential social housing interventions, and the 1 billion euro Covid-19 Social Response Bond, whose proceeds have been earmarked to support the extraordinary plan of measures implemented by CDP in favour of businesses and local authorities to tackle the pandemic. Furthermore, in September 2020 CDP issued its fifth Social Bond focused on supporting Italian enterprises investing in research, development and innovation and those that have been hit hard by the Covid-19 emergency;
- 2 bonds reserved for individuals, for a total of 2,964 million euro (essentially stable compared to the end of 2019), with a nominal value of 1,500 million euro each, aimed at diversifying the sources of funding of the Separate Account;
- 4 bonds guaranteed by the Italian government, entirely subscribed by Poste Italiane, for a total carrying amount of 3,057 million euro. This amount decreased by 755 million euro compared with the end of 2019 due to the redemption of one of the bonds issued with a nominal value of 750 million euro. At the end of 2020 there are: 2 bonds issued in December 2017 for a nominal value of 1,000 million euro, 2 issued in March 2018 for a total nominal value of 2,000 million euro;
- the issue of the first 1 billion Renminbi Panda bond (125 million euro at the year-end exchange rate) to finance, both directly and through Chinese banks or Chinese branches of Italian banks, branches or subsidiaries of Italian companies established in China, to support their growth. The issue, for institutional investors operating in China, is part of an issuance plan for 5 billion Renminbi approved by the People's Bank of China;
- the stock of commercial paper with a carrying amount of 3,219 million euro (+420 million euro on the 2019 year-end balance), related to the "Multi-Currency Commercial Paper Programme".

1.3 of which: pertaining to Insurance companies

(thousands of euro) Types of securities/Values	31/12/2020 Carrying amount	31/12/2020 Fair value Level 1	31/12/2020 Fair value Level 2	31/12/2020 Fair value Level 3	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3
A. Securities								
1. Bonds:	531,611	541,245	14,406		531,584	555,504		
1.1 structured								
1.2 other	531,611	541,245	14,406		531,584	555,504		
2. Other securities:								
2.1 structured								
2.2 other								
Total	**531,611**	**541,245**	**14,406**		**531,584**	**555,504**		

Securities issued pertaining to the insurance undertakings refer mainly to SACE's subordinated bond issues for approximately 517 million euro, 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 securities/Values	31/12/2020 Carrying amount	31/12/2020 Fair value Level 1	31/12/2020 Fair value Level 2	31/12/2020 Fair value Level 3	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3
A. Securities								
1. Bonds:	21,655,084	20,732,078		1,444,948	21,311,799	21,000,692		736,066
1.1 structured								
1.2 other	21,655,084	20,732,078		1,444,948	21,311,799	21,000,692		736,066
2. Other securities:								
2.1 structured								
2.2 other								
Total	**21,655,084**	**20,732,078**		**1,444,948**	**21,311,799**	**21,000,692**		**736,066**

Securities issued by other companies mainly refer to the bond placements by SNAM, Terna and Italgas on active markets (Level 1), amounting to 8,141 million euro, 8,830 million euro and 3,855 million euro, respectively.

1.4 Breakdown of subordinated debts/securities

At 31 December 2020, subordinated securities issued, for a total amount of 531,611 thousand euro (531,584 thousand euro at 31 December 2019), refer to the aforementioned issues by insurance companies.

1.5 Breakdown of structured debts

There are no structured debts at 31 December 2020. At the end of 2019, structured debts amount to approximately 1,080 million euro, comprising postal savings bonds indexed to equity baskets from which the embedded derivative has been separated, which reached maturity during the year.

1.6 Lease liabilities

The following table shows the information required by IFRS 16, paragraphs 58 and 53(g)

(thousands of euro) Time bands	Total 31/12/2020 Lease payables	Total 31/12/2019 Lease payables
Up to 1 year	92,156	83,506
Between 1 and 2 years	106,419	83,737
Between 2 and 3 years	55,700	47,458
Between 3 and 4 years	43,599	41,224
Between 4 and 5 years	34,964	32,269
Over 5 years	108,495	137,660
Total lease payments to be made	**441,333**	**425,854**
Reconciliation with lease liabilities	**(35,641)**	**(32,679)**
Unearned finance costs (-)	(35,641)	(32,679)
Unguaranteed residual value (-)		
Lease liabilities	**405,692**	**393,175**

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

	31/12/2020					31/12/2019				
(thousands of euro) Type of operations/Values	Nominal or notional value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value (*)	Nominal or notional value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value (*)
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			244,186	23,972				65,172	24,793	
1.1 Trading	X		185,035	23,972	X	X		65,172	17,007	X
1.2 Associated with fair value option	X				X	X				X
1.3 Other	X		59,151		X	X			7,786	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**		**244,186**	**23,972**	**X**	**X**		**65,172**	**24,793**	**X**
Total (A + B)	**X**		**244,186**	**23,972**	**X**	**X**		**65,172**	**24,793**	**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 negative fair value of interest rate swaps relating to the Parent Company;
- the derivatives of Terna for 91 million euro, SACE for 59 million euro, Fincantieri for 15 million euro and of FSI Investimenti for approximately 5 million euro;
- the fair value of the earn-out liability, equal to approximately 19 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) Type of transactions/values	31/12/2020					31/12/2019				
	Nominal value	Fair value			Fair Value (*)	Nominal 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	**30,513**			**30,513**	**30,513**	**2,117**			**2,117**	**2,117**
2.1 Structured					X					X
2.2 Other	30,513			30,513	X	2,117			2,117	X
of which:										
- *commitments to disburse funds*	*300*	*X*	*X*	*X*	*X*	*2,117*	*X*	*X*	*X*	*X*
- *financial guarantees issued*		*X*	*X*	*X*	*X*		*X*	*X*	*X*	*X*
3. Debt securities						**59,083**			**59,083**	**59,083**
3.1 Structured					X					X
3.2 Other					X	59,083			59,083	X
Total	**30,513**			**30,513**	**30,513**	**61,200**			**61,200**	**61,200**

(*) FV * = fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date

At 31 December 2020, the balance of the financial liabilities designated at fair value is mainly attributable to Fincantieri's contribution and is represented by the negative fair value of options to purchase equity securities.

3.2 Breakdown of Financial liabilities designated at fair value: subordinated liabilities

At 31 December 2020, financial liabilities designated at fair value of a subordinated nature amounted to about 0.3 million euro referring to SIA.

Section 4 - Hedging Derivatives - Item 40

4.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	Notional value 31/12/2020	Fair value 31/12/2020			Notional value 31/12/2019	Fair value 31/12/2019		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Financial derivatives	**37,114,250**		**4,683,374**		**37,502,156**		**3,054,893**	
1) Fair value	29,150,041		4,116,836		30,003,568		2,573,422	
2) Cash flow	7,964,209		566,538		7,498,588		481,471	
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total	**37,114,250**		**4,683,374**		**37,502,156**		**3,054,893**	

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	Commodi-ties	Others				
1. Financial assets at fair value through other comprehensive income	51,087				X	X	X	2,131	X	X
2. Financial assets at amortised cost	1,529,915	X			X	X	X	258,592	X	X
3. Portfolio	X	X	X	X	X	X	2,492,843	X		X
4. Other			25,828				X		X	
Total assets	**1,581,002**		**25,828**				**2,492,843**	**260,723**		
1. Financial liabilities	16,697	X	466				X	267,910	X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities	**16,697**		**466**					**267,910**		
1. Forecast transactions	X	X	X	X	X	X	X	30,065	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X	7,840	

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	31/12/2020	31/12/2019
1. Positive adjustments of financial liabilities	10,352	18,699
2. Negative adjustments of financial liabilities		
Total	**10,352**	**18,699**

This item reports the net change in the value of the postal savings bonds portfolio of the Parent Company subject to macro-hedging 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	31/12/2020	31/12/2019
Items being processed	13,326			13,326	32,437
Amounts due to employees	8,704	1,667	178,592	188,963	164,311
Charges for postal funding service	433,122			433,122	451,638
Tax payables	179,251	3,356	75,280	257,887	299,251
Construction contracts			1,958,924	1,958,924	2,028,236
Trade payables	37,339	212,713	6,319,416	6,569,468	6,437,470
Due to social security institutions	6,677	2,365	148,856	157,898	158,825
Accrued expenses and deferred income	2,196		1,336,818	1,339,014	1,454,744
Due to insured for recovered amounts					
Liabilities for premiums to be reimbursed		5,379		5,379	743
Premium deposits					
Processing expenses		1		1	208
Collections from factoring being processed	40,761			40,761	6,313
Provisional allocation of the badwill					
Equity and net income pertaining to non-controlling interests in funds			133,739	133,739	85,170
Other	23,628	32,625,349	2,346,883	34,995,860	2,288,449
Total	**745,004**	**32,850,830**	**12,498,508**	**46,094,342**	**13,407,795**

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 433 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 179 million euro, mainly regarding the substitute tax levied on interest paid on postal savings products.

With regard to insurance enterprises, the item mainly covers the other items of SACE for approximately 33 billion euro relating to relations with the MEF. This amount specifically includes:
- the debt of 31 billion euro recorded by SACE as a counterpart to the amounts credited by the Ministry of the Economy and Finance to the Central Treasury, as already described in section 4.2 of Assets above;
- the debt of 1,545 million euro recorded in compliance with the provisions of art. 2, paragraph 6 of the Liquidity Decree. The latter established that on the date of its issuance ninety percent of the outstanding commitments undertaken by SACE S.p.A. resulting from the insurance business — excluding those for which a report of non-collection has already been received — are reinsured by the State. Of this amount 899 million euro were paid by SACE during the first months of 2021.

With regard to Other Group entities, the item mainly regards:
- trade payables of around 6.6 billion euro, mainly related to Fincantieri (around 2.4 billion euro), Terna (around 2.2 billion euro), SNAM (around 0.6 billion euro) and Italgas (around 0.5 billion euro). Trade payables included liabilities arising from reverse factoring operations for a total of 500 million euro, relating to trade payables from those suppliers that transferred their credit position to factoring companies. These liabilities are classified among “Trade payables” since they are related to obligations for the supply of goods and services used during the normal operating cycle. The sale is agreed with the supplier and envisages the possibility for the latter to give further extensions for consideration or not;
- contract work in progress for 2 billion euro, deriving mainly from Fincantieri orders whose progress has a value lower than what was invoiced to the customer and from Ansaldo’s operations. With regard to the contribution made by the Fincantieri group, please refer to the comments under item 130 Other assets;
- other items of 2.3 billion euro, referring in particular to SNAM for approximately 1.3 billion euro, for payables for investing activities and liabilities to Cassa per i Servizi Energetici e Ambientali. 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	31/12/2020	31/12/2019
A. Opening balance	**2,607**	**4,889**	**245,232**	**252,728**	**209,449**
B. Increases	**403**	**204**	**20,763**	**21,370**	**63,308**
B.1 Provision for the year	270	204	10,060	10,534	5,859
B.2 Other increases	133		10,703	10,836	57,449
- *of which: business combinations*			*1,781*	*1,781*	49,130
C. Decreases	**282**	**937**	**32,138**	**33,357**	**20,029**
C.1 Severance payments	233	815	24,955	26,003	10,508
C.2 Other decreases	49	122	7,183	7,354	9,521
D. Closing balance	**2,728**	**4,156**	**233,857**	**240,741**	**252,728**

The provisions for staff severance pay of other companies mainly refers to Italgas (68 million euro), Fincantieri (60 million euro), Terna (35 million euro) and Snam (26 million euro), SIA (27 million euro) and Ansaldo (10 million euro).

The table below describes the main actuarial assumptions used by the Group companies for the valuation of the provision for staff severance pay.

	Minimum value	Maximum value
Discount rate	-0.43%	1.10%
Expected rate of salary increases	0.67%	4.00%
Inflation rate	0.60%	1.50%

The sensitivity analysis with regard to actuarial assumptions is considered unnecessary due to the insignificant effects on the estimate of the liability itself, and also in consideration of the negligible amount of the provision for staff severance pay when compared to the total consolidated liabilities.

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	31/12/2020	31/12/2019
1. Provisions for credit risk relating to commitments and financial guarantees issued	325,925	83,449		409,374	363,636
2. Provisions on other guarantees issued and other commitments					
3. Company pensions and other post-retirement benefit obligations					
4. Other provisions:	152,498	94,677	2,277,625	2,524,800	3,079,615
4.1 Fiscal and legal disputes	82,561	1,389	415,251	499,201	1,121,335
4.2 Staff costs	68,820	17,250	162,958	249,028	272,806
4.3 Other	1,117	76,038	1,699,416	1,776,571	1,685,474
Total	**478,423**	**178,126**	**2,277,625**	**2,934,174**	**3,443,251**

10.2 Provisions for risks and charges: changes for the year

	Prudential consolidation			Insurance companies			Other entities			31/12/2020		
(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			**612,998**			**132,746**			**2,333,871**			**3,079,615**
B. Increases			**35,669**			**7,291**			**455,575**			**498,535**
B.1 Provision for the year			35,669			535			359,304			395,508
B.2 Changes due to passage of time									73,044			73,044
B.3 Changes due to changes in discount rate												
B.4 Other increases						6,756			23,227			29,983
- of which: business combinations									*81*			*81*
C. Decreases			**496,169**			**45,360**			**511,821**			**1,053,350**
C.1 Use during the year			293,223			38,406			424,876			756,505
C.2 Changes due to changes in discount rate									1,495			1,495
C.3 Other decreases			202,946			6,954			85,450			295,350
D. Closing balance			**152,498**			**94,677**			**2,277,625**			**2,524,800**

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	125,255	85,844	292	211,391
Financial guarantees issued	197,914	69		197,983
Total	**323,169**	**85,913**	**292**	**409,374**

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

(thousands of euro) Items/Values	Prudential consolidation	Insurance companies	Other entities	31/12/2020	31/12/2019
4. Other provisions	**152,498**	**94,677**	**2,277,625**	**2,524,800**	**3,079,615**
4.1 Legal and fiscal disputes	82,561	1,389	415,251	499,201	1,121,335
4.2 Staff costs:	68,820	17,250	162,958	249,028	272,806
- early retirement	38,419	16,607	76,931	131,957	143,772
- loyalty bonus			4,739	4,739	4,247
- electricity discount			3,600	3,600	3,673
- other	30,401	643	77,688	108,732	121,114
4.3 Other risks and charges	1,117	76,038	1,699,416	1,776,571	1,685,474

The provisions included in the item 4.3 “Other risks and charges”, totalling approximately 1,777 million euro at 31 December 2020, consist mainly:

- of approximately 710 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 370 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 52 million euro relating to liabilities for contractual guarantees issued to customers in line with market practices and conditions.

For a more detailed description of the litigation in progress with Group companies, please refer to the information provided in Part E:

- Section 2, par. 1.5 Operational risks, as regards litigation of companies included in the scope of prudential consolidation;
- Section 3 with respect to litigation relating to insurance companies;
- Section 4 as regards disputes involving Other companies included in the CDP scope of consolidation.

Section 11 - Technical provisions - Item 110

11.1 Technical provisions: breakdown

(thousands of euro)	Direct business	Indirect business	Total 31/12/2020	Total 31/12/2019
A. Non-life insurance	**3,195,839**	**264,702**	**3,460,541**	**2,811,818**
A.1 Reserves for unearned premiums	2,645,103	188,401	2,833,504	2,241,437
A.2 Reserves for claims outstanding	549,847	76,301	626,148	569,463
A.3 Other	889		889	918
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	**3,195,839**	**264,702**	**3,460,541**	**2,811,818**

11.2 Technical provisions: changes for the year

(thousands of euro)	31/12/2020	31/12/2019
A. Non-life insurance	**3,460,541**	**2,811,818**
Opening balance	2,811,818	2,675,499
Business combinations		
Change in reserve (+/-)	648,723	136,319
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	**3,460,541**	**2,811,818**

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 2020 is fully paid up and is composed of 342,430,912 ordinary shares, without par value.

At 31 December 2020, the Company held treasury shares with a value of about 322 million euro, compared to a value of 489 million euro at the end of 2019, with a decrease of approximately 167 million euro due to the settlement agreement reached with Cariverona.

The treasury shares were purchased by CDP during 2013 as part of the liquidation of the shares held at the time by two Foundations, as a result of them exercising the right of withdrawal as set forth in the articles of association in force at the time. Cariverona, one of the Foundations that exercised the withdrawal, subsequently started a dispute with CDP, challenging the amount liquidated at the time. With the judgment of first instance of the Court of Rome in January 2020, CDP was ordered to pay Cariverona the sum of approximately 432 million euro, plus interest, in addition to the amount already paid in 2013. Since the value attributed to the treasury shares at the time of their purchase was recalculated, at 31 December 2019 the value of the treasury shares in the portfolio was increased as recognised in the provision for risks and charges.

On 25 June 2020, CDP and Cariverona signed a settlement agreement, under which and in full settlement of the dispute, Cariverona waived the receivable assessed by the Court of Rome in its judgment above mentioned (amounting to approximately 432 million euro, plus interest of approximately 19 million euro, for a total of approximately 451 million euro) against payment by CDP of 265 million euro.

As a result of the settlement agreement, the excess portion of the provision for risks and charges amounting to 186 million euro was released, of which 167 million euro recognised as reduction in the value of the treasury shares in the portfolio and 19 million euro recognised under item 170 "Net provisions for risks and charges" in the income statement.

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	**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 treasury 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	31/12/2020	31/12/2019
Income reserves	14,210,753	14,676,855
Legal reserve	810,229	810,229
Other reserves	13,400,524	13,866,626

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	31/12/2020	31/12/2019
Equity investments in consolidated companies with significant minority interests		
1. Terna S.p.A.	4,105,120	3,943,991
2. Snam S.p.A.	6,687,042	6,558,059
3. Italgas S.p.A.	1,847,225	1,678,508
Other equity investments	623,173	783,000
Total	**13,262,560**	**12,963,558**

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

	Nominal value on commitments and financial guarantees issued										
	Prudential consolidation			Insurance companies			Other entities				
(thousands of euro)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	31/12/2020	31/12/2019
1. Commitments to disburse funds	**23,197,546**	**1,369,649**	**3,938**				**175,000**	**2,074,628**		**26,820,761**	**28,624,498**
a) Central Banks											20,000
b) General Government	8,823,091	50,466	732							8,874,289	8,612,174
c) Banks	784,895	568								785,463	572,618
d) Other financial companies	679,174									679,174	284,650
e) Non-financial companies	12,904,910	1,318,123	3,206				175,000	2,074,628		16,475,867	19,130,259
f) Households	5,476	492								5,968	4,797
2. Financial guarantees issued	**1,484,474**	**1,713**					**1,167,910**	**265,300**	**516**	**2,919,913**	**1,227,455**
a) Central Banks											
b) General Government	374,362						25,508			399,870	249,912
c) Banks							1,129,000			1,129,000	
d) Other financial companies	3,726									3,726	449
e) Non-financial companies	1,106,386	1,713					13,402	265,300	516	1,387,317	977,094
f) Households											

2. Other commitments and other guarantees issued

(thousands of euro)	Nominal value 31/12/2020	Nominal value 31/12/2019
Other guarantees issued	**921,225**	**440,042**
- *of which: non-performing credit exposure*		
a) Central Banks		
b) General Government		
c) Banks	2,133	
d) Other financial companies		
e) Non-financial companies	919,092	440,042
f) Households		
Other commitments	**9,664,154**	**6,854,650**
- *of which: non-performing credit exposure*		
a) Central Banks		
b) General Government	25,508	25,508
c) Banks	75,327	87,207
d) Other financial companies	3,522,136	3,597,594
e) Non-financial companies	6,041,183	3,144,341
f) Households		

3. Assets pledged as collateral for own debts and commitments

(thousands of euro) Portfolios	Prudential consolidation	Insurance group	Other entities	31/12/2020	31/12/2019
1. Financial assets measured at fair value through profit or loss					
2. Financial assets measured at fair value through other comprehensive income	3,393,000			3,393,000	2,118,500
3. Financial assets measured at amortised cost	82,411,089			82,411,089	67,352,506
4. Property, plant and equipment			1,335,619	1,335,619	1,022,122
- *of which: property, plant and equipment classified as inventory*			*469,255*	*469,255*	*789,100*

4. Breakdown of investments related to unit-linked and index-linked policies

This item has a nil balance.

5. Management and intermediation services on behalf of third parties

(thousands of euro) Type of service	31/12/2020
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	**718,544**
a) Individual	
b) Collective	718,544
3. Securities custody and administration	**80,854,006**
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	1,873,311
1. securities issued by consolidated companies	
2. other securities	1,873,311
c) Third-party securities deposited with third parties	1,873,311
d) own securities portfolio deposited with third parties	78,980,695
4. Other	**76,086,643**
Management on behalf of third parties in separate accounts on the basis of specific agreements:	
- Postal savings bonds managed on behalf of MEF (1)	57,832,577
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	2,871,769
- Payment PA payable - Decree Law 8 April 2013, no. 35; Decree Law 24 April 2014 no. 66; Decree Law 19 June 2015, no.78) (3)	5,556,846
- Funds for Approved and Subsidised Residential Building initiatives (4)	2,636,509
- Funds for Regional Agreements and Area Contracts - Law 662/96, Article 2, paragraph 203 (4)	392,994
- Funds of Public Entities and Other Entities deposited pursuant to Legislative Decree 1058/1919 and Law no. 1041/1971 (4)	1,121,901
- Fondo Kyoto (3)	625,390
- Funds for Methanisation of Southern Italy - Law 784/80, Law 266/97 and Law 73/98 (4)	84,018
- MIUR Student Accomodation - Law 388/00 (4)	69,083
- Minimum Environmental Impact Fund (4)	27,158
- Revolving Fund for development cooperation (3)	4,797,659
- MEPLS Fund - contributions by the Ministry of Environment and Protection of the Land and See for cooperation	55,782
- MIPAAF Fund - Ministry of Agricultural and Forestry Policies - guarantee platform to support olive oil producers (4)	7,991
- EURECA Fund - guarantee platform to support SMEs in the Emilia-Romagna Region (4)	4,649
- Funds for international cooperation - Archipelagos project (4)	486
- Funds for international cooperation - Blending EU - PASPED project (4)	65
- Funds for international cooperation - EGRE project (4)	1,766

(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.

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 statements (B)	Net amount of financial assets reported in balance sheet (C = A - B)	Correlated amounts not offset in financial statements: Financial instruments (D)	Correlated amounts not offset in financial statements: Cash deposits received as guarantee (E)	Net amount 31/12/2020 (F = C - D - E)	Net amount 31/12/2019
1. Derivatives	531,339		531,339	491,816	37,227	2,296	3,384
2. Repurchase agreements	1,522,479		1,522,479	1,522,479			
3. Securities lending							
4. Other							
Total 31/12/2020	**2,053,818**		**2,053,818**	**2,014,295**	**37,227**	**2,296**	**X**
Total 31/12/2019	**806,776**		**806,776**	**742,333**	**61,059**	**X**	**3,384**

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		531,339
	20. Financial assets measured at fair value through profit or loss	*104,012*
	50. Hedging derivatives	*427,327*
2. Repurchase agreements		1,522,479
	40. Financial assets measured at amortised cost	*1,522,479*
3. Securities lending		
4. Other		

For details of the valuation criteria used for the financial assets shown in the table above, see Section A of the Accounting Policies.

7. Financial liabilities offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of 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: Financial instruments (D)	Correlated amounts not offset in financial statements: Cash deposits received as guarantee (E)	Net amount 31/12/2020 (F = C - D - E)	Net amount 31/12/2019
1. Derivatives	4,396,038		4,396,038	491,816	3,901,380	2,842	3,768
2. Repurchase agreements	41,935,902		41,935,902	41,935,902			91,802
3. Stock lending							
4. Other							
Total 31/12/2020	**46,331,940**		**46,331,940**	**42,427,718**	**3,901,380**	**2,842**	**X**
Total 31/12/2019	**44,000,561**		**44,000,561**	**41,272,074**	**2,632,917**	**X**	**95,570**

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 liabilities shown in financial statements (C = A - B)
1. Derivatives		4,396,038
	20. Financial liabilities held for trading	*75,073*
	40. Hedging derivatives	*4,320,965*
2. Repurchase agreements		41,935,902
	10. Financial liabilities measured at amortised cost	*41,935,902*
3. Securities lending		
4. Other		

For details of the valuation criteria used for the financial liabilities shown in the table above, see Section A of the Accounting Policies.

8. Securities lending transactions

This item has a nil balance.

9. Disclosure on joint operations

At 31 December 2020, 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	2020	2019
1. Financial assets measured at fair value through profit or loss	**23,577**	**11,898**		**35,475**	**33,157**
1.1 Financial assets held for trading	12,093			12,093	3,369
1.2 Financial assets designated at fair value					
1.3 Other financial assets mandatorily measured at fair value	11,484	11,898		23,382	29,788
2. Financial assets measured at fair value through other comprehensive income	**82,825**	**5**	**X**	**82,830**	**116,602**
3. Financial assets measured at amortised cost	**1,401,990**	**6,446,869**		**7,848,859**	**7,110,042**
3.1 Loans to banks	16,206	237,745	X	253,951	253,070
3.2 Loans to customers	1,385,784	6,209,124	X	7,594,908	6,856,972
4. Hedging derivatives	**X**	**X**	**(263,994)**	**(263,994)**	**(255,827)**
5. Other assets	**X**	**X**	**25,069**	**25,069**	**19,926**
6. Financial liabilities	**X**	**X**	**X**	**224,716**	**177,097**
Total	**1,508,392**	**6,458,772**	**(238,925)**	**7,952,955**	**7,200,997**
- *of which: interest income on non-performing assets*	*872*	*5,840*		*6,712*	*5,441*
- *of which: interest income on finance lease*					

Interest income accrued in 2020 amounted to approximately 7,953 million euro. It substantially refers to the Parent Company and mainly comprises:
- interest income on loans to banks and customers, amounting approximately to 7,849 million euro (7,110 million euro in 2019);
- interest income on debt securities amounting to about euro 1,508 million;
- interest income on financial liabilities that, due to negative remuneration, have resulted in a component with opposite sign (interest income), amounting to about 225 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 2020, this amount is negative for around 264 million euro.

The item includes interest income on non-performing financial assets of approximately 6.7 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 62 million euro (93 million euro in 2019), mainly attributable to the Parent Company CDP.

1.3 Interest expense and similar expense: breakdown

(thousands of euro) Items/Technical forms	Debt securities	Securities	Other	2020	2019
1. Financial liabilities measured at amortised cost	**4,360,122**	**646,032**		**5,006,154**	**4,887,142**
1.1 Due to central banks		X	X		
1.2 Due to banks	236,110	X	X	236,110	172,346
1.3 Due to customers	4,124,012	X	X	4,124,012	4,056,454
1.4 Securities issued	X	646,032	X	646,032	658,342
2. Financial liabilities held for trading					**161**
3. Financial liabilities designated at fair value	**3,870**			**3,870**	**3,594**
4. Other liabilities and provisions	**X**	**X**	**16,587**	**16,587**	**21,306**
5. Hedging derivatives	**X**	**X**	**(87,403)**	**(87,403)**	**(116,241)**
6. Financial assets	**X**	**X**	**X**	**22,213**	**25,472**
Total	**4,363,992**	**646,032**	**(70,816)**	**4,961,421**	**4,821,434**
- *of which: interest expense on finance lease*	*9,960*			*9,960*	*5,907*

Interest expense in 2020 amounts to 4,961 million euro, and is mainly attributable to:

- remuneration of the Parent Company's postal funding, amounting to approximately 4,175 million euro;
- interest expense accrued on securities issued by the Parent Company of 371 million euro, by the industrial companies of 255 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 adjust the interest expense recognised on the hedged financial instruments. As at 31 December 2020, this amount is positive for around 87 million euro.

The item includes financial expenses accrued on lease liabilities recognised as a consequence of applying the IFRS 16, equal to about 10 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 accrued on financial liabilities accounted for in foreign currency, totalling about 15 million euro, mainly attributable to the Parent Company CDP.

1.5 Differentials on hedging transactions

(thousands of euro) Items	2020	2019
A. Positive differences on hedging transactions	134,974	140,196
B. Negative differences on hedging transactions	(311,565)	(279,782)
C. Balance (A - B)	**(176,591)**	**(139,586)**

The balance of differences on hedging transactions at 31 December 2020 was negative and approximately equal to 176.6 million euro.

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

(thousands of euro) Type of services/Amounts	2020	2019
a) Guarantees issued	20,826	19,440
b) Credit derivatives		
c) Management, intermediation and advisory services:	21,502	5,464
1. trading of financial instruments		
2. trading of currencies		
3. management of portfolios:	21,502	5,464
3.1 individual		
3.2 collective	21,502	5,464
4. custody and administration of securities		
5. custodian bank		
6. placement of securities		
7. receipt and transmission of orders		
8. advisory services:		
8.1 for investments		
8.2 for structured finance		
9. distribution of third party services:		
9.1 management of portfolios:		
9.1.1 individual		
9.1.2 collective		
9.2 insurance products		
9.3 other products		
d) Collection and payment services	29,338	
e) Servicing for securitisations		
f) Factoring services	13,586	7,171
g) Collection services		
h) Management multilateral trading systems		
i) Maintenance and management of current accounts		
j) Other services	434,815	415,401
Total	**520,067**	**447,476**

Commission income at 31 December 2020 amounts to 520 million euro, mainly attributable to the contribution of the Parent Company, which during the year accrued commission income of 406 million euro in relation to:
- 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);
- structuring and disbursement of loans for around 84 million euro;
- guarantees issued of around 22 million euro.

The residual contribution to the balance of the item includes commissions earned for the management of the Revolving Fund for International Cooperation & Development Finance, the Kyoto Fund, the Revolving Fund supporting enterprises and investment in research (FRI), and other services rendered.

The balance also includes 29.3 million euro from commissions for collection and payment services received by the SIA group, commission income of 19 million euro received by the subsidiary SIMEST for the management of Public Funds, 13.6 million euro for commissions for services related to factoring transactions of the subsidiary SACE Fct, and commission income of 6.5 million accrued by the subsidiary CDP Immobiliare SGR for the performance of its own institutional portfolio management activity.

2.2 Commission expense: breakdown

(thousands of euro) Services/Amounts	2020	2019
a) Guarantees received	32,114	26,581
b) Credit derivatives		
c) Management and intermediation services:	1,416,159	1,488,425
1. trading of financial instruments		4
2. trading of currencies		
3. management of portfolios:	3,071	1,600
3.1 own portfolio	3,071	1,494
3.2 third-party portfolio		106
4. custody and administration of securities	1	7
5. placement of financial instruments	1,405,675	1,486,814
6. door-to-door selling of financial instruments, products and services	7,412	
d) Collection and payment services	8,891	1,800
e) Other services	24,969	6,783
Total	**1,482,133**	**1,523,589**

Commission expense is almost exclusively attributable to the Parent Company and is mainly related to the amount for the year, of around 1,393 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.

Section 3 - Dividends and similar revenues - Item 70

3.1 Dividends and similar revenues: breakdown

(thousands of euro) Items/Revenues	2020		2019	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	25	285	34	203
B. Other financial assets mandatorily measured at fair value		8,055		13,596
C. Financial assets measured at fair value through other comprehensive income	17,656	24	2,664	
D. Equity investments				
Total	**17,681**	**8,364**	**2,698**	**13,799**

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	**8,169**	**361**	**1,658**	**11,429**	**(4,557)**
1.1 Debt securities	8,169	361	1,531	11,429	(4,430)
1.2 Equity securities			127		(127)
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					
Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**(18,784)**
3. Derivatives	**60,055**	**50,114**	**120,329**	**25,172**	**(96,149)**
3.1 Financial derivatives:	60,055	50,114	120,329	25,172	(96,149)
- on debt securities and interest rates	55,960	50,042	107,854	25,103	(26,955)
- on equity securities and equity indices	350	72	7,315	69	(6,962)
- on currencies and gold	X	X	X	X	(60,817)
- other	3,745		5,160		(1,415)
3.2 Credit derivatives					
Total	**68,224**	**50,475**	**121,987**	**36,601**	**(119,490)**

The profits (losses) on trading activities, which showed a net loss of 119.5 million euro, was mainly due to the net loss recorded with reference to the financial derivatives of the Terna group (48.5 million euro) and of the SACE group (32.1 million euro).

Exchange differences were realised by Fincantieri for 20.6 million euro, by Ansaldo Energia for 13.8 million euro, by CDP for 12.2 million euro and by the Terna group for 4 million euro, offset by the profits recorded by SACE equal to 32.8 million euro.

The profits (losses) on financial assets held for trading, which was negative for approximately 4.6 million euro, was essentially attributable to SACE.

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	2020	2019
A. Income on:		
A.1 Fair value hedges	55,806	100,205
A.2 Hedged financial assets (fair value)	1,617,298	2,026,031
A.3 Hedged financial liabilities (fair value)	61,000	68,219
A.4 Cash flow hedges	9	3,511
A.5 Assets and liabilities in foreign currencies	153,738	43,177
Total income on hedging activities (A)	**1,887,851**	**2,241,143**
B. Expense on:		
B.1 Fair value hedges	1,668,680	2,154,518
B.2 Hedged financial assets (fair value)	24,148	15,228
B.3 Hedged financial liabilities (fair value)	31,332	68,406
B.4 Cash flow hedges	59,472	69,992
B.5 Assets and liabilities in foreign currencies	153,723	43,554
Total expense on hedging activities (B)	**1,937,355**	**2,351,698**
C. Net gain (loss) on hedging activities (A - B)	**(49,504)**	**(110,555)**

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

6.1 Gains (losses) on disposal or repurchase: breakdown

	2020			2019		
(thousands of euro) Type of operations/P&L Items	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Financial assets at amortised cost	735,953	(197)	735,756	661,923	(1,447)	660,476
1.1 Loans to banks	198		198	820	(2)	818
1.2 Loans to customers	735,755	(197)	735,558	661,103	(1,445)	659,658
2. Financial assets measured at fair value through other comprehensive income	138,799	(2,009)	136,790	129,284	(18,417)	110,867
2.1 Debt securities	138,799	(2,009)	136,790	129,284	(18,417)	110,867
2.2 Loans						
Total assets	**874,752**	**(2,206)**	**872,546**	**791,207**	**(19,864)**	**771,343**
Financial liabilities measured at amortised cost						
1. Due to banks		(302)	(302)			
2. Due to customers	1,734		1,734			
3. Securities issued		(17,433)	(17,433)		(28,744)	(28,744)
Total liabilities	**1,734**	**(17,735)**	**(16,001)**		**(28,744)**	**(28,744)**

The net balance of the item was positive for approximately 857 million euro. It mainly refers to the positive contribution of the Parent Company (873 million euro), which recorded profits on the sale of debt securities recorded among the Loans to customers (approximately +732 million euro) and of debt securities in the portfolio of financial assets measured at fair value through other comprehensive income (approximately +137 million euro).

The losses on the repurchase of securities issued (17.4 million euro) arise mainly from the liability management transaction completed by SNAM, which repurchased bonds with a total nominal amount of 629 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			**3,231**		**(3,231)**
1.1 Debt securities					
1.2 Loans			3,231		(3,231)
2. Financial liabilities	**10,277**		**3,684**		**6,593**
2.1 Securities issued					
2.2 Due to banks					
2.3 Due to customers	10,277		3,684		6,593
3. Foreign currency financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	
Total	**10,277**		**6,915**		**3,362**

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	**41,246**	**7,261**	**221,294**	**31,268**	**(204,055)**
1.1 Debt securities		6,877	51,232	6,305	(50,660)
1.2 Equity securities	50				50
1.3 Units in collective investment undertakings	35,499		143,966		(108,467)
1.4 Loans	5,697	384	26,096	24,963	(44,978)
2. Financial assets: exchange rate differences	**X**	**X**	**X**	**X**	
Total	**41,246**	**7,261**	**221,294**	**31,268**	**(204,055)**

The net balance of the item, negative for approximately 204 million euro, is mainly attributable to the Parent Company and derives from the fair value measurement of the units of UCI recognised under financial assets mandatorily measured at fair value and the positive result of approximately 6 million euro, mainly arising from realised gains on debt securities.

The balance of the item also includes the contribution from the subsidiary FSI Investimenti S.r.l., which had a negative impact of approximately 50.3 million euro deriving from the fair value measurement of the convertible bond (CB) issued to Valvitalia.

Section 8 - Net adjustments/recoveries for credit risk - Item 130

This item shows a loss of around 191 million euro and almost exclusively relates to the net balance between adjustments and recoveries for credit risk calculated on an individual and collective basis and related to financial assets measured at amortised cost.

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	Writedowns			Writebacks			
		Stage 3					
	Stage 1 & 2	Write-off	Other	Stage 1 & 2	Stage 3	2020	2019
A. Loans to banks	**(20,995)**			**10,694**		**(10,301)**	**9,143**
Loans	(18,642)			9,863		(8,779)	10,318
Debt securities	(2,353)			831		(1,522)	(1,175)
- *of which: impaired loans acquired or originated*							
B. Loans to customers	**(228,397)**	**(3,170)**	**(22,890)**	**31,668**	**42,423**	**(180,366)**	**21,196**
Loans	(198,456)	(3,170)	(21,890)	22,975	42,423	(158,118)	170,106
Debt securities	(29,941)		(1,000)	8,693		(22,248)	(148,910)
- *of which: impaired loans acquired or originated*							
Total	**(249,392)**	**(3,170)**	**(22,890)**	**42,362**	**42,423**	**(190,667)**	**30,339**

8.1a Net adjustments for credit risk relating to loans measured at amortised cost subject to Covid-19 support measures: breakdown

(thousands of euro) Type of operations/P&L Items	Net impairment adjustment				
		Stage 3			
	Stage 1 & 2	Write-off	Other	2020	2019
1. Loans subject to moratoria compliant with the GL	(383)		17	(366)	
2. Loans subject to forbearance measures					
3. New loans	(2,673)			(2,673)	
Total	**(3,056)**		**17**	**(3,039)**	

The table shows the net adjustments for credit risk recognised on loans subject to Covid-19 support measures. The line "Loans granted in accordance with the GLs" shows the net adjustments recognised on loans subject to a moratorium that fall within the scope of the "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis*" published by the EBA (EBA/GL/2020/02) and as amended and supplemented. The line "New loans" reports the net adjustments recognised on loans which represent new liquidity backed by public guarantees.

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	Writedowns			Writebacks			
		Stage 3					
	Stage 1 & 2	Write-off	Other	Stage 1 & 2	Stage 3	2020	2019
A. Debt securities	**(6,682)**			**6,427**		**(255)**	**(3,999)**
B. Loans							
- Customers							
- Banks							
- *of which: impaired financial assets acquired or originated*							
Total	**(6,682)**			**6,427**		**(255)**	**(3,999)**

8.2a Net adjustments for credit risk relating to loans measured at fair value through other comprehensive income subject to Covid-19 support measures: breakdown

In 2020 there were no adjustments for credit risk relating to loans measured at fair value through other comprehensive income subject to Covid-19 support measures.

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			
Financial assets measured at amortised cost: loans to banks			
Loans			
Debt securities			
Financial assets measured at amortised cost: loans to customers		**(15)**	**(15)**
Loans		(15)	(15)
Debt securities			
Total		**(15)**	**(15)**

Section 10 - Net premium income - Item 160

10.1 Net premium income: breakdown

(thousands of euro) Premiums from insurance activity	Direct work	Indirect work	2020	2019
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 (+)	273,999	132,386	406,385	396,857
B.2 Premiums transferred to reinsurance (-)	(160,462)	X	(160,462)	(119,945)
B.3 Change in gross amount of provision for unearned premiums (+/-)	(506,584)	(88,064)	(594,648)	(22,572)
B.4 Change in reinsurer's share of provision for unearned reserves (-/+)	336,730	(1)	336,729	54,090
B.5 Total	(56,317)	44,321	(11,996)	308,430
C. Total net premium income	**(56,317)**	**44,321**	**(11,996)**	**308,430**

Section 11 - Net other income (expense) from insurance operations - Item 170

11.1 Net Other income (expense) from insurance operations: breakdown

(thousands of euro)	2020	2019
1. Net change in technical provisions	(25,981)	(5,284)
2. Claims accrued and paid during the year	25,055	(145,355)
3. Other net profit (loss) on insurance operations	7,834	6,546
Total	**6,908**	**(144,093)**

11.2 Breakdown of sub-item “Net change in technical provisions”

(thousands of euro) Net change in technical reserves	2020	2019
1. Life insurance		
A. Mathematical reserves		
A.1 Gross annual amount		
A.2 (-) Amounts borne by reinsurers		
B. Other technical provisions		
B.1 Gross annual amount		
B.2 (-) Amounts borne by reinsurers		
C. Technical provisions where the investment risk is borne by the insured		
C.1 Gross annual amount		
C.2 (-) Amounts borne by reinsurers		
Total "life insurance reserves"		
2. Non-life insurance	**(25,981)**	**(5,284)**
Changes in other technical provisions for life insurance other the claims provisions net of cessions in reinsurance	(25,981)	(5,284)

11.3 Breakdown of sub-item “Claims accrued during the year”

(thousands of euro) Incurred claims	2020	2019
Life insurance: expenses for claims, net of cessions in reinsurance		
A. Amounts paid		
A.1 Gross annual amount		
A.2 (-) Amounts borne by reinsurers		
B. Change in the reserve for sums to be paid		
B.1 Gross annual amount		
B.2 (-) Amounts borne by reinsurers		
Total life insurance claims		
Non-life insurance: expenses for claims, net of recoveries and cessions in reinsurance		
C. Amounts paid	(173,163)	(236,416)
C.1 Gross annual amount	(215,660)	(272,964)
C.2 (-) Amounts borne by reinsurers	42,497	36,548
D. Change in recoveries net of amounts borne by reinsurers	85,966	120,392
E. Changes in claims reserve	112,252	(29,331)
E.1 Gross annual amount	(40,113)	(113,087)
E.2 (-) Amounts borne by reinsurers	152,365	83,756
Total non-life insurance claims	**25,055**	**(145,355)**

11.4 Breakdown of item "Net Other income (expense) from insurance operations"

(thousands of euro)	2020	2019
Life insurance		
Other gains		
Other losses		
Non-life insurance	**7,834**	**6,546**
Other gains	77,832	43,457
Other losses	(69,998)	(36,911)
Total	**7,834**	**6,546**

Section 12 - Administrative expenses - Item 190

12.1 Staff costs: breakdown

(thousands of euro) Type of expenses/Sectors	Prudential consolidation	Insurance companies	Other entities	2020	2019
1) Employees	**149,732**	**77,507**	**2,211,459**	**2,438,698**	**1,948,746**
a) wages and salaries	107,061	44,892	1,532,829	1,684,782	1,353,463
b) social security costs	1,861	105	27,270	29,236	28,807
c) staff severance pay	657	1,141	40,063	41,861	28,010
d) pension costs	22,099	12,189	424,770	459,058	370,636
e) allocation to staff severance pay	270	204	10,007	10,481	5,859
f) allocation to provision for post-employment benefits:					
- defined contribution					
- defined benefit					
g) payments to external supplementary pensions funds:	8,259	3,904	70,018	82,181	61,622
- defined contribution	8,259	3,904	66,390	78,553	58,663
- defined benefit			3,628	3,628	2,959
h) costs arising from share-based payment arrangements			4,386	4,386	4,014
i) other employee benefits	9,525	15,072	102,116	126,713	96,335
2) Other personnel in service	**1,111**	**507**	**8,068**	**9,686**	**7,034**
3) Board of Directors and Board of Auditors	**3,374**	**745**	**22,182**	**26,301**	**20,846**
4) Retired personnel					
Total	**154,217**	**78,759**	**2,241,709**	**2,474,685**	**1,976,626**

12.2 Average number of employees by category

(number)	Prudential consolidation	Insurance companies	Other entities	2020	2019
Employees	**1,114**	**731**	**39,381**	**41,226**	**33,571**
a) Senior management	129	45	807	981	848
b) Middle management	561	368	11,707	12,636	11,176
c) Other employees	424	318	26,867	27,609	21,547
Other personnel	**7**		**217**	**224**	**124**

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	2020	2019
Food coupons	2,217	1,472	6,140	9,829	9,604
Insurance policies	3,741	2,935	1,997	8,673	7,694
Lump sum repayments					
Contributions to mortgage loan interest	731	399		1,130	991
Leaving incentives		289	24,028	24,317	23,720
Energy bonus			303	303	32
Length of service bonuses		73	756	829	344
Other benefits	2,836	9,904	68,892	81,632	53,950
Total	**9,525**	**15,072**	**102,116**	**126,713**	**96,335**

12.5 Other administrative expenses: breakdown

(thousands of euro) Type of expenses/Values	Prudential consolidation	Insurance companies	Other entities	2020	2019
IT costs	26,965	9,419	196,923	233,307	115,483
General services	10,037	4,434	5,934,821	5,949,292	4,861,742
Professional and financial services	16,659	6,108	812,787	835,554	644,357
Publicity and marketing expenses	5,490	1,676	31,685	38,851	37,650
Other personnel-related expenses	2,225		49,673	51,898	39,937
Utilities, duties and other expenses	8,562	8,127	268,152	284,841	222,267
Information resources and databases	5,704		6,712	12,416	10,996
Corporate bodies	476		361	837	717
Total	**76,118**	**29,764**	**7,301,114**	**7,406,996**	**5,933,149**

As required by Art. 149-*duodecies* of Consob Issuers' Regulation no. 11971, the 2020 audit fees and fees for non-audit services are given below:

(thousands of euro) Type of services	Subject that provided the service	Recipient	Fees
Auditing	Auditor of the parent company	Parent company	306
		Subsidiaries	4,930
	Network of the auditor of the parent company	Subsidiaries	282
Certification services	Auditor of the parent company	Parent company	144
		Subsidiaries	561
Other services	Auditor of the parent company	Subsidiaries	428
	Network of the auditor of the parent company	Subsidiaries	409
Total			**7,060**

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

(thousands of euro)	Accruals		Reversal of excess		Net income (loss)
	Stage 1 & 2	Stage 3	Stage 1 & 2	Stage 3	
Commitments to disburse funds	(105,902)	(109)	13,911	2,647	(89,453)
Financial guarantees issued	(7,176)		3,585	1,113	(2,478)
Total	**(113,078)**	**(109)**	**17,496**	**3,760**	**(91,931)**

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) Type of transactions/Values	Accruals	Reversal of excess	2020
Net accruals to the provisions for legal and fiscal disputes	(19,801)	182,559	162,758
Net accruals to the provisions for sundry expenses for personnel	(4,593)	2,133	(2,460)
Net sundry provisions	(305,148)	107,846	(197,302)
Total	**(329,542)**	**292,538**	**(37,004)**

13.3 of which: pertaining to the Prudential consolidation

(thousands of euro) Type of transactions/Values	Allocations	Reversal of excess	2020
Net provisions for legal and fiscal disputes	(5,324)	29,322	23,998
Net provisions for sundry expenses for personnel		249	249
Net sundry provisions	(461)	6	(455)
Total	**(5,785)**	**29,577**	**23,792**

The balance of this item, positive for around 24 million euro, mainly refers to the net balance of provisions and the reversal of excess provisions of the Parent Company, largely attributable to the outcome of the settlement reached in June 2020 with Fondazione Cariverona.

13.3 of which: pertaining to Insurance companies

(thousands of euro) Type of transactions/Values	Allocations	Reversal of excess	2020
Net provisions for legal and fiscal disputes	(211)	190	(21)
Net provisions for sundry expenses for personnel			
Net sundry provisions		31,380	31,380
Total	**(211)**	**31,570**	**31,359**

13.3 of which: pertaining to Other companies

(thousands of euro) Type of transactions/Values	Allocations	Reversal of excess	2020
Net provisions for legal and fiscal disputes	(14,266)	153,047	138,781
Net provisions for sundry expenses for personnel	(4,593)	1,884	(2,709)
Net sundry provisions	(304,687)	76,460	(228,227)
Total	**(323,546)**	**231,391**	**(92,155)**

Section 14 - Net adjustments to/recoveries on property, plant and equipment - Item 210

14.1 Net adjustments to property, plant and equipment: breakdown

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Property, plant and equipment				
1. Operating:	(1,710,483)	(20,334)	1,976	(1,728,841)
- owned	(1,623,736)	(20,334)	1,143	(1,642,927)
- right of use acquired under leases	(86,747)		833	(85,914)
2. Investment:	(6,287)	(13,757)	25	(20,019)
- owned	(5,794)	(13,757)	25	(19,526)
- right of use acquired under leases	(493)			(493)
3. Inventories	X	(51,042)	6,110	(44,932)
Total	**(1,716,770)**	**(85,133)**	**8,111**	**(1,793,792)**

14.1 of which: pertaining to the Prudential consolidation

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Property, plant and equipment				
1. Operating:	(6,163)			(6,163)
- owned	(3,872)			(3,872)
- right of use acquired under leases	(2,291)			(2,291)
2. Investment:	(6,258)			(6,258)
- owned	(5,794)			(5,794)
- right of use acquired under leases	(464)			(464)
3. Inventories	X			
Total	**(12,421)**			**(12,421)**

14.1 of which: pertaining to Insurance companies

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Property, plant and equipment				
1. Operating:	(3,854)			(3,854)
- owned	(1,408)			(1,408)
- right of use acquired under leases	(2,446)			(2,446)
2. Investment:		(41)		(41)
- owned		(41)		(41)
- right of use acquired under leases				
3. Inventories	X			
Total	**(3,854)**	**(41)**		**(3,895)**

14.1 of which: pertaining to Other companies

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Property, plant and equipment				
1. Operating:	(1,700,466)	(20,334)	1,976	(1,718,824)
- owned	(1,618,456)	(20,334)	1,143	(1,637,647)
- right of use acquired under leases	(82,010)		833	(81,177)
2. Investment:	(29)	(13,716)	25	(13,720)
- owned		(13,716)	25	(13,691)
- right of use acquired under leases	(29)			(29)
3. Inventories	X	(51,042)	6,110	(44,932)
Total	**(1,700,495)**	**(85,092)**	**8,111**	**(1,777,476)**

Section 15 - Net adjustments to/recoveries on intangible assets - Item 220

15.1 Net adjustments on intangible assets: breakdown

(thousands of euro) Assets/P&L items	Amortisation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned:	(874,141)	(11,363)		(885,504)
- internally generated by the company	(75,618)	(23)		(75,641)
- other	(798,523)	(11,340)		(809,863)
A.2 Right of use acquired under leases				
Total	**(874,141)**	**(11,363)**		**(885,504)**

15.1 of which: pertaining to the Prudential consolidation

(thousands of euro) Assets/P&L items	Amortisation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned:	(9,762)			(9,762)
- internally generated by the company				
- other	(9,762)			(9,762)
A.2 Acquired under finance leases				
Total	**(9,762)**			**(9,762)**

15.1 of which: pertaining to Insurance companies

(thousands of euro) Assets/P&L items	Amortisation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned:	(3,001)			(3,001)
- internally generated by the company	(803)			(803)
- other	(2,198)			(2,198)
A.2 Acquired under finance leases				
Total	**(3,001)**			**(3,001)**

15.1 of which: pertaining to Other companies

(thousands of euro) Assets/P&L items	Amortisation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned:	(861,378)	(11,363)		(872,741)
- internally generated by the company	(74,815)	(23)		(74,838)
- other	(786,563)	(11,340)		(797,903)
A.2 Acquired under finance leases				
Total	**(861,378)**	**(11,363)**		**(872,741)**

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	2020	2019
Depreciation of leasehold improvements	280		1,024	1,304	1,295
Other	13,158	7,009	118,864	139,031	117,341
Total	**13,438**	**7,009**	**119,888**	**140,335**	**118,636**

16.2 Other operating income: breakdown

(thousands of euro) Type of costs/Figures	Prudential consolidation	Insurance companies	Other entities	2020	2019
Income for company engagements to employees	620		242	862	827
Recovery of expenses	942	8	11,962	12,912	11,662
Rental income and other income from property management	12,404	554	20,361	33,319	25,027
Revenues from industrial management			14,944,548	14,944,548	12,624,891
Other	1,495	2,240	247,003	250,738	137,078
Total	**15,461**	**2,802**	**15,224,116**	**15,242,379**	**12,799,485**

Other operating income, equal to 15,242 million euro as at 31 December 2020 (12,799 million euro in 2019), includes income that is not attributable to the other items of the bank financial statements, represented almost exclusively by the revenues recorded by the Group companies whose activity is industrial, and described below.

The revenues from regulated activities of the SNAM group equal to 2,759 million euro related to the transport, regasification and storage of natural gas, and of the Italgas group for 2,114 million euro related to the distribution of natural gas, whose income is governed by the regulatory framework defined by the Energy Networks and Environment Regulator (ARERA), whose financial conditions are defined through regulatory frameworks and not on a negotiated basis, are included among Other operating income.

The Terna group contributed to the balance with 2,470 million euro in revenues, the main component of which derived from the CRT network usage fee that remunerates the ownership and management of the National Transmission Grid. Transmission revenues represent the most significant portion of the regulated revenues of the Terna group, and derive from the monopolistic application of the transmission fee (CTR) billed by Terna to distributors connected to the National Transmission Grid as part of the regulation overseen by ARERA.

The Fincantieri group recorded revenues of 5,778 million euro in the period deriving from the shipbuilding orders and the services provided in the businesses it operates in: Shipbuilding, Offshore and Special Vessels, Systems, Components and Services and Other activities. Revenues are progressively recognised over time on the basis of the transfer over time of control of goods and/or services to the customer and as a result of the change in contract work in progress.

The contribution of the Ansaldo group amounted to 1,096 million euro of revenues deriving from the main business sectors of the group: orders relating to the production of gas turbines, steam turbines and generators, and related engineering activities, supply and construction of thermoelectric power plants, and maintenance, repair and spare parts services for existing plants.

The SIA group recorded 729 million euro of revenues in the period deriving from the processing of electronic transactions and the management of European service infrastructures in the markets of card processing, payment services and systems, in the market of solutions for financial intermediaries and in the area of networking services.

Section 17 - Gains (losses) on equity investments - Item 250

17.1 Gains (losses) on equity investments: breakdown

(thousands of euro) P&L components/Sectors	2020	2019
1. Joint ventures		
A. Income	**138,758**	**481,047**
1. Writebacks	135,876	239,366
2. Gains on disposal		
3. Writebacks	871	460
4. Other	2,011	241,221
B. Expenses	**(181,971)**	**(305,916)**
1. Impairment	(169,911)	(219,340)
2. Writedowns for impairment	(11,227)	
3. Losses on disposal		
4. Other	(833)	(86,576)
Net result	**(43,213)**	**175,131**
2. Enterprises subject to significant influence		
A. Income	**433,382**	**443,126**
1. Writebacks	432,232	442,027
2. Gains on disposal	1,150	1,099
3. Writebacks		
4. Other		
B. Expenses	**(2,507,578)**	**(187,768)**
1. Impairment	(2,507,182)	(177,201)
2. Writedowns for impairment	(5)	(9,205)
3. Losses on disposal	(22)	(8)
4. Other	(369)	(1,354)
Net gain (loss)	**(2,074,196)**	**255,358**
Total	**(2,117,409)**	**430,489**

Net losses on equity investments of approximately 2,117 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 Poste Italiane (336 million euro), of the equity investments of the SNAM group (194 million euro, of which 83 million euro relating to TAG, 35 million euro to Terēga Holding, 27 million euro to Senfluga Energy Infrastructure Holdings and 20 million euro to Galaxy Pipeline Assets Holdco Ltd.);
- the negative effect of the measurement at equity of Eni (2,464 million euro) and Saipem (150 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

This item has a nil balance for 2020 and 2019.

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/Figures	2020	2019
A. Land and buildings	**(651)**	**11,023**
- Gains on disposal	10	11,103
- Losses on disposal	(661)	(80)
B. Other assets	**16,543**	**4,323**
- Gains on disposal	18,091	9,701
- Losses on disposal	(1,548)	(5,378)
Net gain (loss)	**15,892**	**15,346**

This item shows gains of 15.9 million euro and consists of gains on the disposal of other property, plant and equipment, intangible assets and other assets.

Section 21 - Income tax for the year on continuing operations - Item 300

The CDP Group operates in various countries (both European and non-European) that have autonomous tax systems where the determination of the taxable base, the level of tax rates, the nature, type and timing of formal obligations differ from one another.

CDP and some Italian Group companies have adopted the so-called "national fiscal consolidation" under which it is possible to algebraically offset the income and losses of companies belonging to the same scope of consolidation.

With regard to tax rates, in Italy corporate income tax (IRES) is 24%, to which an additional 3.5% applicable exclusively to banks and other financial intermediaries should be added. In addition to IRES, the Regional Tax on Productive Activities (IRAP) must be added, whose nominal rate is 4.65% for the banking sector and to which each Region can autonomously add a surcharge. IRAP applies to a taxable income that is marginally different from the one used by IRES.

With regard to income tax of the Parent Company, please refer to Part C - Notes to the Financial Statements of CDP S.p.A. - Section 19 - Income tax for the year on continuing operations - item 270, which is understood to be fully included here.

21.1 Income tax for the year on continuing operations: breakdown

(thousands of euro) P&L components/Figures	Prudential consolidation	Insurance companies	Other entities	2020	2019
1. Current taxes (-)	(883,167)	(3,084)	(1,022,410)	(1,908,661)	(1,681,495)
2. Change in current taxes from previous years (+/-)	27,811	108	8,647	36,566	30,757
3. Reduction of current taxes for the year (+)			2,115	2,115	
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 (+/-)	15,172	51,626	183,333	250,131	(9,266)
5. Change in deferred tax liabilities (+/-)	8,467	(39,639)	170,495	139,323	94,528
6. Taxes for the year (-) (-1+/-2+3+3 *bis* +/-4+/-5)	**(831,717)**	**9,011**	**(657,820)**	**(1,480,526)**	**(1,565,476)**

For an examination of the dynamics of deferred tax assets and liabilities recorded during the year, with particular regard to the most significant contributions by Group companies grouped according to the type of activity carried out, please refer to the tables in Section 11 describing the related changes.

For further details on the indication of the main elements that contributed to determining the estimate of the tax burden and its changes compared to the previous financial year, please refer to the tables below.

21.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euro)	2020	Tax rate	2019	Tax rate
Income (loss) before taxes	**2,656,961**		**5,004,383**	
IRES theoretical tax liability (rate 27.5%)	**(730,664)**	**-27.50%**	**(1,376,205)**	**-27.50%**
Increases in taxes				
- non-deductible interest expense	(7,313)	-0.28%	(7,069)	-0.14%
- writedowns of equity investments	(644,259)	-24.25%	(7,030)	-0.14%
- other non-deductible costs	(13,133)	-0.49%	(9,857)	-0.20%
- adjustments on receivables	(8,638)	-0.33%	(17,842)	-0.36%
- non-deductible temporary differences	(231,752)	-8.72%	(144,912)	-2.90%
- non-deductible permanent differences	(116,517)	-4.39%	(19,693)	-0.39%
- foreign tax rate effects	(253)	-0.01%	(8,286)	-0.17%
- other changes	(133,173)	-5.01%	(44,303)	-0.89%
- substitute tax for realignment of values	(92,068)	-3.47%		
Decreases in taxes				
- ACE benefit	60,370	2.27%	19,725	0.39%
- exchange rate differences	21,867	0.82%	8,020	0.16%
- non-taxable income	24,152	0.91%	13,313	0.27%
- use of accruals	82,226	3.09%	49,370	0.99%
- technical reserves	6,821	0.26%	2,880	0.06%
- 24% rate effect	44,387	1.67%	83,289	1.66%
- other changes	169,001	6.36%	99,361	1.99%
IRES Actual tax liability	**(1,568,946)**	**-59.07%**	**(1,359,239)**	**-27.17%**

(thousands of euro)	2020	Tax rate	2019	Tax rate
IRAP tax amount	**3,387,926**		**7,046,283**	
IRAP Theoretical tax liability (5.57% rate)	**(188,707)**	**-5.57%**	**(392,478)**	**-5.57%**
Increases in taxes				
- non-deductible interest 4%	(87)	0.00%	(1,550)	-0.02%
- other non-deductible costs	(255,599)	-7.54%	(9,800)	-0.14%
- different regional rates	(8,077)	-0.24%	(5,095)	-0.07%
Decreases in taxes				
- costs deductible in previous years	9,028	0.27%	29	0.00%
- deductible costs for staff costs	49,472	1.46%	42,828	0.61%
- different regional rates	33,192	0.98%	14,402	0.20%
- other decreases	21,063	0.62%	29,408	0.42%
IRAP Actual tax liability	**(339,715)**	**-10.03%**	**(322,256)**	**-4.57%**

Section 22 - Income (loss) after tax on discontinued operations - Item 320

22.1 Income (loss) after tax on discontinued operations: breakdown

The item is negative by 13 million euro and refers to the assets disposed of by the Ansaldo Energia group.

22.2 Breakdown of income taxes on discontinued operations

The item is negative by 226 thousand euro and refers to the current taxation of the assets disposed of by the Ansaldo Energia group.

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 1,532 million euro.

(thousands of euro) Company name	2020	2019
Equity investments in consolidated companies with significant third party interests		
1. Terna S.p.A.	573,073	575,488
2. Snam S.p.A.	763,432	758,336
3. Italgas S.p.A.	304,334	252,393
Other equity investments	**(108,768)**	**40,284**
Total	**1,532,071**	**1,626,501**

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		2020	2019
10.	**Net income (loss) for the year**	**1,163,066**	**3,410,702**
	Other comprehensive income not transferred to income statement	**(193,892)**	**(82)**
20.	Equity securities at fair value through other comprehensive income:	(224,203)	65,602
	a) fair value changes	(224,203)	70,187
	b) transfer to other equity items		(4,585)
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	(7,644)	(9,615)
80.	Non-current assets held for sale		
90.	Share of valuation reserves of equity investments accounted for using equity method	9,157	(58,905)
100.	Income tax relating to other comprehensive income not transferred to income statement	28,798	2,836
	Other comprehensive income transferred to income statement	**(457,004)**	**545,214**
110.	Hedging of foreign investments:		
	a) fair value changes		
	b) transfer to income statement		
	c) other changes		
120.	Exchange rate differences:	(69,386)	18,310
	a) changes in value	(25,477)	18,907
	b) transfer to income statement		
	c) other changes	(43,909)	(597)
130.	Cash flow hedges:	(145,844)	(238,250)
	a) fair value changes	(96,588)	(99,024)
	b) transfer to income statement	(6,222)	(572)
	c) other changes	(43,034)	(138,654)
	of which, result of net positions		
140.	Hedging instruments (non-designated items):		
	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:	97,595	437,981
	a) fair value changes	230,892	543,844
	b) transfer to income statement	(136,514)	(106,777)
	- impairment adjustments	276	4,090
	- gains (losses) on disposal	(136,790)	(110,867)
	c) other changes	3,217	914
160.	Non-current assets and disposal groups held for sale:		
	a) changes in value		
	b) transfer to income statement		
	c) other changes		
170.	Share of valuation reserves of equity investments accounted for using equity method:	(348,090)	410,985
	a) fair value changes	(330,127)	410,985
	b) transfer to income statement:		
	- impairment adjustments		
	- gains (losses) on disposal		
	c) other changes	(17,963)	
180.	Income tax relating to other comprehensive income transferred to income statement	8,721	(83,812)
190.	**Total other comprehensive income**	**(650,896)**	**545,132**
200.	**Comprehensive income (items 10 + 190)**	**512,170**	**3,955,834**
210.	Consolidated comprehensive income pertaining to non-controlling interests	1,473,483	1,492,694
220.	**Consolidated comprehensive income pertaining to shareholders of the Parent Company**	**(961,313)**	**2,463,140**

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 can be assumed - in the different segments.

The risk management system takes into account the specific characteristics of the activity carried out 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 representation of the overall risk profile and solidity of CDP to the Board of Directors. As part of this mandate, the CRO coordinates the activities of the Risk Management (RM), Risk Advisory and Policies, Compliance and Anti-Money Laundering, and Risk Operations Functions. RM is responsible for supporting the CRO with the management and monitoring of all types of risk, 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, initially approved by the Board of Directors in 2010 and subsequently updated as necessary. The risks can be divided into 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 reputational risks. The Risk Policy is updated semi-annually and is made up by a main document (the Risk Policy itself) and a set of related annexes, each focusing on a specific category of risk (e.g. interest rate risk) or on an 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 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.

The structure of the statutory, board and management committees is established at both company and Group level. This includes the committees responsible for risk, which were given their respective different responsibilities, in compliance with the principles adopted.

The Board of Directors' Risk Committee has control and guidance functions in the field of risk management and assessment of new investment products. Two technical and advisory committees, the Risk Governance Committee and the Risk Assessment Committee, act as a support to management and the decision-making bodies. The Risk Governance Committee is responsible for (i) aspects related to defining and controlling CDP's overall risk profile, (ii) compliance of new products with that risk profile and (iii) relevant aspects for the management of liquidity contingency situations. The Risk Assessment Committee, on the other hand, is responsible for (i) assessing transactions and activities, also in respect of concentration, economic and financial sustainability and risk, (ii) assessing proposals to manage specific non-performing loans and credit disputes, (iii) assessing proposals for impairment of loans or equity investments and (iv) periodically reviewing the risk profile of counterparties in the portfolio.

RM verifies compliance with the limits set by the Board of Directors and the operating limits established by the Chief Executive Officer, recommending corrective measures to the Risk Governance Committee or the Risk Assessment Committee, according to their responsibilities, that might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and contributing to capital management activities.

Within the companies pertaining to the prudential consolidation perimeter, the bodies participating in the risk and control management systems consist, in addition to top management, 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	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	57,971	169,131	80,334	81,309	403,364,573	403,753,318
2. Financial assets measured at fair value through other comprehensive income					12,716,158	12,716,158
3. Financial assets designated at fair value					478,671	478,671
4. Financial assets mandatorily measured at fair value	13,501		232,860	4,109	432,699	683,169
5. Financial assets held for sale						
Total 31/12/2020	**71,472**	**169,131**	**313,194**	**85,418**	**416,992,101**	**417,631,316**
Total 31/12/2019	**93,696**	**199,831**	**299,688**	**216,008**	**356,169,721**	**357,303,282**

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	Accumulated impairment	Net exposure at 31/12/2020	Net exposure at 31/12/2019
Forborne loans to customers:				
Bad debts	39	(27)	12	
Unlikely to pay	42,580	(13,761)	28,819	47,476
Non-performing past-due exposures				38
Performing past-due exposures				54
Other performing exposures	544,557	(124,488)	420,069	436,538
Total forborne exposures at 31/12/2020	**587,176**	**(138,276)**	**448,900**	**X**
Total forborne exposures at 31/12/2019	**622,645**	**(158,813)**	**X**	**463,832**

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	509,223	(201,787)	307,436	2,888	404,445,224	(999,342)	403,445,882	403,753,318
2. Financial assets measured at fair value through other comprehensive income					12,731,301	(15,143)	12,716,158	12,716,158
3. Financial assets designated at fair value					X	X	478,671	478,671
4. Financial assets mandatorily measured at fair value	299,220	(52,859)	246,361		X	X	436,808	683,169
5. Financial assets held for sale								
Total 31/12/2020	**808,443**	**(254,646)**	**553,797**	**2,888**	**417,176,525**	**(1,014,485)**	**417,077,519**	**417,631,316**
Total 31/12/2019	**898,119**	**(304,904)**	**593,215**	**364**	**357,213,052**	**(827,323)**	**356,385,729**	**356,978,944**

(*) 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			1,320,469
2. Hedging derivatives			553,939
Total 31/12/2020			**1,874,408**
Total 31/12/2019			**1,904,066**

B. Disclosure of structured entities (other than securitisation companies)

Not present at 31 December 2020.

Section 2 - The Risks of the prudential consolidation

In compliance with the national and EU legal framework, the CDP Group is not subject to prudential supervision on a consolidated basis. This section, whose scope is the area of "prudential consolidation", refers to the Parent Company CDP S.p.A. and to the following companies, subject to supervision on an individual basis:
- CDP Immobiliare SGR S.p.A.
- SACE Fct S.p.A.
- Fondo Italiano di Investimento SGR S.p.A.

In contrast, the subsidiary SIApay S.r.l. has been excluded from the scope of the "prudential consolidation", due to the small significance of its operations compared to those of the entities listed above. However, the risks connected with the operations carried out by SIApay are included in Section 4, while the risks of other entities, in the paragraph on the SIA group.

Art. 5 of Decree Law no. 269 of 30th September 2003, relating to the transformation of CDP into a joint-stock company, specifies that CDP must be subject to the provisions of Title V of Legislative Decree no. 385 of 1st September 1993 provided for intermediaries registered 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 […]". Therefore, the transformation decree 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 Bank of Italy has been exercising mainly "informational" supervision over CDP, conducted by using managerial 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, quarterly sends to the Bank of Italy figures of a managerial nature on its capital adequacy.

1.1 Credit risk

Qualitative disclosures

1. General aspects

For the Parent Company CDP S.p.A. 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, which prevails in terms of share of assets, primarily features exposures to the Italian Government and Local Authorities. CDP is also authorised to grant cash advances to local authorities, within the scope of the treasury service provided by Poste Italiane. This activity is focused on municipalities with up to 5,000 inhabitants and its risk profile is in line with the traditional lending activity.

Over the last years, an increasingly important role has been played by exposures under the Separate Account to the main banking groups operating in Italy, through which CDP conveys various kinds of lending, in particular loans to SMEs and in order to support 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 to date are essentially not exposed to credit risk (as they are secured by a guarantee of last resort by the State), and those assumed under International Financing and Export Bank operations. The Separate Account may also finance energy efficiency improvement projects and loans granted to support International Cooperation activities, which have recently started with 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.

Since the approval of the 2019-2021 Business Plan, operations in the Mid corporate segment have assumed greater importance in terms of number of transactions, reflecting CDP's more widespread presence in Italy and the strategic objective to support the growth of this type of counterparties, especially in 2020. However, in terms of amount, these exposures correspond to a very small portion of the loan portfolio.

In 2020, following the Covid-19 emergency, CDP supported Italian enterprises, together with the banking system, granting medium/long-term loans under the Ordinary Account, backed by the SACE Garanzia Italia instrument. Again under the Ordinary Account, Italian enterprises also received support with short-term liquidity facilities up to 18 months.

In 2020, CDP also continued to develop interventions on platforms covered by the investments plan of the European Fund for Strategic Investments (the so-called Juncker Plan), while maintaining alignment with CDP's ordinary 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 Law 52 of 1991 and to the Italian Civil Code, trade receivables from operations versus all or part of its customers (debtors) to a company specialised in this field (factor).

The factoring agreement may perform different functions, for which the factor provides different services, such as (i) collection, where the factor performs certain activities on behalf of the transferor; (ii) financing, when the factor pays a price for the assigned receivables; (iii) guarantee, when the transfer is made without 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 the 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 IFRS 9 ("recognition").

CDP Immobiliare 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 respect 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.

For Fondo Italiano d'Investimento SGR S.p.A., the exposure to credit risk is also in the sense of counterparty risk in relation to the management fees received by the managed funds. However, this exposure is limited both due to the diversification of the funds and the investors and to their credit standing, in addition to the fact that the assets of the managed funds 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 defines the lending process and the roles of the involved units.

Risk Operations assesses the proposals advanced by CDP business units, as well as the most significant transactions submitted for a governance opinion by the subsidiaries; it is also responsible for assigning internal ratings and estimating the Loss Given Default. 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 for internal estimates of the recovery rate for individual financing transactions. Risk Operations is also responsible for the periodic review of the loan portfolio, regarding the evolution of the counterparty's financial situation and developments in their industry/sector, manages and monitors bad loans and analyses counterparties for the purposes of internal or regulatory classification.

Risk Advisory & Policies provides advisory support to CDP's business units and to Group companies in the phase of definition of the contents of business solutions and the most significant transactions. It carries out risk assessments regarding equity and real estate transactions that require a governance opinion. It also assists the Chief Risk Officer in the definition and update of the guidelines related to Group-level risk policies.

Risk Management is responsible for the methodologies used to determine the risk-adjusted pricing, for the monitoring of the risk-adjusted return, and for the measurement of portfolio concentration. Risk Management regularly monitors the overall performance of loan portfolio risk, also to identify corrective measures designed to optimise the risk/return profile.

With regard to credit risk, the responsibilities of Risk Management include:
- carrying out second-level controls to ensure that performance is monitored correctly, that classifications of the individual exposures are consistent, that provisioning is adequate and that the recovery process is appropriate;
- formulating opinions on specific loan transactions in the specific cases detailed in the policies;
- defining, selecting and implementing models, methods, and instruments of the internal rating system.

With regard to non-performing counterparties, Risk Operations reviews any restructuring proposal – where necessary with the support of other structures for more complex cases – while Risk Management performs a second-level control. Contractual amendment requests for performing loans ("waivers") are managed instead by the transactions management structures of the business units.

As mentioned above, the Risk Assessment Committee is a technical and advisory body supporting the decision-making bodies. One of its duties is to give mandatory, non-binding opinions on financing transactions, both on creditworthiness and the adequacy of the applied contractual terms and conditions. The Risk Assessment Committee, whose composition varies according to the type and significance of the transactions, consists of the Chief Risk Officer and the heads of the structures reporting directly to him, the Chief Financial Officer, the Deputy General Manager and Chief Legal Officer, the Head of the relevant Business Department, or the persons appointed by them.

To monitor the risks at group level, a specific governance process is foreseen for the most significant transactions in terms of risk. In these cases, a non-binding opinion must be obtained from the Parent Company, which is prepared by the Group Risk Assessment Committee. In particular, the aforesaid Committee provides opinions on the Group's risk monitoring and assessment systems, and on risk policies and Group transactions with a significant 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 first contact and preliminary assessment of the counterparty, to possible management of credit collection.

The factoring process is broken down into the following phases: (i) investigation aimed at preparing an initial assessment of the counterparty; (ii) 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 non-performing loans, including the determination of the related 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

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, by 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.

CDP uses a validated proprietary model to calculate credit risk at portfolio level for the Ordinary Account and loans to private-sector parties under the Separate Account portfolio, with the exclusion of the liquidity funds provided in support of the economy via the banking system. CDP also uses this model to calculate the economic capital associated with the entire loan portfolio, with the sole exception of exposures, direct or indirect, to the State.

Risk Management 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.

Risk Management also conducts stress tests on the level of risk in the loan portfolio, based on assumptions of generalised deterioration in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increased correlation parameters.

Risk Management regularly monitors the net current and potential future exposure to banks in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. Risk Management 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 set in the CDP Risk Policy. Similarly, Risk Management ensures 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 internally or by specialised providers, specific for the classes of CDP counterparties, including their size, legal form, and sector of activity. In detail, for Small and Mid Corporate counterparties, CDP has developed an internal rating model for enterprises, which includes independent modules that are activated according to the information available and different stages of the loan process (pre-screening and targeting, origination, monitoring). CDP continuously assesses the possibility to expand its set of models with other models that can also be used for other categories of customers, according to a criterion of importance and priority.

In line with the practice of the rating agencies, the rating scale adopted by CDP is divided into 21 classes, 10 of which are for "investment grade" positions and 11 for "speculative grade". A class is also used for counterparties in default. Given the limited number of historical defaults in the CDP portfolio, also considering the type of borrowers, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using data acquired from a specialised provider.

Since 2018, as part of the implementation of 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 entities also for risk-adjusted pricing), to monitor the performance of the loan portfolio; to calculate provisions; for the limits framework and to measure the absorption of economic capital. The risk assessment assigned to the counterparty is updated at least annually. However, it is reviewed at any time during the year whenever events occur, or information is acquired, that have the potential to 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 rating tool of an external info-provider 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.

In its operations, SACE Fct uses an Early Warning System (EWS), which analyses portfolio positions which are not in a state of default or probable default (i.e. performing and past due) in order to identify anomalies that might anticipate payment behaviours not in line with expectations which, if not properly monitored and managed, could lead to a default condition. The EWS is based on the calculation of the statistically sustainable, overview monitoring indicator, which is capable of predicting a worsening risk of the position.

2.3 Measurement methods of expected credit losses

Since 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 prescribes the classification and measurement of financial instruments.

The Standard has introduced 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, introduced since 2018, 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 loss. The aim of this new approach to impairment is to ensure more timely recognition of losses compared to the previous IAS 39-compliant model, in which the losses were recognised if objective evidence of impairment losses after initial recognition of the asset was found. Conversely, the model prescribes 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 measured based on the expected loss over a time horizon of up to one year;
- stage 2: this stage involves performing financial assets whose credit quality has significantly deteriorated since initial recognition. These financial assets are measured 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 non-performing financial assets: 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 compliance 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; consequently, that portfolio 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 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 into account, among other things, 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 the internal ratings as a benchmark was taken due, among other things, to the lack of significant 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 whose age and relative amount provide evidence of a possible deterioration of creditworthiness;
- classification of positions as forborne.

The existence of these elements ensures a gradual approach in classification, in order to reduce the likelihood of an instrument being classified to stage 3 without having 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, hold no more, 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 allowed 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 of the recommendations of 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 undesirable effects 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, to calculate the expected loss one must use 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 both 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 uses in measuring risks, also due to 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 take into account 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 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 to the 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 in the relevant committees (Internal Risk Committee, at managerial level, and the Board Risk Committee) and was finally approved by the Board of Directors.

Organisational and process adjustments were also developed to meet the increased data needs with respect to IAS 39.

Changes due to Covid-19

The global spread of Covid-19 and the resulting impacts on economic activity have increased the level of uncertainty, hence quantitative estimates regarding, for example, possible future losses on receivables measured at amortised cost or cash flows from equity investments or real estate assets became more difficult. For CDP, the areas in which there is an increased level of uncertainty are mainly:
- regulatory changes linked to measures adopted to respond to the health emergency, which might result in significant changes to the business model of one or more investee companies (e.g. with regard to Decree Law 23/2020);
- a possible acceleration in the energy transition dynamics, with effects on investees that operate in the Oil & Gas sector or in related sectors;
- a possible increase in the insolvency risk in the loan portfolio, in terms of both rating transitions and the higher probability of short-term default.

With particular regard to this latter area - and to the application of IFRS 9 - no additional changes were deemed necessary in the valuation and measurement models for financial instruments related to the pandemic crisis.

– Assessment of the significant increase in credit risk (SICR)

CDP has not made changes to its methodology for assessing the significant increase in credit risk, either as a result of Covid-19 or due to other factors, as it considers this methodology to be sufficiently broad and therefore adequate in the current context.

Consistent with the characteristics of its loan portfolio, mainly including exposures with public counterparties, banks operating in Italy, large corporations and special-purpose vehicles operating in the infrastructure sector, CDP has noted, as at 31st December 2020, that changes in internal ratings are limited in term of cases, in the amount and in size of the exposures, even including the impacts of Covid-19 on a forward-looking basis.

– Measurement of expected credit losses

In measuring Expected Credit Losses, CDP applies the internally-developed methodology, which considers:
- a reliable estimate of through-the-cycle probability of default, which incorporates not only historical data but also forward-looking information to ensure the reliability of the estimates even in situations of serious crisis, across the entire life of the financial instruments;
- an internal model for estimating the cyclical component of probability of default, to produce forward-looking estimates of point-in-time parameters.

The model applied to estimate the cyclical component is based on the main macroeconomic drivers including GDP and employment rate forecasts, with reference to the European area and the USA. In spite of the good news on the approval and mass rollout of the vaccines, considering the ongoing uncertainties, the forward-looking projections - starting from market consensus forecasts and the International Monetary Fund's forecasts — predict a relatively slow recovery for GDP — in mid-2022 — and for the employment rate -— by the end of 2023.

The internally used method has not changed and, in particular, no sector-based adjustments were made since it was deemed that alternative methods would not be more reliable in the current phase and might, at least potentially, introduce higher risks of arbitrariness.

SACE Fct has updated the method used to calculate expected credit losses in order to take into account the impacts of the Covid-19 pandemic on the risk level of the loan portfolio. Consistent with IFRS 9, the probability of default estimates for the first three years include prospective elements which consider the evolution of the economic cycle (forward-looking PD).

To this end, the method also considers PD estimates deriving from the application of a satellite model which SACE Fct fine-tuned in 2020, linking expected changes in default rates to a number of macroeconomic variables (GDP, unemployment rate, ITA-coin).

The macroeconomic variables were defined on the basis of three prospective scenarios (baseline, positive and negative), using different forecasts available from public and independent data sources (e.g. OECD, Eurostat, Bank of Italy, ISTAT, IMF). In the baseline scenario, attributed a likelihood of occurrence of 70%, the median estimates of the various info-providers are considered. In the negative scenario, attributed a likelihood of occurrence of 25%, the quartile of the worst estimate is considered. In the positive scenario, attributed a likelihood of occurrence of 5%, the quartile of the best estimate is considered.

2.4 Credit risk mitigation techniques

CDP mitigates the credit risk with respect to lending operations by using techniques commonly adopted in the banking industry.

A significant number of the credit exposures of CDP in the Separate Account consists of special-purpose cash loans in favour of public local entities supported by payment orders to the Treasurers ("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. New SME Fund), 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 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 an excessive incidence in the total debt, CDP takes part in 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.

CDP has a credit quality monitoring system that ensures, through an early warning system, the prompt flagging up of credit events that indicates potential problems (based on information from both internal and external sources), and assigns the counterparty a specific internal Watch List class depending on the level of importance of the identified signals, also activating the assessment process for the purposes of regulatory classification. This system also operates on the regulatory status, with specific indicators that enable the generation of regulatory classification proposals, in particular as 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 counterparties, 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 that enables the Company to confirm the certainty and collectability of the loans purchased and (iii) certification of the loan by the public 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.

Impacts of the Covid-19 pandemic

The impact of the Covid-19 pandemic on CDP's credit risk is not yet clearly observable but, so far, it seems somewhat limited considering that CDP's portfolio is primarily made up of public entities, infrastructure projects and large-sized corporate counterparties - operating in sectors like energy generation, distribution and transmission - which, to date, have been less affected by fall in demand, business interruptions and, more generally, higher costs associated with the health emergency. In any case, CDP has conducted a credit review of its portfolio and, where necessary, has made adjustments to the internal rating and/or has placed some counterparties, belonging to the sectors most affected by the emergency, in an internal Watch List.

Notwithstanding the deeply negative effects that the Covid-19 pandemic has had on the economy, SACE Fct has continued to support and has indeed increased its support for Italian enterprises, in line with the mission of its Group and always consistent with best practices about risk taking activity. In this area, SACE Fct has further strengthened its processes to assess the debtor counterparties' credit risk and to monitor and control credit facilities. The Company is now focusing more on the activated technical forms, preferring transactions that offer safeguards, such as notifications of assignment to the debtor or recognition of the debt, reserving the riskier technical forms for counterparties that have an adequate credit rating. SACE Fct has also promoted the use of the liquidity support measures adopted by the Government through the "Cura Italia" and "Liquidity" Decree Laws, enacted to respond to the Covid-19 emergency.

As far as CDP Immobiliare SGR S.p.A. is concerned, the impact, in terms of counterparty risk, is indirectly linked to the exposure of the managed funds to the real estate sectors, that were hardest hit by the pandemic (e.g. tourism-hospitality). With reference to this specific sector, lease payments have been renegotiated with the operators, defining *ad hoc* "repayment plans" aimed at protecting the interests of the managed funds and the investors. From a more general standpoint, greater uncertainty in the real estate market has forced the Independent Experts of the managed funds to be more cautious in updating their appraisals: this might have affected the valuation of the assets and, indirectly, the management fees collected by the Company during the year.

To conclude, with specific regard to Fondo Italiano d'Investimento SGR S.p.A., so far the Covid-19 pandemic has not had negative impacts in terms of credit risk. In consideration of possible impacts over the medium term, the strategic framework and the related assumptions have been reviewed, with specific reference to Investment Funds established more recently whose investment period is in full swing. In some cases, the review has resulted in changes to time frames and returns on deployment capital and, in other cases, to the adoption of regulatory provisions to minimise credit risk exposure, where possible.

3. Non-performing credit exposures

3.1 Management strategies and policies

During 2020 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.

CDP has structures dedicated to the monitoring and management of non-performing exposures, which cover all phases of the life cycle of non-performing loans, from careful monitoring of the performing portfolio through to credit recovery. The monitoring, carried out by the Credit Monitoring function with the aid of the other organisational units involved, is aimed at detecting the first signs of deterioration in the counterparty's credit quality, as well as identifying the corrective measures needed to manage the potential deterioration of the exposures. The recovery of non-performing exposures, carried out by the "Restructuring & Non-Performing" and "Disputes and Credit Recovery" structures, is aimed at maximising earnings and financial results, by pursuing extra-judicial solutions as deemed appropriate. These may include restructuring arrangements or settlement agreements having a positive impact on recovery times and the level of costs incurred.

The return to non-defaulted status of credit exposures 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. In particular, during 2020 the largest debt renegotiation programme in recent years was launched in favour of local authorities, aimed at freeing up financial resources to be used also to address the needs resulting from the pandemic emergency.

Please refer to the more detailed information in paragraphs 4.1.1 and 4.1.2 of the Report on Operations.

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.

For more details on the possible influence of these transactions in the process of assessment of the SICR and the measurement of expected losses, please refer to the paragraph "Changes due to Covid-19" contained in "Section 1 - Credit risk" of "Part E – Information on risks and related hedging policies", as well as "Disclosure of Covid-19 impacts" contained in "Section 4 - Other issues".

Quantitative disclosures

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, changes and economic distribution

A.1.1 Prudential consolidation - Breakdown of financial assets by past-due bands (carrying amounts)

	Stage 1			Stage 2			Stage 3		
(thousands of euro) Portfolios/Risk stages	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	5,455	791	4,229	391	47,125	22,455	1,598	696	179,035
2. Financial assets measured at fair value through other comprehensive income									
3. Financial assets held for sale									
Total at 31/12/2020	**5,455**	**791**	**4,229**	**391**	**47,125**	**22,455**	**1,598**	**696**	**179,035**
Total at 31/12/2019	**171,271**	**182**	**6,145**	**8**	**2,574**	**30,922**	**399**	**1,169**	**205,471**

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	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	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	**293,336**	**13,141**			**306,373**	**500,027**	**1,838**			**501,643**	**208,289**			**202,560**	**58**		**126,901**	**4,899**	**3,929**	**1,152,360**
Changes in opening balance																				
Increases resulting from financial assets acquired or originated	127,812	5,898			133,710	244,475				244,474	42			42			55,279	1,059		434,565
Derecognitions other than write-offs	(61,569)	(4,441)			(66,010)	(203,118)				(203,118)	(3,988)			(3,985)	(3)		(10,015)	(4,272)	(1,478)	(288,881)
Net adjustments/recoveries for credit risk (+/-)	3,094	151			3,142	64,285	(1,332)			62,953	(24,137)			(24,110)	(27)		1,304	84,227	(2,172)	125,420
Contractual amendments without derecognition																				
Changes in estimation method																				
Write-offs not recognised directly through profit or loss											(31)			(31)						(31)
Other Changes	(1,916)				(1,915)	1,816				1,816	(14,843)			(14,843)			(15,586)			(30,529)
Closing accumulated impairment and provisions	**360,757**	**14,749**			**375,300**	**607,485**	**506**			**607,768**	**165,332**			**159,633**	**28**		**157,883**	**85,913**	**279**	**1,392,904**
Recoveries from collection on financial assets subject to write-off											7			7						7
Write-offs recognised directly through profit or loss																				

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 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	814,208	278,669	3,982	27,484	46,962	38,223
2. Financial assets measured at fair value through other comprehensive income						
3. Financial assets held for sale						
4. Commitments to disburse funds and financial guarantees issued	1,321,669	767		4,656	1,691	167
Total at 31/12/2020	**2,135,877**	**279,436**	**3,982**	**32,140**	**48,653**	**38,390**
Total at 31/12/2019	**325,095**	**562,257**	**16,415**	**5,485**	**47,241**	**10,799**

A.1.3a Loans subject to Covid-19 support measures: transfers between credit risk stages (gross and nominal values)

(thousands of euro) Items/Risk stages	Gross exposure					
	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
A. Loans measured at amortised cost	**555**					**353**
A.1 subject to moratoria compliant with the GL	555					353
A.2 subject to forbearance measures						
A.3 new loans						
B. Loans measured at fair value through other comprehensive income						
A.1 subject to moratoria compliant with the GL						
A.2 subject to forbearance measures						
A.3 new loans						
Total at 31/12/2020	**555**					**353**

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	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				
- *of which: forborne exposures*	*X*				
e) Other performing positions	X	40,510,691	(46,992)	40,463,699	
- *of which: forborne exposures*	*X*				
Total (A)		**40,510,691**	**(46,992)**	**40,463,699**	
B. Off-balance-sheet credit exposures					
a) Non-performing		X			
b) Others	X	1,168,129	(2,977)	1,165,152	
Total (B)		**1,168,129**	**(2,977)**	**1,165,152**	
Total (A + B)		**41,678,820**	**(49,969)**	**41,628,851**	

(*) Value to be shown for information purposes.

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 Non-performing	 Performing	Accumulated impairment and provisions	Net exposure	Accumulated partial write-offs (*)
A. On-balance-sheet credit exposures					
a) Bad debts	140,100	X	(82,421)	57,679	
- *of which: forborne exposures*	*39*	*X*	*(27)*	*12*	
b) Unlikely to pay	248,906	X	(79,775)	169,131	2,888
- *of which: forborne exposures*	*42,580*	*X*	*(13,761)*	*28,819*	
c) Non-performing past due positions	27,373	X	(3,134)	24,239	
- *of which: forborne exposures*		*X*			
d) Performing past due positions	X	81,309	(863)	80,446	
- *of which: forborne exposures*	*X*				
e) Other performing positions	X	332,711,665	(935,905)	331,775,760	
- *of which: forborne exposures*	*X*	*544,557*	*(124,488)*	*420,069*	
Total (A)	**416,379**	**332,792,974**	**(1,102,098)**	**332,107,255**	**2,888**
B. Off-balance-sheet credit exposures					
a) Non-performing	3,938	X	(194)	3,744	
b) Others	X	31,913,650	(325,449)	31,588,201	
Total (B)	**3,938**	**31,913,650**	**(325,643)**	**31,591,945**	
Total (A + B)	**420,317**	**364,706,624**	**(1,427,741)**	**363,699,200**	**2,888**

(*) Value to be shown for information purposes.

A.1.5a On-balance sheet exposures to customers subject to Covid-19 support measures: gross and net amounts

(thousands of euro) Type of exposures/values	Gross exposure	Accumulated impairment and provisions	Net exposure
A. Bad debts			
a) Subject to moratoria compliant with the GL			
b) Subject to forbearance measures			
c) New loans			
B. Unlikely to pay credit exposures			
a) Subject to moratoria compliant with the GL			
b) Subject to forbearance measures			
c) New loans			
C. Non-performing past-due credit exposures			
a) Subject to moratoria compliant with the GL			
b) Subject to forbearance measures			
c) New loans			
D. Performing past due positions	**895**	**(4)**	**891**
a) Subject to moratoria compliant with the GL	895	(4)	891
b) Subject to forbearance measures			
c) New loans			
E. Other performing positions	**4,322,374**	**(6,545)**	**4,315,829**
a) Subject to moratoria compliant with the GL	3,450,506	(3,872)	3,446,634
b) Subject to forbearance measures			
c) New loans	871,868	(2,673)	869,195
Total (A + B + C + D + E)	**4,323,269**	**(6,549)**	**4,316,720**

A.1.6 Prudential consolidation - On-balance sheet exposures to banks: changes in gross non-performing positions

There are no non-performing credit exposures to banks.

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	**148,007**	**319,793**	**34,327**
- *of which: exposures assigned but not derecognised*			
B. Increases	**12,515**	**29,378**	**72,458**
B.1 Transfers from performing loans	6	17,811	53,752
B.2 Transfers from impaired financial assets acquired or originated			
B.3 Transfers from other categories of impaired exposures	11,326	6,297	
B.4 Changes in contracts without derecognition			
B.5 Other increases	1,183	5,270	18,706
C. Decreases	**20,422**	**100,265**	**79,412**
C.1 To performing loans		10,659	48,924
C.2 Write-offs		11,798	
C.3 Collections	20,388	58,033	21,497
C.4 Gains on disposal			
C.5 Losses on disposal		102	
C.6 Transfers to other categories of impaired exposures	20	11,326	6,277
C.7 Changes in contracts without derecognition			
C.8 Other decreases	14	8,347	2,714
D. Closing gross exposure	**140,100**	**248,906**	**27,373**
- *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	**92,045**	**532,704**
- *of which: exposures assigned but not derecognised*		
B. Increase	**2,559**	**16,157**
B.1 Transfers from performing loans not forborne		161
B.2 Transfers from forborne performing loans		X
B.3 Transfers from forborne non-performing loans	X	8,478
B.4 Transfers from non-forborne non-performing loans	190	1,818
B.5 Other increases	2,369	5,700
C. Decreases	**51,985**	**4,304**
C.1 Transfers to non-forborne performing loans	X	
C.2 Transfers to forborne performing loans	8,478	X
C.3 Transfers to forborne non-performing loans	X	
C.4 Write-off		
C.5 Collections	34,683	4,141
C.6 Gains on disposal		
C.7 Losses on disposal		
C.8 Other decreases	8,824	163
D. Closing gross exposure	**42,619**	**544,557**
- *of which: exposures assigned but not derecognised*		

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

(thousands of euro) Items/Categories	Bad debts		Unlikely to pay		Impaired past-due exposures	
	Total	of which forborne exposures	Total	of which forborne exposures	Total	of which forborne exposures
A. Opening accumulated impairment	**82,323**	**13**	**119,962**	**44,321**	**6,006**	
- *of which: exposures assigned but not derecognised*						
B. Increases	**1,730**	**27**	**5,369**	**822**	**5,216**	
B.1 Writedowns on impaired financial asset acquired or originated		X		X		X
B.2 Other writedowns	1,123	14	4,740	587	2,747	
B.3 Losses on disposal			102			
B.4 Transfers to other categories of impaired positions	596		222		1	
B.5 Changes in contracts without derecognition						
B.6 Other increases	11	13	305	235	2,468	
C. Decreases	**1,632**	**13**	**45,556**	**31,382**	**8,088**	
C.1 Writebacks from valuations	1,197	13	2,312	1,482	1,389	
C.2 Writebacks from collection	435		30,092	29,872	1,235	
C.3 Gains on disposal						
C.4 Write-offs			11,798			
C.5 Transfers to other categories of impaired positions			597		222	
C.6 Changes in contracts without derecognition						
C.7 Other decreases			757	28	5,242	
D. Closing accumulated impairment	**82,421**	**27**	**79,775**	**13,761**	**3,134**	
- *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	**2,331,404**	**2,772,916**	**266,818,864**	**18,887,364**	**3,872,068**	**2,312,519**	**64,167,650**	**361,162,785**
- Stage 1	2,331,404	2,771,729	261,008,643	17,195,279	3,871,328	2,291,324	57,522,977	346,992,684
- Stage 2		478	5,809,857	1,692,072	740	21,195	6,229,378	13,753,720
- Stage 3		709	364	13			415,295	416,381
B. Financial assets measured at fair value through other comprehensive income	**577,153**	**127,230**	**10,993,657**	**369,092**		**397,178**		**12,464,310**
- Stage 1	577,153	127,230	10,993,657	361,321		366,738		12,426,099
- Stage 2				7,771		30,440		38,211
- Stage 3								
C. Financial assets held for sale								
- Stage 1								
- Stage 2								
- Stage 3								
Total (A + B + C)	**2,908,557**	**2,900,146**	**277,812,521**	**19,256,456**	**3,872,068**	**2,709,697**	**64,167,650**	**373,627,095**
- *of which: non-performing financial assets acquired or originated*								
D. Commitments to disburse funds and financial guarantees issued								
- Stage 1	1,786,083	19,522	7,098,632	178,788	15,757	115,026	16,109,974	25,323,782
- Stage 2			3,493	1,300,154	110	725	66,880	1,371,362
- Stage 3							3,938	3,938
Total (D)	**1,786,083**	**19,522**	**7,102,125**	**1,478,942**	**15,867**	**115,751**	**16,180,792**	**26,699,082**
Total (A + B + C + D)	**4,694,640**	**2,919,668**	**284,914,646**	**20,735,398**	**3,887,935**	**2,825,448**	**80,348,442**	**400,326,177**

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

			Collateral (1)				Personal guarantees (2)										
							Credit derivatives					Commitments				
								Other derivatives								
(thousands of euro)	Gross exposure	Net exposure	Land and buildings - mortgages	Land and buildings - finance leases	Securities	Other assets	CLN	Central counterparties	Banks	Other financial companies	Other	General government	Banks	Other financial companies	Other	Total (1) + (2)
1. Secured on-balance-sheet credit exposures																
1.1 Fully secured	9,296,672	9,264,477			13,766	2,867,748						6,382,963				9,264,477
- *of which: non-performing*																
1.2 Partially secured																
- *of which: non-performing*																
2. Secured off-balance-sheet credit exposures																
2.1 Fully secured	17,698	17,505			14,724							2,781				17,505
- *of which: non-performing*																
2.2 Partially secured	100,000	98,906			72,853											72,853
- *of which: non-performing*																

A.3.2 Prudential consolidation - On-balance sheet and off-balance sheet secured credit exposures to customers

			Collateral (1)				Personal guarantees (2)										
							Credit derivatives					Commitments				
								Other derivatives								
(thousands of euro)	Gross exposure	Net exposure	Land and buildings - mortgages	Land and buildings - finance leases	Securities	Other assets	CLN	Central counterparties	Banks	Other financial companies	Other	General government	Banks	Other financial companies	Other	Total (1) + (2)
1. Secured on-balance-sheet credit exposures																
1.1 Fully secured	9,845,466	9,765,251	349,420		1,522,035	937,541						5,569,566	100,179	140,638	1,116,746	9,736,125
- *of which: non-performing*	*176,193*	*151,800*	*56,856*			*11,642*						*69,873*			*5,960*	*144,331*
1.2 Partially secured	5,944,789	5,930,684				75,129						5,106,218	20,020	52,079	149,958	5,403,404
- *of which: non-performing*	*1,874*	*1,811*				*1,707*						*103*				*1,810*
2. Secured off-balance-sheet credit exposures																
2.1 Fully secured	3,844,781	3,838,195	172,321			123,603						3,335,138			203,199	3,834,261
- *of which: non-performing*	*2,795*	*2,675*	*1,147*									*1,483*			*45*	*2,675*
2.2 Partially secured	6,904,794	6,895,675				2,301						5,924,224			13,402	5,939,927
- *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.

It should be noted that CDP holds equity instruments that were not previously granted by the debtor as collateral for loans disbursed but originate from the conversion of impaired financial assets, recognised in the financial statements at zero value under "Financial assets measured at fair value through other comprehensive income" when they were obtained and maintained at this value at 31 December 2020.

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	3,695	(4,566)					53,754	(77,639)	230	(216)
- *of which: forborne exposures*	*12*	*(27)*								
A.2 Unlikely to pay	14,727	(40,565)					152,279	(38,684)	2,125	(526)
- *of which: forborne exposures*	*911*	*(618)*					*27,512*	*(12,747)*	*396*	*(396)*
A.3 Non-performing past-due positions	16,095	(2,735)					7,838	(341)	306	(58)
- *of which: forborne exposures*										
A.4 Performing exposures	306,100,820	(666,567)	5,329,936	(5,458)	2,320	(7)	20,403,661	(264,488)	21,789	(255)
- *of which: forborne exposures*							*420,069*	*(124,488)*		
Total (A)	**306,135,337**	**(714,433)**	**5,329,936**	**(5,458)**	**2,320**	**(7)**	**20,617,532**	**(381,152)**	**24,450**	**(1,055)**
B. Off-balance-sheet credit exposures										
B.1 Non-performing exposures	659	(73)					3,085	(121)		
B.2 Performing exposures	9,203,712	(155,231)	4,168,726	(7,614)			16,137,339	(162,578)	5,936	(26)
Total (B)	**9,204,371**	**(155,304)**	**4,168,726**	**(7,614)**			**16,140,424**	**(162,699)**	**5,936**	**(26)**
Total (A + B) 31/12/2020	**315,339,708**	**(869,737)**	**9,498,662**	**(13,072)**	**2,320**	**(7)**	**36,757,956**	**(543,851)**	**30,386**	**(1,081)**
Total (A + B) 31/12/2019	**306,321,361**	**(807,260)**	**8,441,993**	**(4,895)**	**2,569**	**(3)**	**37,310,316**	**(380,946)**	**50,153**	**(764)**

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	57,679	(82,421)								
A.2 Unlikely to pay	143,528	(77,582)	2,714	(507)	5,627	(558)	15,919	(1,118)	1,343	(10)
A.3 Non-performing past-due positions	24,112	(3,125)	127	(9)						
A.4 Performing exposures	321,269,872	(923,180)	3,552,911	(4,027)	3,663,548	(3,985)	1,954,117	(3,116)	1,415,758	(2,460)
Total (A)	**321,495,191**	**(1,086,308)**	**3,555,752**	**(4,543)**	**3,669,175**	**(4,543)**	**1,970,036**	**(4,234)**	**1,417,101**	**(2,470)**
B. Off-balance sheet exposures										
B.1 Non-performing exposures	3,744	(194)								
B.2 Performing exposures	20,097,176	(312,767)	1,507,057	(1,088)	4,702,080	(5,024)	2,226,600	(2,426)	982,800	(4,144)
Total (B)	**20,100,920**	**(312,961)**	**1,507,057**	**(1,088)**	**4,702,080**	**(5,024)**	**2,226,600**	**(2,426)**	**982,800**	**(4,144)**
Total (A + B) 31/12/2020	**341,596,111**	**(1,399,269)**	**5,062,809**	**(5,631)**	**8,371,255**	**(9,567)**	**4,196,636**	**(6,660)**	**2,399,901**	**(6,614)**
Total (A + B) 31/12/2019	**334,212,506**	**(1,174,173)**	**4,202,129**	**(4,951)**	**8,736,441**	**(8,926)**	**3,780,715**	**(4,590)**	**1,192,032**	**(1,225)**

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	36,952,668	(46,022)	3,461,051	(341)			28,673		21,307	(629)
Total (A)	**36,952,668**	**(46,022)**	**3,461,051**	**(341)**			**28,673**		**21,307**	**(629)**
B. Off-balance sheet exposures										
B.1 Non-performing exposures										
B.2 Performing exposures	833,831	(2,977)	331,321							
Total (B)	**833,831**	**(2,977)**	**331,321**							
Total (A + B) 31/12/2020	**37,786,499**	**(48,999)**	**3,792,372**	**(341)**			**28,673**		**21,307**	**(629)**
Total (A + B) 31/12/2019	**26,282,055**	**(39,447)**	**2,460,857**	**(311)**			**92,004**	**(1)**	**128,446**	**(355)**

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 2020, 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 B.2, 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

		Securitised assets (end period figure)		Collections in the year		% of redeemed securities (end-period figure)					
						Senior		Mezzanine		Junior	
(thousands of euro) Servicer	Securitisation vehicle	Non-performing	Performing	Non-performing	Performing	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.		56,036			31,804					

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

(thousands of euro)	Financial assets assigned recognised in full				Financial liabilities associated		
	Carrying amount	of which: subject to securitisation	of which: subject to sales agreements with repurchase arrangements	of which impaired	Carrying amount	of which: subject to securitisation	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	**2,572,754**		**2,572,754**		**2,523,720**		**2,523,720**
1. Debt securities	2,572,754		2,572,754		2,523,720		2,523,720
2. Equity securities				X			
3. Loans							
E. Financial assets measured at amortised cost	**36,220,516**		**36,220,516**		**37,551,159**		**37,551,159**
1. Debt securities	36,220,516		36,220,516		37,551,159		37,551,159
2. Loans							
Total 31/12/2020	**38,793,270**		**38,793,270**		**40,074,879**		**40,074,879**
Total 31/12/2019	**37,867,858**		**37,867,858**		**38,869,881**		**38,869,881**

D.2 Prudential consolidation - Financial assets assigned partially recognised and associated financial liabilities: carrying amount

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

(thousands of euro)	Fully recognised	Partially recognised	Total 31/12/2020	Total 31/12/2019
A. Financial assets held for trading				
1. Debt securities				
2. Equity securities				
3. Loans				
4. Derivatives				
B. Other financial assets mandatorily measured 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	**2,572,754**		**2,572,754**	**1,418,794**
1. Debt securities	2,572,754		2,572,754	1,418,794
2. Equity securities				
3. Loans				
E. Financial assets measured at amortised cost (fair value)	**39,362,133**		**39,362,133**	**37,685,522**
1. Debt securities	39,362,133		39,362,133	37,685,522
2. Loans				
Total financial assets	**41,934,887**		**41,934,887**	**39,104,316**
Total financial liabilities associated	**40,074,879**		**X**	**X**
Net value 31/12/2020	**1,860,008**		**41,934,887**	**X**
Net value 31/12/2019	**234,435**		**X**	**39,104,316**

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 2020, 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 option risk. 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 the 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 pre-existing before 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 the 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 balance sheet items that are sensitive to interest rates, quantifying their reaction to small changes (sensitivity analysis) and to major shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and 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 measures VaR both over short time horizons — such as over one day or ten days — and annually, which is more suited to 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 valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is then used for backtesting, thanks to its larger sample dataset available over that interval.

VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. Despite the limits of any composite metric based on historical scenarios, VaR also has two significant strengths:

- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry);

- it makes it possible, through the backtesting process, to check the hypotheses underpinning not only the calculation of the daily VaR but also the entire simulation.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation 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 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. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance function.

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 equities, 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 provides a proxy of the risk that the listed and liquid securities – even when they are not recognised at their current fair value – do not recover any potential loss over time. It is calculated based on hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments in the long term.

SACE Fct monitors and manages interest rate risk according to the provisions of the specific policy and by setting appropriate operating limits. Interest rate risk management is ensured by the Budget and Treasury Function, in close collaboration with the Risk Management Function, through operating management of assets and liabilities in compliance with the guidelines defined by the Board of Directors.

SACE Fct is exposed to interest rate risk in relation to the final purchases of receivables, generated by short-term funding against the granting of fixed-rate loans over a longer term, whereas in its more standard operations (factoring arrangements whereby the assigned receivables are not recognised on the balance sheet of the factor) the interest rate risk is minimised, because the frequency of the revisions of interest rates payable and receivable is aligned. The Company monitors and manages interest rate risk by focusing on the nature and characteristics of the trade receivables purchased (giving preference to transactions with a higher turnover rate) and the ability of the borrowers to pay within the terms set.

CDP Immobiliare SGR has no direct (i.e. resulting from its primary activity) exposure to interest rate risk and inflation risk; an 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).

As a closed-end fund manager, Fondo Italiano d'Investimento SGR S.p.A. is not directly exposed to interest rate risk. The liquidity stock during 2020 was held in liquid market instruments (time deposits) or deposited in current accounts. The asset management company is not directly exposed to inflation risk.

In 2020, SACE Fct, CDPI SGR and FII SGR had not set up any interest-rate-hedging strategy.

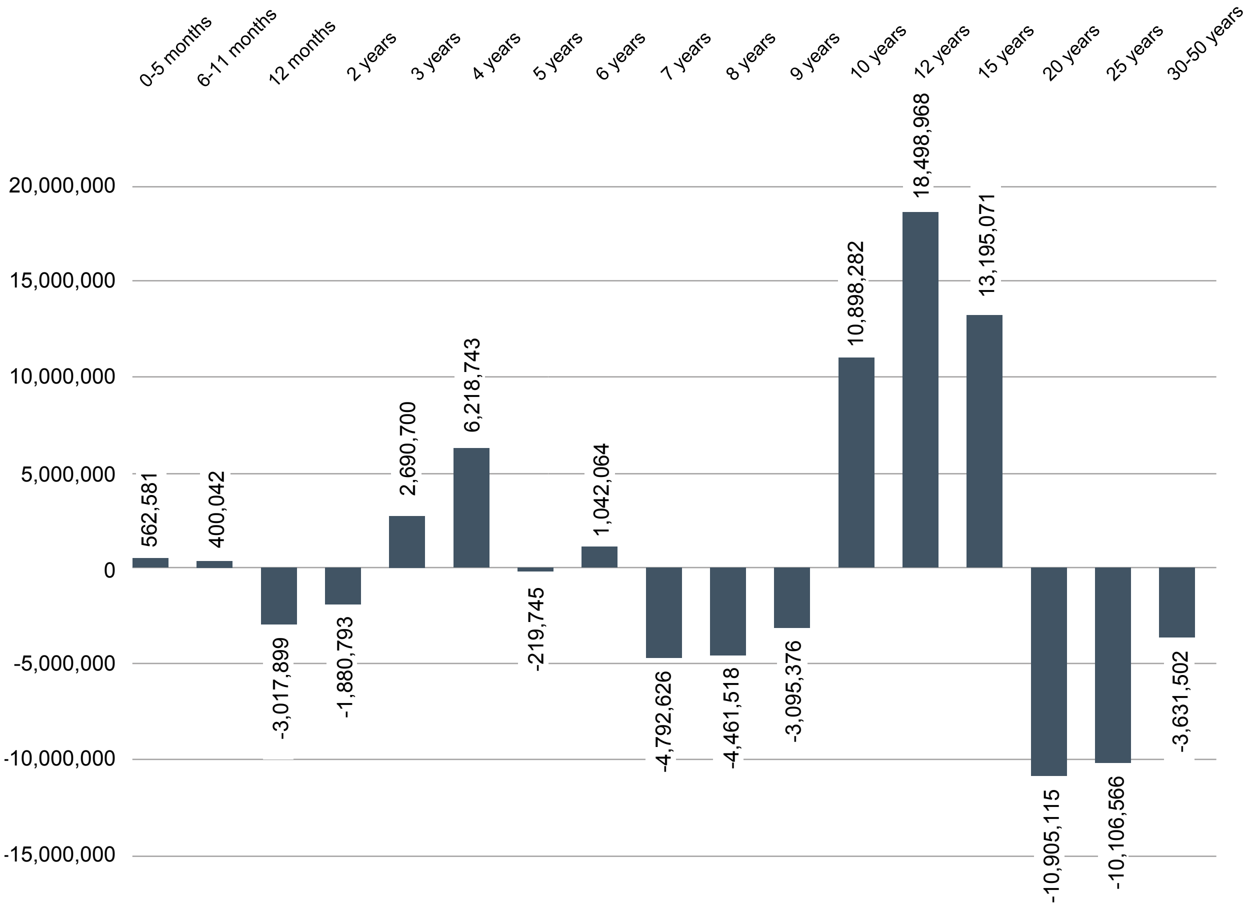
Quantitative disclosures

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

The following figure shows an analysis of the interest rate risk sensitivity of the Parent Company based on internal models, in line with the economic value approach.

Sensitivity to zero-coupon rates by maturity: increase of 1 basis point

Market figures at 31/12/2020



Sensitivity to zero-coupon rates: increase/decrease of 100 basis points

Market figures at 31/12/2020

(millions of euro) Variation of zero coupon rates	Effect on economic value
Increase of 100 bps	+791
Decrease of 100 bps	-1,223

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 purchases commercial paper denominated in foreign currency, all of which are 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.

CDP Immobiliare SGR and Fondo Italiano d'Investimento SGR S.p.A. are not exposed to exchange rate risk within their operations.

B. Hedging exchange rate risk

With regard to the Parent Company's exposure to the US Dollar, there was a residual component of unhedged exchange rate risk at 31 December 2020. This is mainly associated with refinancing operations of assets denominated in US dollars, in the short and medium term.

With regard to the Parent Company's exposure to the Yen, the exchange rate risk arising from a bond issue denominated in Yen is fully hedged through a Cross Currency Swap, which makes the net cash flows paid by CDP equivalent to those of a fixed-rate issue denominated in Euro.

With regard Parent Company's exposure to the Renminbi, there was a residual component of unhedged exchange rate risk at 31 December 2020, linked to the reinvestment of the liquidity raised through a bond issue in that currency completed in 2019.

SACE Fct manages the exchange rate risk associated with the purchase of commercial paper in foreign currency, 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.

Impacts of the Covid-19 pandemic

With regard to exposure to market risks for companies within the scope of prudential consolidation, the Covid-19 outbreak has not uncovered impacts other than those previously reported, as the events observed fall within the risks already mapped and monitored.

Without prejudice to the uncertainty regarding the prospective impacts of the health emergency, at present there is no evidence that could indicate a significant increase in these risks.

Quantitative disclosures

1. Breakdown by currency of assets, liabilities and derivatives

(thousands of euro) Items	Currency		
	US dollar	Renminbi	Yen
A. Financial assets	**3,991,258**	**124,638**	
A 1 Debt securities	310,569		
A.2 Equity securities			
A 3 Loans to banks	156,497	42,439	
A 4 Loans to customers	3,524,192	82,199	
A 5 Other financial assets			
B. Other assets			
C. Financial liabilities	**607,528**	**126,523**	**59,502**
C.1 Due to banks	520,531		
C.2 Due to customers	1		
C.3 Debt securities	86,996	126,523	59,502
C.4 Other financial liabilities			
D. Other liabilities	**18,978**		
E. Financial derivatives			
- Options:			
+ long positions			
+ short positions			
- Other derivatives:	3,166,204		59,293
+ long positions			59,293
+ short positions	3,166,204		
Total assets	**3,991,258**	**124,638**	**59,293**
Total liabilities	**3,792,710**	**126,523**	**59,502**
Difference (+/-)	**198,548**	**(1,885)**	**(209)**

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/Type of derivatives	31/12/2020 Over the counter: Central counter-parties	31/12/2020 Over the counter: Without central counterparties: With netting arrange-ments	31/12/2020 Over the counter: Without central counterparties: Without netting arrange-ments	31/12/2020 Organised markets	31/12/2019 Over the counter: Central counter-parties	31/12/2019 Over the counter: Without central counterparties: With netting arrange-ments	31/12/2019 Over the counter: Without central counterparties: Without netting arrange-ments	31/12/2019 Organised markets
1. Debt securities and interest rates		**5,192,350**	**40,000**			**4,412,350**	**40,000**	
a) Options								
b) Swaps		5,192,350	40,000			4,412,350	40,000	
c) Forwards								
d) Futures								
e) Other								
2. Equity securities and equity indices						**775,250**	**1,058,632**	
a) Options						775,250	1,058,632	
b) Swaps								
c) Forwards								
d) Futures								
e) Other								
3. Foreign currencies and gold		**1,782,224**				**772,654**		
a) Options								
b) Swaps		235,692						
c) Forwards		1,546,532				772,654		
d) Futures								
e) Other								
4. Commodities								
5. Other underlyings								
Total		**6,974,574**	**40,000**			**5,960,254**	**1,098,632**	

A.2 Financial derivatives held for trading: gross positive and negative fair value – breakdown by product

(thousands of euro) Type of derivatives	31/12/2020				31/12/2019			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets
1. Positive fair value								
a) Options						4,154		
b) Interest rate swap		160,282	17,360			105,839	14,969	
c) Cross currency swap		28,357						
d) Equity swap								
e) Forward		32,761				7,392		
f) Futures								
g) Other								
Total		**221,400**	**17,360**			**117,385**	**14,969**	
2. Negative fair value								
a) Options							7,786	
b) Interest rate swap		209,820				120,809		
c) Cross currency swap								
d) Equity swap								
e) Forward						335		
f) Futures								
g) Other								
Total		**209,820**				**121,144**	**7,786**	

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			17,360
- 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		2,541,715	1,336,635	1,314,000
- positive fair value		25,534	7,793	126,955
- negative fair value		167,326	42,308	186
2) Equity securities and equity indices				
- notional value				
- positive fair value				
- negative fair value				
3) Foreign currencies and gold				
- notional value		1,782,224		
- positive fair value		61,118		
- 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: 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	1,112,000	3,034,350	1,086,000	5,232,350
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold	1,782,224			1,782,224
A.4 Financial derivatives on commodities				
A.5 Financial derivatives on other				
Total 31/12/2020	**2,894,224**	**3,034,350**	**1,086,000**	**7,014,574**
Total 31/12/2019	**5,176,536**	**1,274,350**	**608,000**	**7,058,886**

B. Credit derivatives held for trading

There were no credit derivatives.

1.3.2 Accounting hedges

Qualitative disclosures

Within the scope of its Asset Liability Management policies, the Parent Company, where possible, makes use of “natural hedges” between assets and liabilities exposed to the same risks, also with a view to minimising recourse to hedging through derivatives. CDP’s transactions in derivatives have the sole purpose of risk hedging, mainly for interest rate, exchange rate and liquidity risk. 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.

A. Fair value hedges

Fair value hedges are 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. CDP implements both micro and macro fair value hedges.

In the micro fair value hedge, the hedged item is one or more individually selected contracts, exposed proportionately to the same risk and hedged with one or more derivatives. In some cases the hedged item is a subset of the cash flows of these contracts, specifically selected according to duration and/or amount (partial term hedge). CDP applies micro hedges in the Separate Account and Ordinary Account, to:
- fixed-rate loans (loans/mortgages);
- fixed-rate asset securities, possibly inflation-linked;
- liability bonds.

In the macro fair value hedge, the hedged item consists of portfolios of homogeneous loans in Separate Account exposed to interest rate risk. These hedges differ from micro hedges since the hedged item does not match the flows (or part of the flows) of a specific loan that is being hedged (or an aggregate of similar loans), and the explicit relationship 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 the interest payments of the hedged item with floating-rate interest payments that are linked to the 6M Euribor index or, to a lesser extent and for specific ALM purposes, to the 3M Euribor and 6M USD LIBOR indices.

Within the scope of prudential consolidation no further fair value 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 the expected flows. CDP implements the following cash flow hedges in relation to:
- EUR/USD exchange rate risk of asset securities in the Separate Account;
- EUR/JPY exchange rate risk of liability bonds in the Separate Account;

- interest rate risk of liability bonds in the Separate Account and Ordinary Account;
- inflation rate risk of asset securities in the Separate Account;
- sale or purchase price fluctuation risk of asset securities in the Separate Account.

Exchange rate risk hedges are performed through the use of Cross Currency Swaps which exchange the foreign currency flows of the securities with fixed-rate cash flows in euro.

Interest-rate risk hedges are performed by using Interest Rate Swaps which exchange cash flows indexed to the Euribor (3M or 6M) or the European inflation index with fixed-rate cash flows in euro.

Price fluctuation risk hedges are performed by using Bond Forward instruments.

Within the scope of prudential consolidation no further cash flow hedges have been undertaken.

C. Hedging of foreign investments

Currently there are no foreign investment hedges.

D. Hedging instruments

The hedging instruments used by CDP for fair value hedge strategies are mainly vanilla Interest Rate Swaps which exchange fixed-rate flows with floating-rate flows indexed to the Euribor, plus any 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 fair value hedging relationships have amortising profiles that mirror those of the loans/securities or groups of similar loans hedged, generally with spot starting date. The partial term relationships are used to hedge specific curve segments. These can have amortising or bullet profiles and, in some cases, forward start date. Swaps originated as macro hedges typically have bullet profiles and spot start date. All swaps have payment frequency that is the same as the refixing frequency, except in some cases for any initial or final periods.

In a limited number of cases, CDP has taken out fair value hedges through Cross Currency Swaps, which exchange floating-rate cash flows indexed to the USD LIBOR for floating-rate flows indexed to the Euribor (with a market spread, if any), to hedge the interest rate and exchange rate risks associated with the granting of US Dollar loans within the Export Bank system.

Cash flow variability hedging due to the exchange rate, interest rate and inflation rate risks are obtained by using Interest Rate and Cross Currency Swaps which have amortising profiles and payment frequencies that mirror those of securities hedged. Bond Forward instruments are used to hedge the price risk.

All hedging derivatives are traded Over the Counter (OTC), concluded with market counterparties with whom ISDA agreements are in place, where netting is used to reduce exposure, together with the high frequency exchange of collateral.

E. Hedged items

The existing accounting hedges at the end of 2020 were carried out on asset and liability items, such as loans, receivables and bonds.

Within the scope of fair value hedges, hedged items are typically 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. This results in an item that presents:
- capital flows of the hedged bond/loan;
- interest flows of the hedged bond/loan net of the hedge spread;
- only in the event of IRS with forward starting date, 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 by using the hypothetical derivative method, i.e. the derivative that is the ideal hedging instrument for the risks being hedged and whose main terms are aligned with those of the hedged item, regardless of the hedge actually implemented and net of the counterparty risk inherent in the derivative closed on the market.

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 31/12/2020				Total 31/12/2019			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets
1. Debt securities and interest rates		**40,020,726**				**40,982,705**		
a) Options								
b) Swaps		39,861,566				40,982,705		
c) Forwards		159,160						
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		**1,443,273**				**1,633,152**		
a) Options								
b) Swaps		1,443,273				1,633,152		
c) Forwards								
d) Futures								
e) Other								
4. Commodities								
5. Other underlyings								
Total		**41,463,999**				**42,615,857**		

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							
	31/12/2020				31/12/2019			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets
Positive fair value								
a) Options								
b) Interest rate swap		306,558				363,642		
c) Cross currency swap		138,129				17,704		
d) Equity swap								
e) Forward								
f) Futures								
g) Other								
Total		**444,687**				**381,346**		
Negative fair value								
a) Options								
b) Interest rate swap		4,306,177				2,675,688		
c) Cross currency swap		12,020				6,867		
d) Equity swap								
e) Forward		2,768						
f) Futures								
g) Other								
Total		**4,320,965**				**2,682,555**		

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		32,890,909	7,129,817	
- positive fair value		200,882	105,676	
- negative fair value		3,559,060	749,886	
2) Equity securities and equity indices				
- notional value				
- positive fair value				
- negative fair value				
3) Foreign currencies and gold				
- notional value		918,191	525,082	
- positive fair value		81,425	56,704	
- negative fair value		12,019		
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	3,738,817	9,658,023	26,623,886	40,020,726
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold	1,220,994	81,493	140,786	1,443,273
A.4 Financial derivatives on commodities				
A.5 Financial derivatives on other				
Total 31/12/2020	**4,959,811**	**9,739,516**	**26,764,672**	**41,463,999**
Total 31/12/2019	**2,941,904**	**11,928,115**	**27,745,838**	**42,615,857**

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		35,432,624	8,466,452	1,354,000
- positive fair value		226,416	113,469	144,315
- negative fair value		3,726,386	792,194	186
2) Equity securities and equity indices				
- notional value				
- positive fair value				
- negative fair value				
3) Foreign currencies and gold				
- notional value		2,700,415	525,082	
- positive fair value		142,542	56,704	
- negative fair value		12,020		
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[75]" and "funding liquidity risk[76]".

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 run-off 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 function, and monitoring liquidity gaps at short, medium and long term, which is performed by RM.

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.

With regard to SACE Fct's operations, 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 units involved in the process and the methods used to measure, manage, and monitor 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.

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 or the Gross Asset Value.

75 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.
76 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.

Any value fluctuation for the real estate funds and/or assets held in their portfolios might consequently affect the management fees. Such risk currently appears not significant.

From an operational point of view, liquidity risk is monitored through a careful planning of Company cash flows ("financial forecast"), prepared by the "SGR Administration" Organisational Unit and updated on a monthly basis.

With regard to FII SGR, the increased exposure to liquidity risk consists of asset liquidity risk. The asset management company manages closed-end funds with underlyings that have low liquidity and a long-term time horizon. The potential need, which is currently very unlikely, to rapidly liquidate the assets could significantly affect the prices of those assets.

In terms of funding risk, FII SGR has limited exposure due to the type and standing of its counterparties, which are periodically monitored, and the operating procedures of the individual funds (in addition to the possibility of using funding facilities in its operations).

Given that the exposure in currencies other than the euro is not significant relative to the overall exposure, the following breakdown by residual maturity refers only to assets and liabilities in euro.

Impacts of the Covid-19 pandemic

With regard to exposure to liquidity risk for companies within the scope of prudential consolidation, the Covid-19 outbreak has not uncovered impacts other than those previously reported, as the events observed fall within the risks already mapped and monitored.

Since the start of the health emergency, the Group has intensified its monitoring of this area, with the aim of promptly detecting any situations at risk and evaluating corrective action.

Without prejudice to the uncertainty regarding the prospective impacts of the health emergency, there is currently no evidence to suggest an increase in the risk of the companies being unable to meet their commitments.

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	**160,409,179**	**381,695**	**251,979**	**891,540**	**4,186,072**	**8,283,822**	**7,766,753**	**49,863,519**	**115,439,956**	**22,900,177**
A.1 Government securities		7,663	25,443	2,673	3,251,268	6,967,749	4,693,365	22,582,192	31,607,044	
A.2 Other debt securities	49,020	322	102	34,995	12,082	231,058	241,743	4,367,948	4,731,894	
A.3 Units in collective investment undertakings	3,043,120									
A.4 Loans	157,317,039	373,710	226,434	853,872	922,722	1,085,015	2,831,645	22,913,379	79,101,018	22,900,177
- banks	526,380			3	819	1,375	596,602	3,308,762	10,281,596	22,900,177
- customers	156,790,659	373,710	226,434	853,869	921,903	1,083,640	2,235,043	19,604,617	68,819,422	
B. On-balance-sheet liabilities	**109,974,065**	**11,357,489**	**4,789,369**	**7,651,245**	**10,845,335**	**16,664,098**	**19,039,979**	**170,311,552**	**29,970,855**	
B.1 Deposits and current accounts	109,838,934	512,919	3,144,452	5,790,689	3,271,017	6,590,081	3,318,213	149,599,068	10,494,151	
- banks	606,709	40,000	306,179	125,000	225,786	1,363		1,348,048	66,812	
- customers	109,232,225	472,919	2,838,273	5,665,689	3,045,231	6,588,718	3,318,213	148,251,020	10,427,339	
B.2 Debt securities			1,050,000	40,000	190,000	2,785,000		8,031,142	9,158,293	
B.3 Other liabilities	135,131	10,844,570	594,917	1,820,556	7,384,318	7,289,017	15,721,766	12,681,342	10,318,411	
C. Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of capital										
- long positions	630,237			573,539	369,428	2,246,280		90,752	150,013	
- short positions				570,451	351,901	2,080,866		81,493	139,987	
C.2 Financial derivatives without exchange of capital										
- long positions			375		42,147	43,692	83,263			
- short positions			468	815	15,106	154,640	192,510			
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions	21,927,878						4,250,000	50,000	152	
- short positions	21,927,878						4,250,000	50,000	152	
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										

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 practices and workplace safety, business disruption, system unavailability, breach of contract, process management, damage to physical 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

Apart from adopting best practice in the banking sector as a reference, the CDP Group pays particular attention to industrial sector benchmarks for the management of operational risks. The methodological and organisational framework implemented aims to capture 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.

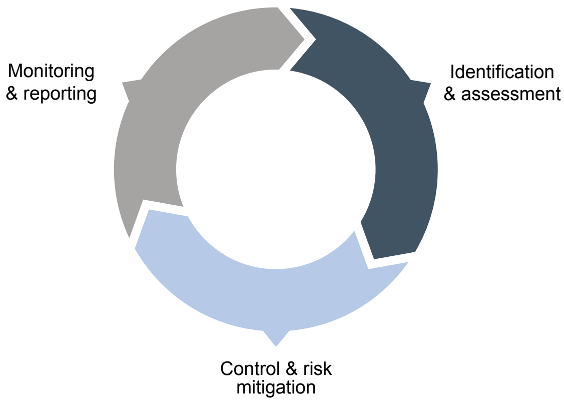
The objective is to improve corporate processes and the Internal Control System, so as to lay the foundations for the most appropriate mitigation actions and to make a more accurate quantification of the associated economic capital, currently estimated using the Basic Indicator Approach.

The Operational & ICT Risk Organisational Unit, operating within the Risk Management Function, is 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 mitigation measures proposed by the Risk Owners, and (iii) the reporting system designed to ensure that information is made available to the Governing Bodies and to the managers of the Organisational Units concerned.

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);
- external loss data;
- potential loss data (risk self-assessment);
- key factors of the business environment and internal control systems.

The CDP Group's system for managing operational risks is divided into the following stages:



1. Identification and measurement

This stage involves the:
- structured collection and timely updating of internal data on losses attributable to operational risk events (loss data collection);
- identification of potential operational risks associated with business processes and the forward-looking assessment of the Company's level of exposure to those risks (risk self-assessment);
- analysis of operational events received from the Italian database on operational losses (*Database Italiano delle Perdite Operative* - DIPO) (external loss data);
- identification of potential operational risks arising from the introduction of new products, services and activities.

1.1 Loss Data Collection

Loss data collection is the process designed to collect and manage – in a structured manner and according to rigorous criteria – the internal data on losses attributable to operational risk events occurred in the Company. The data recording concerns both operational risk events which have negative economic effects recorded in the income statement items (actual losses) and events that do not generate a loss (near misses).

The loss data collection process is structured as follows:
- collection and recording of internal loss data, to classify the data on losses attributable to operational risk events;
- monitoring and management of loss data, to observe the evolution of the Company's exposure to operational risks over time, in order to identify appropriate mitigation measures for the most significant events (in terms of impact, frequency and/or relevance to the strategic company objectives).

The data collection is supported by a network of information sources (an information source is defined as the organisational unit that can provide information concerning the main features of each loss event recorded and its associated effects).

The prompt availability of uniform, comprehensive and reliable data - within a dedicated database - allows the appropriate mitigation actions to be identified in order to combat the most significant risks and to achieve overall improvements, in terms of effectiveness and efficiency, of the corporate processes and the internal control system (so-called use test).

1.2 Risk Self-Assessment

This consists of a self-assessment of the potential operational risks inherent in the processes, carried out by the parties involved in the operations reviewed. The aim is to assess the level of the Company's vulnerability to these risks and, at the same time, to establish the necessary corrective actions, if the monitoring system is inadequate. The process consists of the following activities:
- mapping of the operational risk events to the corporate processes (risk mapping), in order to understand the origin of potential losses attributable to operational risks by retracing the events and causes that may generate those losses;
- assessment of the operational risk events and of the related controls for estimating the residual exposure to each risk.

The aim of the Risk Self-Assessment is to produce a Risk Map, which is a tool designed to dynamically monitor the evolution of the Company's risk profile, in order to:
- ensure an overall view of the main areas of risk of the company by process and by nature of the risk;

- strengthen the 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.

1.3 External loss data

CDP subscribes to 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 took place in other financial institutions; this enables CDP to improve its estimates about operational losses and to compare itself against the best practices used by other main Banking Groups.

2. Risk control and mitigation

Based on the findings from the Risk Self-Assessment and any specific further analyses conducted by the other corporate Control Functions, supported by the trends in operational losses found in the loss data collection, the mitigation process is activated in order to reduce the Company's exposure to the most significant operational risks - in terms of likelihood of occurrence and/or impact - through the identification and adoption of appropriate corrective measures.

Corrective actions are defined by the Risk Owners, with the support — where necessary — of the other corporate functions and the Risk Management Function, which verifies the implementation of the corrective actions through periodic follow-ups.

The Operational & ICT Risk Organisational Unit monitors the status of the mitigation actions initiated by periodically checking their progress with the individuals responsible for the actions taken and/or to be taken.

3 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 mitigation actions.

The main reports produced cover:
- Loss Data Collection, in relation to which a report is prepared every six months and sent to the Governing Bodies;
- 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;
- follow-up on the mitigation actions, identified for the most significant risks detected by the Loss Data Collection and Risk Self-Assessment.

Operational Risk Culture

In line with the mission of the Operational & ICT Risk Organisational Unit, which is to develop and disseminate awareness of operational risks within the Company, during 2020 training initiatives addressed to all the staff involved in the analyses were organised.

Other periodical actions organised by the Operational & ICT Risk Organisational Unit for the staff concerned include training, also in the form of on-the-job training. These actions ensure that the contact persons have appropriate knowledge of the process and of its attendant responsibilities, so as to make the best use of support tools.

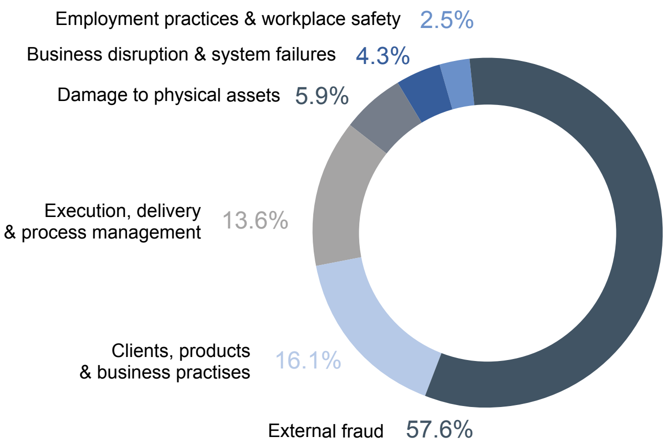
In addition to the above, the Operational & ICT Risk Organisational Unit supports the Corporate Protection Organisational Unit in organising cybersecurity training.

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

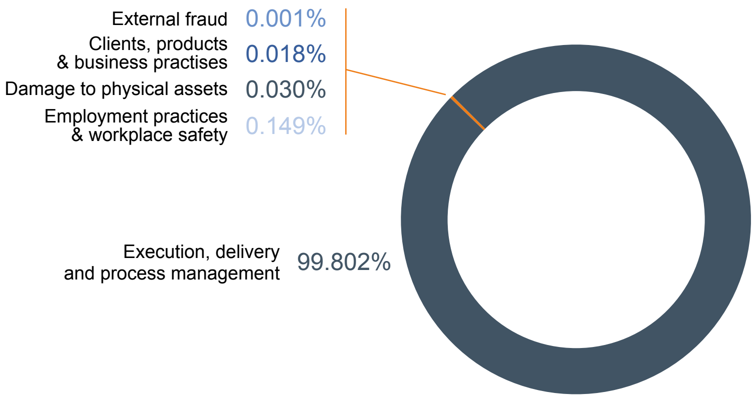
The chart below gives the breakdown by event type[77], showing the number and the impact in 2020, based on the event type classification scheme established by the New Basel Capital Accord.

% breakdown by number of events (actual and near-miss losses)



In 2020, the events identified with greater frequency were of the "External Fraud" type, referring to losses arising mainly from fraud or theft by external parties, including cyber attacks on the Group's IT systems.

% breakdown by accounting amount recorded



During 2020, the most significant type of event, in terms of impact, was 'Execution, delivery, & process management', especially with regard to disputes and litigation with non-customer counterparties.

77 The figures refer to CDP, SACE Fct and CDPI SGR.

SACE Fct

SACE Fct adopts the Group's operational risk management framework for the purpose of strengthening risk controls and improving the overall effectiveness and efficiency of processes, in order to reduce the variability of operating profits and protect its assets.

In 2020, a Risk Self-Assessment was carried out on the processes of the Company's Administration, Planning and Control function in order to identify and assess the level of future exposure to potential operational risks. The assessment did not uncover any significant potential operational risks and the level of exposure to these risks was generally considered to be low, confirming the adequacy of the control measures in place.

For the loss data collection, the Company adopts a bottom-up approach for the collection and recording of loss data through a network of information sources that can provide information concerning the main features of each loss event recorded and its associated effects. The data collection is performed on an ongoing basis and is supported by an IT application (developed by the Parent Company) for recording the loss data, which enables the data recording and accounting reconciliation of the data collected and its validation.

CDPI SGR

CDPI SGR adopts the Group's operational risk management framework, with the purpose of strengthening risk controls and improving the overall process effectiveness and efficiency, in order to reduce the variability of operating profits and protect its assets.

In the first quarter of 2020, a second follow-up was performed, to verify the adoption of specific corrective actions, as planned after the 2019 Risk Self-Assessment of the Company processes.

For the Loss Data Collection, the Company adopts a bottom-up approach for the collection and recording of loss data through a network of information sources that can provide information concerning the main features of each loss event recorded and its associated effects, through a continuous reporting process.

FII SGR

FII SGR has set up a proprietary operational risk management system covering (i) risks associated with human error (i.e. errors, unintentional damage and/or fraudulent situations created by internal and external operators that may be detrimental to the company), (ii) technology-related risks (i.e., IT procedures and intentional or unintentional damage to company hardware and software), (iii) process-related risks (i.e., missing or incomplete internal procedures or breaches), and (iv) risks related to external factors (i.e., events external to the company). FII SGR's overall exposure to operational risks is small and is mainly concentrated in the area of internal processes, regulatory compliance and employment relationships.

Impacts of the Covid-19 pandemic

The Covid-19 pandemic has accentuated the potential operational risks already mapped and monitored. In particular, the following key risk areas have been identified:

- cybersecurity, due to a possible intensification of cyber attacks in view of the higher levels of remote working and the mass use of technological tools which could make business processes more vulnerable;
- continuity of business processes, due to a potential unavailability of critical system providers;
- potential staff shortages, temporary or not, due to illness.

However, in 2020, no particular issues were identified in any of these areas, which are monitored on an ongoing basis.

Considering the impacts of the pandemic, the companies within the scope of prudential consolidation have made huge efforts and implemented important actions to ensure business and operational continuity and, above all, the safety of their staff from the first outbreaks in Italy. The actions taken, which have involved coordination between the different company functions, include the use of remote working, with the provision of the required equipment, taking out specific insurance and healthcare coverage plans, making arrangements to ensure access to Covid-19 blood tests and antibody tests, and the periodic rotation and sanitisation of the work areas.

Civil and administrative disputes

At 31 December 2020, there are 92 pending disputes in civil and administrative matters in which CDP is a defendant, for a total amount of approximately 208.5 million euro.

With reference to the above-mentioned disputes, there are 45 disputes with a risk of a ruling against the company estimated to be probable. Of these: *i)* 26 refer to positions relating to Postal Savings products amounting to approximately 358 thousand euro; *ii*) 13 refer to credit positions amounting to approximately 177 million euro; *iii*) 6 refer to other civil and administrative law issues amounting to approximately 953 thousand euro.

There are also 28 disputes with a risk of a ruling against the company estimated to be possible. Of these: *i)* 10 refer to positions relating to Postal Savings products amounting to approximately 79 thousand euro; *ii*) 6 refer to credit positions amounting to approximately 26.8 million euro; *iii*) 14 refer to other civil and administrative law issues amounting to approximately 943 thousand euro.

With reference to ongoing disputes, at 31 December 2020 a provision for risks and charges was set up amounting to approximately 62.6 million euro.

In particular, the most significant dispute - related to the exercise of the right of withdrawal by Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona (“Cariverona”) in the context of conversion of preference shares into CDP ordinary shares which took place in 2012 - was concluded on 25 June 2020 with the signing of a settlement agreement between CDP and Cariverona. Under the terms of the agreement and in full settlement of the dispute, Cariverona waived the receivable assessed by the Court of Rome in its ruling of 15 January 2020 (amounting to approximately 432 million euro, plus interest of approximately 19 million euro, for a total of approximately 451 million euro) against payment by CDP of 265 million euro.

Regarding SACE FCT S.p.A., there are 3 disputes as defendant, with a total claimed amount of approximately 10.2 million euro and 59 disputes as claimant, with a total claimed amount of approximately 61.6 million euro.

Labour law disputes

At 31 December 2020, 19 pre-litigation and labour disputes were pending, for which a total of approximately 3 million euro of provisions were made.

Section 3 - The risks of insurance companies

Insurance risks

During 2020, SACE Spa also expanded its scope of activities to support (i) the liquidity needs of companies affected by the pandemic, (ii) short-term trade receivables insurance and (iii) the sustainable economy. In particular:

- with the publication of Decree Law 23 of 2020 (so-called "Liquidity Decree"), containing "Urgent measures regarding access to credit and tax obligations for companies, special powers in strategic sectors, as well as health and workplace interventions, and extension of administrative and procedural deadlines", converted into Law 40 of 5 June 2020 ("Conversion Law"), in order to ensure the necessary liquidity for companies based in Italy affected by the Covid-19 pandemic (Art. 1), the possibility of granting guarantees (with the State counter-guarantee) has been added to SACE's traditional operations, to be reported under a Separate Account, on loans up to 31 December 2020 (in compliance with European regulations on State aid and subsequently extended to 30 June 2021), for a total commitments of up to 200 billion euro. Guarantees issued as at 31 December, through a dedicated portal called "Garanzia Italia" available on the SACE SIMEST website, covering loans, factoring, leases and debt securities, amounted to 1,401, for a total amount financed of 20.8 billion euro;
- with the publication of Decree Law 34 of 2020 (so-called "Relaunch Decree"), containing "Urgent measures regarding health, support for work and the economy, and social policies related to the Covid-19 epidemiological emergency", converted with amendments into Law 77 of 17 July 2020 ("Conversion Law"), in order to retain continuity of trade between companies and to ensure that insurance services for trade receivables continue to be available to companies hit by the economic effects of the Covid-19 pandemic (Art. 35), SACE was authorised to grant a guarantee (with the State counter-guarantee) in favour of the companies insuring the short-term trade receivables, to be reported under a Separate Account and participating in a special Agreement, equal to 90% of the compensation generated by exposures relating to trade receivables accrued from the entry into force of the decree until 31 December 2020 (in compliance with European regulations on State aid and subsequently extended to 30 June 2021), for a maximum limit of 2 billion euro. 5 companies signed the Agreement, accounting for 86% of the credit insurance market, to the benefit of some 14,000 insured companies;
- with the publication of Decree Law no. 76 of 2020 (so-called "Simplification Decree"), containing "Urgent measures for simplification and digital innovation", converted with amendments into Law no. 120 of 11 September 2020 ("Conversion Law"), in order to support interventions pursuant to Art. 1, paragraph 86, of Law no. 160 of 27 December 2019, regarding the European Green Deal (Art. 64), SACE was authorised to assume guarantees (with the State counter-guarantee), to be reported under a Separate Account, for projects aimed at facilitating a transition towards the green economy, circular economy and sustainable mobility, within the limit of 2.5 billion euro for 2020. 7 guarantees were approved in 2020 for a financed amount of 615 million euro, of which 303 million euro have already been issued within the year.

Please also note that Art. 2, paragraph 6, of the Liquidity Decree also establishes that, on the date of issuing the decree, ninety percent of the outstanding commitments undertaken by SACE S.p.A. resulting from the insurance business — excluding those for which a report of non-collection has already been received — are reinsured by the State. As a consequence, pursuant to the Liquidity Decree, ninety percent of the assets in which the technical provisions are invested were transferred to the MEF, for an amount equalling 1.5 billion euro.

(millions of euro; %) Portfolio	31/12/2020	31/12/2019	Change (+/-)	Change %
SACE	**70,591**	**65,115**	**5,476**	**8.4%**
Outstanding guarantees	70,086	64,537	5,548	8.6%
of which:				
- *principal*	*62,560*	*57,140*	*5,420*	*9.5%*
- *interest*	*7,526*	*7,397*	*128*	*1.7%*
Loans	505	577	(72)	-12.5%
SACE BT	**83,257**	**67,153**	**16,104**	**24.0%**
Short-term credit	11,308	10,520	788	7.5%
Surety Italy	6,352	6,157	195	3.2%
Other property damage	65,597	50,476	15,121	30.0%

SACE's total risk exposure, measured in relation to loans and guarantees provided, stood at 70.6 billion euro (of which 99% referring to the guarantees portfolio), up 8.4% compared with 2019. The main corporate risk sectors are Cruise, Oil&Gas and Chemicals/petrochemicals, while the main countries are the United States, Qatar, Italy, Egypt and the United Kingdom.

SACE BT's exposures, amounting to around 83.3 billion euro, increased on 2019 (+24%) mainly due to the "Other property damage" segment. The exposure of the "Sureties Italy" segment increased, as did the "Credit" segment.

Reinsurance

Reinsurance is an important tool to optimise and mitigate risks and plays a key role in the broader integrated corporate risk management and control system.

At 31 December 2020, the most significant form of risk ceded for SACE lies in reinsurance with the Ministry of the Economy and Finance pursuant to Decree Law 23 of 8 April 2020 (Liquidity Decree), converted with amendments by Law no. 40 of 5 June 2020, which extended, on the risks in the portfolio, the reinsurance percentages compared to the previous Agreement signed in 2014 with the Ministry of the Economy and Finance, approved by the Italian Prime Minister's Decree of 20 November 2014 and registered with the Court of Auditors on 23 December 2014, which governed the proportional transfer of risks that could result in high concentration levels for SACE.

More specifically, with regard to reinsurance of risks, the Liquidity Decree included:

a) the issuance ex lege of the State guarantee on 13 transactions in the cruise sector, approved by SACE in 2019 and in the first few months of 2020, for which SACE had submitted a reinsurance application under the Agreement between the Ministry of the Economy and Finance and SACE pursuant to Art. 6, paragraph 9-*bis*, of Decree Law no. 269/2003, converted with amendments by Law no. 326 of 24 November 2003;
b) the authorisation for the Ministry of the Economy and Finance for 2020 to issue the State guarantee in favour of SACE pursuant to the aforementioned Decree Law no. 269/2003, within specific limits set for the cruise sector and the defence sector for transactions with a sovereign counterparty to be approved in the current year;
c) the reinsurance cession to the Ministry of the Economy and Finance, up to a share of 90 percent, of SACE's outstanding commitments as of the date of Decree Law no. 23/2020 coming into force, with some specific exclusions related to particularly impaired positions in terms of risk profile;
d) the introduction of an interim period for the period between the date of entry into force of Decree Law no. 23/2020 and 31 December 2020, with the possibility of ceding 90 percent of the commitments undertaken by SACE in this period with specific Decree of the Minister of the Economy and Finance.

In addition to state reinsurance, and in light of the growth in volumes recorded in recent years, in order to mitigate the concentrations present in the portfolio, reinsurance with private counterparties, including Lloyd's of London, has also been activated as a further tool to achieve SACE's goals while keeping continuous communication with the market.

Reinsurance channels are complemented by cession agreements with other Export Credit Agencies.

Reinsurance is intended to share the risk with specialised and highly creditworthy counterparties with a view to:

- improving the equilibrium of the portfolio;
- obtaining greater financial soundness;
- stabilising financial performance;
- increasing the underwriting capacity.

When choosing the type of reinsurance policy, the objective of optimising the trade-off between the financial impact of the cost of coverage and the benefit in terms of risk mitigation is taken into account.

In this context, the Reinsurance Function searches for and proposes the reinsurance solutions and manages the operational processes connected to their use, ensuring the consistency between the cessions plan and the reinsurance strategies approved by the Board of Directors.

Over the years, SACE's reinsurance strategy has included the use of various forms of reinsurance, in particular:

- quota share reinsurance: mainly used to increase the underwriting capacity. These policies provide for a proportional transfer of the premium to the reinsurer, equal to the ceded portion of the risk, and the reinsurer's retrocession of commissions to cover the costs incurred in underwriting and managing the contract (ceding commission). In the event of a claim, the reinsurer is obliged to pay its share of the reimbursement;
- 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: used to increase the efficiency of SACE's guarantee portfolio in terms of capital relief or stabilisation of the technical account, it limits the maximum cost of compensation in the event of a claim to predefined amounts;
- policies on an optional basis, to cover individual risks or homogeneous subsets of risks, or on a treaty basis, through the automatic cession of risks relating to specific underwriting years.

At 31 December 2020, out of a total 70 billion euro portfolio of transactions completed, 57 billion euro was ceded in reinsurance (82%). Around 89% of these reinsurance cessions are with the MEF and include the cession made pursuant to item c) above; 10% are ceded to the private reinsurance market, represented by the main counterparties active at global level; and, lastly, a marginal share (1%) is represented by reinsurance cessions with other ECA in accordance with the bilateral agreements in force.

With reference to cessions made in 2020, against finalised transactions totalling 14.9 billion euro, a total of 8.4 billion euro was reinsured, of which (i) 6.0 billion euro ceded to the MEF pursuant to articles 6.1b and 6.1c of the SACE-MEF Agreement, net of the cession made pursuant to point c) above, (ii) 2.3 billion euro ceded through the Reinsurance Treaty with the private market and (iii) 88 million euro ceded to the optional private market.

Concerning the reinsurance cession with private counterparties during 2020, the quota share treaty (Treaty) was renewed with effect from 1 January 2020 and valid on the portfolio approved during the current year.

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 financial management, through a process of integrated asset & liability management, concludes a number of operational 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 amortised cost	Total	%
Bonds	1,119		2,889	4,008	50.1%
Units in collective investment undertakings	144			144	1.8%
Shares	43	5		48	0.6%
Money Market			3,796	3,796	47.5%
Total	**1,306**	**5**	**6,685**	**7,996**	**100.0%**

The portfolio in question includes the investment in Fondo Sviluppo Export (UCIs), which is consolidated line by line. Its composition is as follows: 50.1% bonds and other debt securities, 47.5% monetary instruments, 1.8% units in collective investment undertakings mainly invested in bonds and the remaining 0.6% in shares.

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	2.9%
AA	2.3%
A	0.5%
BBB	94.0%
Others	0.3%

Legal disputes

At 31 December 2020, SACE S.p.A.'s disputes as defendant consisted of 14 lawsuits, with a total claimed amount of approximately 29 million euro, while the disputes as claimant included 7 lawsuits with a total claimed amount of approximately 157 million euro. As regards the disputes as claimant, there are 48 additional ongoing proceedings for the recognition of the privileged nature, pursuant to Italian Legislative Decree 123/1998, of receivables due to SACE S.p.A. totalling around 59 million euro within the context of insolvency proceedings for compensation disbursed (or currently being disbursed) on guarantees issued in support of companies' internalisation. There are also 3 labour law disputes.

The disputes as defendant of SACE BT S.p.A. consist of 127 lawsuits, with a total claimed amount of approximately 63 million euro, while the disputes as claimant include 5 lawsuits with a total claimed amount of approximately 21 million euro. There are also 2 labour law disputes.

Section 4 - The risks of other entities

This section analyses the main risks that fully consolidated companies not included in the "prudential consolidation" or "insurance companies" scopes are exposed to, as previously described in sections 2 and 3 of part E of the Notes to the consolidated financial statements.

As a result of the variety of businesses carried out by the companies included in this section, specific information is provided for each of the main entities, in order to better represent their peculiarities in terms of risks and related mitigation actions.

Quantitative information is reported gross of any intragroup eliminations and consolidation adjustments, which is why the amounts reported in the following paragraphs may not be immediately comparable with those discussed in parts B and C of the consolidated financial statements.

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 2020 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 Terna S.p.A.

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.

	31/12/2020			31/12/2019		
(millions of euro)	Loans carried at amortized cost	Fair value	Total	Loans carried at amortized cost	Fair value	Total
Assets						
Derivative financial instruments		94.2	94.2		45.1	45.1
Cash and equivalent and government bonds	2,689.0	611.4	3,300.4	1,057.4	513.3	1,570.7
Trade receivables	1,245.2		1,245.2	1,290.7		1,290.7
Total	**3,934.2**	**705.6**	**4,639.8**	**2,348.1**	**558.4**	**2,906.5**

The cash and cash equivalents of the Terna group contribute to the balance of assets measured at amortised cost due from banks (Item 40 a), while trade receivables are shown under Other assets (Item 130) in the CDP Group's consolidated financial statements.

(millions of euro)	31/12/2020 Payables carried ad amortised cost	Fair value	Total	31/12/2019 Payables carried ad amortised cost	Fair value	Total
Liabilities						
Long-term debt	11,248.2		11,248.2	9,607.2		9,607.2
Derivative financial instruments	-	160.4	160.4		160.4	160.4
Trade payables	2,217.3		2,217.3	2,445.2		2,445.2
Total	**13,465.5**	**160.4**	**13,625.9**	**12,052.4**	**160.4**	**12,212.8**

Long-term debt, mainly consisting of bonds, is included in securities issued (Item 10c of liabilities) in the CDP Group's consolidated financial statements. The Terna group's trade payables contribute to other liabilities (Item 80 of liabilities).

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, the group 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. At the end of 2020, the fixed-rate group debt was 85%.

As at 31 December 2020, interest rate derivatives are fair value hedge derivatives and 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 fair value of derivatives entered into by the Terna group, which contribute to item 50 of assets (if positive) and item 40 of liabilities (if negative) of the CDP Group's consolidated financial statements:

(millions of euro)	31/12/2020 Notional	Fair value	31/12/2019 Notional	Fair value	Change (+ / -) Notional	Fair value
FVH derivatives	1,600.0	45.0	1,600.0	45.0		
CFH derivatives	4,079.9	(253.8)	3,794.0	(160.4)	285.9	(93.4)

The notional amounts of CFH derivatives as at 31 December 2020, amounting to 4,079.9 million euro, are broken down as follows:
- 1,111.9 million euro (fair value equal to -6.4 million euro) maturing in 2021;
- 300.0 million euro (fair value equal to -0.3 million euro) maturing in 2022;
- 100.0 million euro (fair value equal to -0.2 million euro) maturing in 2023;
- 1,250.0 million euro (fair value equal to -114.1 million euro) maturing in 2027;
- 1,300.0 million euro (fair value equal to -130.2 million euro) maturing in 2028;
- 18.0 million euro (fair value equal to -2.6 million euro) relative to the subsidiary Difebal, maturing in 2032.

The notional amounts of FVH derivatives as at 31 December 2020, amounting to 1,600.0 million euro, are broken down as follows:
- 850.0 million euro (fair value equal to +43.7 million euro) maturing in 2027;
- 750.0 million euro (fair value equal to +50.5 million euro) maturing in 2028.

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 CFH derivatives, the fair value changes of the derivative must be recognised in "Other comprehensive income" (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.

	Net income or loss			Equity		
(millions of euro)	Current rates +10%	Current values	Current rates -10%	Current rates +10%	Current values	Current rates -10%
31 December 2020						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	(4.0)	(4.1)	(4.2)	(85.1)	(93.4)	(101.7)
Hypothetical change	*0.1*		*(0.1)*	*8.3*		*(8.3)*
31 December 2019						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	2.4	5.4	8.4	(98.8)	(101.2)	(103.7)
Hypothetical change	*(3.0)*		*3.0*	*2.4*		*(2.4)*

Global regulators have begun reforming the IBOR (Interbank Offered Rates) indices, which are the benchmark indices for most financial instruments traded worldwide, in order to restore the reliability and robustness of the benchmarks. Given the high levels of uncertainty regarding the timing of the reform during the transition phase, the group continues to closely monitor the market and the results generated by the various industry working groups managing the transition to the new benchmark rates, including the announcements made by the regulators regarding the transition from LIBOR to SOFR (Secured Overnight Financing Rate) and from EURIBOR to ESTER (Euro Short-term Rate). Management is aware of the associated risks and accordingly activities are planned to complete the transition in parallel with the changes in the applicable regulations. In addition, all new financial agreements include fallback clauses governing the transition period.

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, such as 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 2020, the Terna Group's Income Statement exposure to exchange rate risk was residual and due to the subsidiaries Tamini and Brugg.

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 2020, the group had approximately 619 million euro available in short-term credit lines (out of total credit lines of around 1,243 million euro), 2,650 million euro in revolving credit lines and around 347 million euro in loans signed, but not yet disbursed.

With specific regard to the bonds reported in Item 10c of liabilities of the CDP Group's consolidated financial statements and other loans, the table below provides a breakdown by maturity:

(thousands of euro)	Maturity	31/12/2019	31/12/2020	Portion falling due within 12 months	Portion falling due after 12 months	2022	2023	2024	2025	2026	After	Average interest rate 2020	Average net interest rate 2020
	2021	1,302.7	1,258.8	1,258.8								4.75%	1.22%
	2022	998.3	999.1		999.1	999.1						0.88%	0.96%
	2023	659.1	636.3		636.3		636.3					2.73%	-1.07%
	2023	995.0	996.4		996.4		996.4					1.00%	1.15%
	2024	952.1	921.1		921.1			921.1				4.90%	0.87%
	2025	494.7	495.7		495.7				495.7			0.13%	0.32%
Bonds	2026	497.8	498.2		498.2					498.2		1.00%	1.29%
	2026	79.1	79.2		79.2					79.2		1.60%	0.41%
	2027	1,013.6	1,039.0		1,039.0						1,039.0	1.38%	1.09%
	2028	764.9	794.4		794.4						794.4	1.00%	0.83%
	2032		496.2		496.2						496.2	0.75%	0.82%
	2030		495.7		495.7						495.7	0.38%	0.46%
	2044		34.4		34.4	0.7	1.4	1.4	1.4	1.4	28.1	5.33%	9.85%
EIB	2042	368.6	515.6	4.6	511.0	20.5	20.5	28.7	28.7	28.7	383.9	1.32%	1.32%
Terna borrowing	2022		200.0		200.0	200.0						0.01%	-0.01%
Difebal borrowing	2034	38.2	33.6	1.5	32.1	1.4	1.7	1.9	2.0	2.2	22.9	4.88%	4.88%
Total fixed rate		**8,164.1**	**9,493.7**	**1,264.9**	**8,228.8**	**1,221.7**	**1,656.3**	**953.1**	**527.8**	**609.7**	**3,260.2**		
EIB	2041	1,291.1	1,175.0	112.2	1,062.8	112.8	114.0	115.3	115.3	115.3	490.2	0.13%	0.91%
Terna borrowing	2023		400.0		400.0	300.0	100.0					0.05%	0.07%
Brazilian companies borrowing	2042	102.0	108.1	3.0	105.1	32.7	2.9	3.0	3.1	3.1	60.3	7.50%	7.50%
Difebal borrowing	2034	30.7	26.8	1.5	25.3	1.5	1.7	1.9	2.0	2.2	16.0	0.33%	0.42%
Total variable rate		**1,423.8**	**1,709.9**	**116.7**	**1,593.2**	**447.0**	**218.6**	**120.2**	**120.4**	**120.6**	**566.5**		
Total		**9,587.9**	**11,203.6**	**1,381.6**	**9,822.0**	**1,668.7**	**1,874.9**	**1,073.3**	**648.2**	**730.3**	**3,826.7**		

Bonds fair value, with carrying amount of 8,774.5 million euro as of 31 December 2020, is 9,071.3 million euro, and it is based on prices at the reporting date. Borrowings fair value equals carrying amount for a total of 2,454.8 million euro as at 31 December 2020, and it is measured by discounting expected cash flows based on the market interest rate curve at the reporting date.

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 Art. 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 ARERA where necessary.

At the end of the year, this exposure was as follows:

(millions of euro)	31/12/2020	31/12/2019	Change
FVH derivatives	94.2	45.0	49.2
Cash and cash equivalents and other financial assets	2,689.0	1,057.4	1,631.6
Trade receivables	1,245.2	1,290.7	(45.5)
Total	**4,028.4**	**2,393.1**	**1,635.3**

The overall credit risk exposure as at 31 December 2020 is represented by the carrying amount of trade receivables and cash and cash equivalents.

The following tables provide qualitative disclosures on loans to customers in terms of geographical distribution and type of customer.

Geographical distribution

(millions of euro)	31/12/2020	31/12/2019
Italy	1,075.2	1,146.7
Euro-area countries	44.6	27.6
Other countries	125.4	116.4
Total	**1,245.2**	**1,290.7**

Type of customer

(millions of euro)	31/12/2020	31/12/2019
Distributors	199.4	313.5
CSEA	93.7	88.9
Dispatching customers for injections	173.2	169.9
Dispatching customers for withdrawals (not distributors)	563.9	517.8
Parties which have signed virtual import contracts and virtual import services (interconnectors and shippers)	12.7	12.8
Sundry receivables	202.3	187.8
Total	**1,245.2**	**1,290.7**

The following table breaks down trade receivables by past-due band, with the related impairment:

	31/12/2020		31/12/2019	
(millions of euro)	Impairment	Gross	Impairment	Gross
Current	(0.6)	1,188.9	(0.7)	1,149.6
0-30 days past due		8.8		13.5
31-120 days past due	(0.3)	6.5	(0.1)	9.6
Over 120 days past due	(51.1)	93.0	(42.1)	160.9
Total	**(52.0)**	**1,297.2**	**(42.9)**	**1,333.6**

Changes in the bad debt provision for trade receivables during the year were as follows:

(millions of euro)	31/12/2020	31/12/2019
Balance at 1st January	(42.9)	(44.1)
Release of provisions	0.1	2.3
Impairments for the year	(9.2)	(1.1)
Balance	**(52.0)**	**(42.9)**

The value of guarantees issued by electricity market operators is shown below:

(millions of euro)	31/12/2020	31/12/2019
Dispatching - Injections	215.5	236.1
Dispatching - Withdrawals	1,316.0	1,109.4
Transmission charges due from distributors	327.9	313.7
Virtual imports	113.4	104.3
Capacity market	148.3	
Balance	**2,121.1**	**1,763.5**

For the Unregulated business, assets are exposed to "counterparty risk", in particular towards those parties with whom active contracts are concluded, in consideration of the credibility and solvency of the parties in question and the impact that any insolvency may have on the financial position of the business. Counterparty risk is mitigated by implementing counterparty assessment procedures that measure economic, financial and reputational aspects of the parties involved.

Default risk and debt covenants

This risk is associated with the possibility that the loan contracts or bond rules to which Terna S.p.A. is party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk.

Certain long-term loans obtained by Terna S.p.A., contain covenants that are typical of international practice. The principal covenants relate to:
- the Company's bond issues, which consist of an 800.0 million euro issue in 2004 and nine issues as part of its EMTN Programme (the "€ 8,000,000,000 Euro Medium Term Notes Programme");
- bank borrowings, consisting of revolving lines of credit and bilateral term loans ("bank debt");
- series of loans to the Company from the European Investment Bank (EIB), amounting to a total of 1,690.6 million euro.

The main covenants relating to the bond issues and the EMTN Programme involve clauses regarding i) "negative pledges", on the basis of which the Issuer or its Relevant Subsidiaries undertake not to create or maintain mortgages, pledges or other encumbrances on their assets or revenue, to guarantee listed bonds (with the exception of certain "permitted guarantees"); ii) "pari passu", on the basis of which the securities constitute a direct, unconditional and unsecured obligation by the Issuer, ranking equally among them and with at least the same level of seniority as other present and future unsecured and non- subordinated borrowings of the Issuer; iii) "event of default", on the basis of which if certain predetermined events occur (e.g., failure to make a repayment, the liquidation of the Issuer, the breach of contractual obligations, a cross-default, etc.) a situation of default is established and the loan is immediately called in.

The main covenants relating to bank borrowings involve clauses related to i) negative pledges, on the basis of which the Issuer or the Relevant Subsidiaries undertake not to create or maintain guarantees on their assets to secure borrowings, with the exception of "permitted guarantees"; ii) pari passu on the basis of which the Borrower's payment obligations in relation to the loan agreements in question are not subordinated to any obligation related to other unsecured and non-subordinated creditors, without prejudice to privileges under the law; iii) "event of default", on the basis of which if certain predetermined events occur (e.g. failure to make a repayment, serious inaccuracies in documents and/or declarations, insolvency, business discontinuation, substantially prejudicial effects, the breach of contractual obligations, including pari passu conditions, a cross-default, etc.) a situation of default is established and the loan is immediately called in; iv) accelerated repayment should the rating fall below investment grade (BBB-) for the majority of rating agencies or should the Company cease to be rated by at least one agency.

The main covenants related to the EIB loans involve clauses related to i) negative pledges, on the basis of which the Company cannot create encumbrances, with the exception of encumbrances granted in relation to borrowings below given amounts and under contractually specified circumstances; ii) the provision to the Bank, at its request, of new guarantees should ratings below BBB+/Baa1 be assigned by two ratings agencies out of three, or in the event that all of the agencies cease to publish ratings; iii) pari passu, on the basis of which the Company ensures that payment obligations rank equally with those related to all other unsecured, non-subordinated creditors; iv) cases of contract termination/application of the call provision/withdrawal (e.g. failure to make a repayment, serious inaccuracies in documents and/or declarations, insolvency, events that have a negative impact on financial commitments made by the Company, extraordinary administration, liquidation, substantial prejudicial changes, the breach of contractual commitments, etc.); v) accelerated loan payment following the occurrence of given events (e.g. change of control over the Company, loss of the concession, extraordinary corporate events, etc.). To date, none of the above covenants has been breached.

Bank Guarantees

The amount of bank guarantees issued to third parties on behalf of the Terna group companies as at 31 December 2020 totalled 265.3 million euro, subdivided as follows: 86.0 million euro on behalf of Terna S.p.A., 60.9 million euro on behalf of the company Tamini Trasformatori S.r.l., 59.4 million euro on behalf of the company Terna Rete Italia S.p.A., 39.2 million euro on behalf of the company Terna Interconnector S.r.l., 6.1 million euro on behalf of the company Terna Plus S.r.l., 5.1 million euro on behalf of the company Santa Lucia S.A., 4.1 million euro on behalf of the company Difebal S.A., 2.4 million euro on behalf of the company Terna Perù SAC, 1.0 million euro on behalf of the company Santa Maria SA, 0.7 million euro on behalf of the company Terna Energy Solutions S.r.l., 0.3 million euro on behalf of the company Avvenia The Energy Innovator S.r.l. and 0.1 million euro on behalf of the company Terna Chile S.p.A.

Litigation

We describe below the main off-balance sheet commitments and risks at 31 December 2020, related to the parent company Terna and its subsidiary Terna Rete Italia S.p.A., 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 Terna S.p.A. 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.

In particular, there is a dispute pending concerning the new "Udine Ovest – Redipuglia" 380 kV line and associated works, which has been operational for two years. Should the claims filed by the Municipalities and/or private citizens be upheld, with the resulting annulment of the decree authorising the works, this could also have consequences on the running of the plant.

Disputes concerning the validity of authorisations to build and operate plants

Other disputes related to the plants owned by Terna S.p.A. 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 dispatching concession as of 1 November 2005, Terna S.p.A. 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.

Snam group

Strategic risks

Regulatory and legislative risk

Snam's regulatory and legislative risk concerns the rules applicable to the gas industry. The resolutions of the Energy Networks and Environment Regulator (ARERA) and the National Regulatory Authorities of the countries where the foreign affiliates operate, the European and Italian legislation 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 area 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 (Russian Federation, Ukraine, Azerbaijan and Georgia). Those regions are sensitive to political, social and economic instability, which could possibly develop into future crisis scenarios.

The import of natural gas from these countries, or its transit through them, is subject to a wide range of risks, including: terrorism and general crime; changing levels of political and institutional stability; armed conflict, social-economic and ethnic-sectarian tensions; social unrest and protests; inadequate legislation on insolvency and creditor protection; ceilings placed on investments and on the import and export of goods and services; introduction of and hikes in taxes and excise duties; forced contract renegotiation; nationalisation of assets; changes in commercial policies and monetary restrictions.

If a shipper that operates the transport service through Snam's networks is unable to complete the supply or transport of natural gas from or through these countries due to the occurrence of the aforesaid adverse conditions, or is affected by said adverse conditions, to an extent that causes or worsens the inability to fulfil its contractual obligations towards Snam, this may produce adverse impacts on the business and on the performance and financial position of the Snam group.

In addition, Snam is exposed to macroeconomic risks arising from relocation or tension in financial markets or situations deriving from external events, which could affect liquidity and accessibility to financial markets.

Commodity risk connected with gas price changes

With resolution no. 114/2019/R/gas, as part of the process of review of the criteria for the determination of the recognised revenue of the natural gas transport and measurement service for the fifth regulatory period (2020-2023), the criteria to recognise the Unaccounted-For Gas (UFG) have also been defined. Based on these criteria, from the year 2020 onwards, the quantities of gas for self-consumption, network leaks and UFG will be paid by cash instead of the recognition in kind by shippers. However, the change in the price of natural gas will not continue to be a significant risk factor for Snam, since a mechanism is in place to cover the risk associated with the differences between the price set for gas volumes for self-consumption, network leaks and UFG and the actual supply price. With regard to the quantities recognised, the above-mentioned decision confirmed the current criterion regarding gas for self-consumption and leaks, while for the UFG the admitted level will be updated annually and will be equal to the average of the quantities actually recorded in the last four years available.

In July 2020, with resolution 291/2020/R/gas, the Authority concluded its assessments and ascertained an additional volume of UFG for 2018-2019, equal to a total of 182 million cubic metres, for a total value of around 42 million euro, which will be paid by the CSEA, net of the advance already received for 2018. The Authority also launched a procedure, which was completed at the end of 2020 with the publication of resolution 569/2020/R/gas on 22 December 2020, to refine the criteria for recognising UFC for the fifth regulatory period (2020-2023), so as to improve operational consistency and the related stability, also providing that the motivational force of the system is in any case based on predetermined unit fees proportionate to the remuneration of the metering service instead of the price of gas. This amendment substantially reduces the risk with respect to the potential impacts of the original provision.

In particular, while maintaining the current criterion for the recognition of the quantities of UFC for the tariffs and the related valuation, as well as the use of the neutrality mechanism envisaged in the Combined Regulations on Balancing in terms of value recognised, the Authority has introduced an incentive mechanism relating to the difference between the UFC recognised and the actual UFC for the same year.

In general, the changes in the current regulatory framework on the recognition of quantities of natural gas covering self-consumption, network leaks and UFG might have an adverse impact on the Snam group's business, financial position and results.

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 output volumes. However, with resolution 114/2019/R/gas, ARERA confirmed for the fifth regulatory period (2020-2023) the guarantee mechanism covering the share of revenues correlated with output volumes already introduced in the fourth regulatory period on volumes transported. This mechanism reconciles higher or lower revenues exceeding ± 4% of the reference revenue correlated with output volumes. 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. Until the fourth regulatory period (2015-2019), the minimum guaranteed level of recognised revenue was approximately 97%, while for the fifth regulatory period (2020-2025) Resolution 419/2019/R/gas extended the level of guarantee to all recognised revenue (100%). The same resolution also introduced an enhanced incentive mechanism (defined by subsequent resolution 232/2020/R/gas) with voluntary participation, which provides for an increase in the profit-sharing of revenues from short-term services from 50% to 75% against a reduction in the portion of recognised revenue subject to a hedging factor.

Finally, with reference to the tariff regulatory criteria for the LNG regasification service for the fifth regulatory period (2020-2023), resolution 474/2019/R/gas confirmed the mechanism to cover reference revenue at a guaranteed minimum level of 64%. 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 (Terēga) and Greek (Desfa) regulations, long-term TAP agreements and Austria (different deadlines for TAG and Gas Connect starting from 2023) and for Adnoc Gas Pipeline (20 years tariff-based). In Austria and the United Kingdom (Interconnector UK) the regulations do not guarantee the hedging of the volume risk.

Climate change risk

Achieving global climate targets will require significant investment in the decarbonisation of the energy sector over the next 30 years. In recent years, Snam has repositioned itself to benefit from the new energy transition mega-trends, through its infrastructure, which will be crucial to achieving decarbonisation targets, its presence in the energy transition businesses, international expansion and a disciplined approach to investments. Snam has made a commitment to achieving carbon neutrality by 2040, with an intermediate target of a 50% reduction in Scope 1 and 2 emissions from the 2018 values by 2030, in line with the goal to limit global warming to 1.5° C set by the Paris Agreement adopted at the Climate Conference (COP 21). This objective is also consistent with the CO2 emissions reduction targets set by the UNEP (UN Environment Programme), which Snam has signed a protocol with.

With regard to the risks associated with the emissions market, within the scope of the European Union directives on trading carbon dioxide emission permits and the rules for controlling emissions of certain atmospheric pollutants, the update of the sector regulations accompanying the start of the fourth regulatory period (2021-2030) of the European Emissions Trading System (EU - ETS), has confirmed a continuous reduction in the number of free emission allowances. The allowances are allocated to each plant with progressively decreasing, and no longer constant grants, and also depend on the actual operation of the plants. The allowances granted free of charge to the group's plants are no longer sufficient to comply with regulatory compliance obligations relating to ETS mechanisms and, as a result, Snam obtains the missing allowances from the market.

With resolution 114/2019/R/gas of 28 March 2019, ARERA defined the regulatory criteria for the fifth regulatory period (2020-2023) of the natural gas transport and measurement service, including – among other things – the recognition of the costs relating to the Emission Trading System (ETS). With resolutions 419/2019/R/gas and 474/2019/R/gas, the recognition of the costs relating to the ETS mechanism was introduced also for the storage services (regulatory period 2020-2025) and for the regasification service (2020-2023).

Climate change scenarios could also lead to a change in the choice of the energy mixes of the various European countries and in consumer behaviour, with resulting impacts on the demand for natural gas (and on volumes transported), which, on one hand, may benefit from greater sustainability compared to other fossil fuels in the short- to medium-term and act as a bridge towards the full decarbonisation of some sectors, but, on the other hand, may be affected by policies and individual choices that could lead to a progressive decrease in consumption. In addition, the toughening of the decarbonisation targets could affect the development of alternative uses of gas, stimulating greater penetration of renewable, low-carbon gases (green hydrogen, blue hydrogen, biomethane, synthetic methane) and the promotion of new businesses. Climate change could also increase the severity of extreme weather conditions (flooding, drought, extreme temperature fluctuations), thus deteriorating the natural and hydro-geological conditions of the territory, with possible impacts on both the quality and continuity of the service supplied by Snam and on the demand for gas at national and European level. With reference to the effects of the change in gas demand on the financial position and results of the Snam group, see the "Market risk" paragraph.

Lastly, Snam has signed up to the Methane Guiding Principles, which commit the company to further reducing methane emissions from its operations in natural gas infrastructure. In subscribing to these principles, Snam is also committed to encouraging other players in the entire gas supply chain – from producer to end consumer – to pursue the same objective.

Legal and compliance risk

Legal and compliance risk concerns the failure to comply, in full or in part, with laws 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 laws and regulations may result in criminal, civil, tax and/or administrative penalties, as well as damage to its financial position, 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). Snam has therefore adopted and is committed to promoting and maintaining an effective internal control and risk management system aimed at enabling the identification, measurement, management and monitoring of the main risks relating to its operations. 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. Reputational Check, as well as acceptance and signing of the Ethical Integrity Agreement are the pillars of the set of controls designed to prevent the risks associated with illegal conduct and criminal infiltration of suppliers and subcontractors, with the aim of ensuring transparent relationships and professional morality requirements in the entire chain of companies and for the duration of the relationship.

Snam is a member of the United Nations Global Compact and operates according to the principles laid down in that global initiative, which are an integral part of the company's strategies, policies and rules, including the tenth principle of zero tolerance towards all forms of corruption, which underpins a firmly established culture of integrity and business ethics.

Since 2014, Snam has collaborated with Transparency International Italia as a member of the Business Integrity Forum (BIF), and in 2018 Snam signed a Memorandum of Understanding with the Berlin Secretariat of Transparency International. In 2017, Snam started working with the OECD, joining the Business at the OECD Committee (BIAC), and in October 2019 – as the first Italian company – it joined the Leadership as Vice-Chair of the Anticorruption Committee. In September 2019, Snam was also involved in the Partnering Against Corruption (PACI) initiatives of the World Economic Forum. In addition, thanks to its commitment to business ethics and anti-corruption, Snam was cited in the document presented at the B20 Summit under the Japanese Presidency held in Tokyo (2019) as a "concrete example" of a company that, through its actual actions, has distinguished itself in the fight against corruption. In 2020, in addition to the role of Vice-Chair in the Anticorruption Committee mentioned above, and with a view to the progressive promotion of ESG issues also at a multilateral level, Snam was selected as a permanent member of the Corporate Governance Committee of the BIAC, and, to that end, the company increased its work in the working groups on ESG and Corporate Governance set up by the World Economic Forum.

Within the OECD, Snam took part in several events, including the "Safeguards for a resilient Covid-19 response and recovery", the first event of the year organised by the Organisation since the start of the international health emergency and replacing the annual Global Integrity Forum.

Lastly, during the B20 Saudi Presidency (2020), Snam was also one of the very few Italian companies to actively participate in the work of the Integrity & Compliance Taskforce, whose results were included in the policy paper circulated to G20 members ahead of the handover to the Italian Presidency (2021).

Operational risks

Ownership of gas storage concessions

For Snam, the risk connected with keeping storage concessions 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 (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala) expired on 31 December 2016 and may be extended not more than twice for ten years each time. With regard to those concessions, Stogit submitted, within the legal time limits, application for their renewal to the Ministry of Economic Development. The extensions of the concessions in Brugherio, Ripalta, Sergnano, Settala and Sabbioncello were issued at the end of 2020. For Alfonsine, Cortemaggiore and Minerbio, the procedures are still pending at the Ministry. For the extensions still pending, the Company, as provided for by the reference standards, will continue to operate under the old concessions, whose expiry is automatically extended for the purpose until completion of the renewal process. A concession (Fiume Trieste) will expire in June 2022, which was already subject to a ten-year extension in 2011, and for which a request for a second 10-year extension was submitted on 18 May 2020. Lastly, a concession (Bordolano) will expire in November 2031 and may be extended for another ten years. If Snam is unable to retain ownership of one or more of its concessions or if, at the time of renewal, concessions are awarded under terms less favourable than current ones, the Company may experience negative effects on its business, financial position and results.

Failures and unforeseen interruption of the service

The risk of service malfunction and sudden outages is due to unforeseeable events, such as breakdowns or malfunctioning of equipment or control systems, lower plant yield and extraordinary events such as explosions, fires, landslides or other similar events, interference from third parties and cases of corrosion that fall outside Snam's control. Such events may cause a drop in revenues as well as result in significant damage to persons and property, with possible compensation obligations. Although Snam has taken out specific insurance policies to cover some of these risks, in accordance with the sector best practice, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

Delays in infrastructure work progress

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. Snam is therefore unable to guarantee that planned works to expand and improve the network are effectively undertaken or, if undertaken, are effectively completed or able to achieve the benefits envisaged by the tariff system. Furthermore, development projects may involve higher levels of investment or longer timeframes than initially estimated, thus affecting Snam's financial position and performance.

Investment projects could be stalled or delayed due to difficulties in obtaining environmental and/or administrative authorisations or due to objections raised by political forces or other organisations, or could be affected by changes in the price of equipment, material and labour, or by political and regulatory changes during construction, or by the inability to obtain financing at acceptable interest rates. Such delays might have adverse impacts on the Snam group's business, financial position and results. In addition, changes in the price of commodities, equipment, material and labour could affect Snam's financial results.

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.

Snam cannot predict whether and how environmental regulations and laws may become more binding over time, nor can it provide assurance that future costs of ensuring compliance with environmental legislation will not increase or that these costs may be recoverable within the applicable tariff mechanisms or regulation. Substantial increases in costs related to environmental compliance and other associated aspects and the costs of possible sanctions could negatively impact the business, operating results and financial and reputational aspects.

Employees and personnel in key roles

Snam's ability to run its business efficiently is dependent on the skills and performance of its personnel. The loss of "key" personnel or the inability to attract, train and retain skilled personnel (especially in technical positions for which there may be limited availability of appropriately skilled personnel), or situations where the ability to implement a long-term business strategy is negatively affected by significant disputes with employees, could have an adverse impact on the business, the financial situation and the operating results.

Risks linked to foreign equity investments

Snam's foreign investee companies may be subject to regulatory/legislative risk, political, social and economic instability risk, market risk, cyber security risk, credit and financial risks and all other risks typically affecting Snam's business in the natural gas transport and storage sector. These risks could therefore have an adverse impact on their business, financial position and performance. This could have a negative impact on the investees' contribution to Snam's net income.

Risks linked to future acquisitions/equity investments

Investments made under joint-venture agreements and any future investments in Italian or foreign companies could increase the complexity of the Snam group's operations insofar as it cannot be guaranteed that these investments will generate the expected profitability as part of the acquisition or investment decision and will integrate effectively with the group's other operations in terms of consistency with quality standards, policies and procedures. The integration process may involve additional outflows and investments. Lack of integration of the investment could have negative impacts on business, operating results and financial performance.

Emerging risks

The group's Enterprise Risk Management model pays particular attention to identifying changes in the operating environment in order to detect events or macro-trends originating from outside the organisation that could have a significant medium-to-long-term impact (3-5 years and more) on Snam's business or its industry sector.

These changes may give rise to new risks in the long term, but may also start to already have consequences for the company now, changing the nature and extent of the potential impacts and likelihood of occurrence of the risks already identified.

The purpose of the process of identifying emerging risks is to be able to assess their impacts in a timely manner and put in place the necessary strategies and related mitigation actions to prevent and control those risks. The emerging risks identified by Snam in this area include cyber security and energy transition–related risks.

Cyber security

Significance and potential impact on Snam

Snam adopts a complex technological structure to conduct its business, relying on an integrated model of processes and solutions able to ensure the efficient management of the gas system nationwide. However, the development of the business and the use of innovative solutions to improve it require constant attention and the ability to continuously adapt to the changing needs for its protection. The group's new Business Plan envisages around 500 million euro in investments in digitisation – from the control of activities on a remote basis to the adoption of complex infrastructure enabling the Internet of Things – which will enable Snam to become the most technologically advanced gas transmission operator in the world, in addition to ensuring ever increasing levels of security and sustainability of its business processes.

The projections by global experts and the company's own view is that cyber security threats will evolve in the future in terms of both number and complexity. The digital channel is increasingly used illicitly by different types of actors with different aims and different methods: cyber criminals, cyber hacktivists, state-sponsored action groups. In addition, technological development has made increasingly sophisticated tools available to these groups, enabling them to increase the effectiveness of existing attack techniques and develop new ones. The increasing digitisation of the network with the use of new technologies (e.g. Internet of Things) also poses significant challenges to the group, extending the potential attack surface exposed to internal and external threats.

Cyber security plays a very important role in this scenario, because it has the task of preventing or dealing with a wide variety of events, which can range from the compromising of individual workstations to the disruption of entire business processes relating to transport, storage and regasification, potentially affecting the ability to deliver the service.

A correct approach to cyber security management is also necessary to ensuring full compliance with the increasingly strict industry sector regulations, issued both at European and Italian level, aimed at improving the management and control of companies that provide essential services for Italy.

Mitigation actions

Snam has developed its own cyber security strategy based on a framework developed in accordance with the main applicable standards, and has a dedicated function, which has been in place for several years now, which is responsible for holistically guiding and implementing measures established at strategic level, ranging from governance to more strictly technological aspects.

This includes the alignment of the internal processes to the provisions of ISO/IEC 27001 (Information Security Management Systems) and ISO22301 (Business Continuity Management Systems) and the formal certification of compliance of part of those processes with the standards listed by a independent third-party body. In addition, through a variety of activities, including Risk Analysis and Technical Verification, Snam assesses the protection needs arising from technological developments, changes in business processes or the identification of previously unknown vulnerabilities, and implements solutions to replace or supplement the existing solutions where necessary. More specifically, to adequately combat the most modern cyber threats, Snam has defined a cyber security incident management model aimed at preventing, monitoring and, where necessary, directing timely remediation actions in response to events capable of damaging the confidentiality, integrity and availability of the information processed and the technologies used. This activity is the responsibility of a Security Incident Response Team that, by adopting solutions that collect and correlate all the security events recorded on the entire perimeter of the company's IT infrastructure, has the task of monitoring all anomalous situations from which negative impacts for the company may arise, and initiating, where necessary, the appropriate containment and remediation actions by engaging the various technical and business structures concerned. In 2020, the Security Incident Response Team was again able to operate without interruption, providing support 24 hours a day, seven days a week.

The change that has been necessary in the operational processes, and in particular the extensive use of remote working arrangements, has not affected the overall level of security up to now. This is mainly because the adoption of remote working as an alternative to in-person work in recent years had already prompted the company to conduct the necessary risk analysis and implement appropriate security solutions for protecting the company's interests, also in the presence of a larger potential attack surface than in the past. In addition, within the context of the cyber incident management activities (preventive and reactive) and in accordance with the formal agreements signed between the parties, info-sharing logic is used with national and European institutions and peers in order to improve the response times and capacity in respect of possible negative events that the company may be exposed to. This approach will become increasingly necessary in the future, also in view of the cyber threat notification requirements that are currently imposed and will be imposed by the national security regulations.

With regard to technological development, as mentioned above, Snam is currently implementing an ambitious digitisation programme that will radically change its business processes in the coming years and which will always include a strong focus on cyber security issues. In 2020, the foundations were laid for the secure development of all the emerging Internet of Things initiatives. Firstly, a Security by Design process was developed, which imposes compliance with specific requirements and checks for each application and infrastructure development. In addition, the most suitable security technologies were identified for the support of the new capabilities that Snam will acquire in the coming years. Lastly, the company identified the security processes to be developed to duly take account of the new security requirements arising from a business environment in which working methods, technologies adopted and the surface area exposed to digitisation will change significantly over just a few years.

Considerable attention is also paid to raising awareness and training specialist staff, to make it easier to identify weak signs and make everyone as aware as possible of the cyber risks that can occur during normal work activities. In this context, initiatives of various kinds are organised on a regular basis, using the most appropriate teaching methods: face-to-face training, multimedia, exercises and tests, newsletters, etc.

Finally, with reference to managing information supporting business processes, it should be noted that the company owns the asset used for data transmission to and from the territory (fibre); this results in greater intrinsic security thanks to its non-dependence on the service provided by third parties and the possibility of exclusively using the communication channel.

Energy transition and development of the hydrogen market and technologies

Significance and potential impact on Snam

As climate change shows the concrete effects of rising temperatures, the energy world is facing a period of radical transformation: while maintaining its commitment to the company's core business of regulated natural gas transportation, storage and regasification activities, Snam is creating a broad and diversified platform of activities related to energy transition (in particular, transportation and management of renewable energies, such as biomethane and hydrogen, and construction and management of plants for sustainable mobility and energy efficiency) to grasp the opportunity to become a system integrator, able to offer green solutions and contribute to the development of renewable gases.

The diversification of its business will strengthen Snam's position as an enabler of the energy transition towards forms of use of energy resources and sources that are compatible with environmental protection and progressive decarbonisation, with a long-term vision in line with its purpose and the European objectives.

In addition, Snam has been working to make its infrastructure suitable for transporting increasing amounts of renewable gas with a view to transporting fully decarbonised gas by 2050.

In this context, and with particular reference to the group's strategy, the main risk factors include: the risks posed by technological innovation for the switching to the use of electric technologies, and/or delay in the development of new technologies for the production, transport and storage of green hydrogen at competitive costs; the delay or absence of investments (infrastructure, projects, new acquisitions) as a result of uncertainties relating to operational, financial, regulatory, authorisation, competitive and social factors; and the failure to develop the hydrogen market with respect to the value chain that should drive the infrastructure. Lastly, the possibility of changes in the regulatory framework in favour of intermittent energy sources, while also undermining the development of the renewable gas market, should also be considered.

These factors may affect the achievement of the development objectives of the above-mentioned activities and, more generally, the opportunity for Snam to benefit from the new energy transition mega-trends.

Mitigation actions

The development and introduction of new technologies to achieve the development objectives for the energy transition activities pose a number of challenges for the group. In this context, specific initiatives have been identified and developed to respond to the urgency of tackling climate change. With regard to the hydrogen value chain in particular, the study of the necessary technological developments related to the chemical and physical processes for its production requires special skills and knowledge to support research and development at both individual company and country level. The processes commonly used for the commercial production of hydrogen are: reforming of hydrocarbons and biogas (95%), a thermochemical conversion process, which requires conversion temperatures between 150° and 500°C with production of CO2 equivalent to the hydrocarbon used; and electrolysis of water (4-5%). In particular, the lack of expertise in alternative technologies to natural gas is a risk that can potentially be exacerbated by rapid changes in the external environment. To this end, the group has long been committed to the development of internal know-how, the in-sourcing of expertise through acquisitions and involvement in and promotion of institutional and association working groups devoted to hydrogen at national and international level. At European level, it is also a member of Hydrogen Europe, and in Italy it is represented in the Italian Hydrogen and Fuel Cells Association – H2IT.

The group's facilities and assets will also need to be ready to capture the opportunities arising from the development of alternative gases to natural gas. In April 2019, firstly in Europe, Snam experimented with feeding a mix of 5% hydrogen by volume and natural gas into its transmission network. This experiment was repeated in December 2019, doubling the percentage of hydrogen by volume to 10%. The company is now engaged in verifying the full compatibility of its infrastructure with increasing quantities of hydrogen blended with natural gas, in addition to supporting the development of Italy's gas supply chain to encourage the use of hydrogen in a variety of sectors, from industry to transport. Currently around 70% of Snam's pipelines are hydrogen-compatible and it has set standards for the purchase of only hydrogen-ready components for the network. The development of the group's infrastructure is therefore aimed at making the use of programmable, low-impact fossil fuels more efficient, while also promoting the biomethane alternative and providing the necessary conditions to accommodate hydrogen.

Italy can use hydrogen to its advantage both to achieve decarbonisation targets and to create new forms of industrial competitiveness, leveraging its manufacturing potential and its expertise in the natural gas supply chain. This is why it is essential to build partnerships to promote the development of operators along the hydrogen value chain and to participate in working groups to enable Snam to take the lead in advocacy and awareness-raising in favour of the use of hydrogen as a key energy source for decarbonisation both in Italy and internationally.

To date, the group has reached agreements with several companies to promote the growth of all phases of the hydrogen value chain, with a focus on pilot projects to increase the production and use of hydrogen, through strategic partnerships in hard-to-abate industries (e.g. steel mills, refineries, other energy-intensive industries, mobility.) and scouting for investment opportunities in innovative technologies (fuel cells, hydrogen production and storage).

Other risks

Risks for third-party assets held, amounting to 1,458 million euro (2,073 million euro as at 31 December 2019), refer to around 8 billion cubic metres of natural gas held at storage facilities by the beneficiaries of the service. This amount was determined by measuring the quantities of stored gas at the presumed unitary repurchase cost, amounting to around 0.18 euro per normal cubic metre (0.23 euro per normal cubic metre at 31 December 2019).

Risks associated with compensation and claims (44 million euro) refer to compensation potentially payable but not probable in relation to ongoing disputes with low probability of verification of the related business risk.

Financial risk management

Within the framework of corporate risks, the main financial risks identified, monitored, and, as specified below, managed by Snam, are as follows:
- risk arising from exposure to fluctuations in interest rates and exchange rates;
- credit risk arising from the possibility of default by a counterparty;
- liquidity risk arising from a lack of financial resources to meet short-term commitments;
- rating risk;
- default risk and debt covenants.

Below, a description is provided of Snam's policies and principles for the management and control of financial risks. In accordance with the information required under IFRS 7 "Financial instruments: disclosures", the nature and extent of the risks arising from financial instruments are also illustrated.

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 2020, 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. Bonds and other financial payables contribute to the CDP Group's consolidated financial statements under the liability item 10, which relates to financial liabilities measured at amortised cost.

As at 31 December 2020, exposure to interest rate risk, net of outstanding hedges, amounted to approximately 33% of total group exposure (24% at 31 December 2019). As at 31 December 2020, Snam had Interest Rate Swaps (IRSs), for an overall notional amount of 756 million euro, hedging a floating-rate bond of 106 million euro, maturing in 2024, and floating-rate bilateral loans totalling 650 million euro, maturing in 2021 and 2023. The IRS derivative contracts are used to convert the floating-rate loans into fixed-rate loans.

In addition, as at 31 December 2020, Snam had IRS Forward Starting derivative contracts for an aggregate notional value of 250 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. While the SNAM group has put in place a proactive risk management policy, the rise in interest rates relating to floating-rate debt not hedged against interest rate risk might have adverse impacts on the SNAM group's business and balance sheet and cash flow situation. Although the Snam group's exposure to changes in interest rates is limited to 33% of the group's total exposure and is fully linked to the Euribor rate, a change in the method of calculating the Euribor rate and any related fallback clauses that may be introduced, could result in the need for the Snam group to amend the financial agreements affected by the change and/or the management of future cash flows.

Information is provided below on the impacts on equity and net income (loss) for the financial year as at 31 December 2020 of a hypothetical positive and negative change of 10 basis points (bps) in the interest rates applied during the financial year:

	31/12/2020			
	Income (loss) for the period		Equity	
(millions of euro)	Interest +10 bps	Interest -10 bps	Interest +10 bps	Interest -10 bps
Floating-rate loans				
Effect of the change in interest rate	(5)	5		
Floating-rate loans converted into fixed-rate loans through IRS				
Effect of the change in interest rate on the fair value of hedging derivatives pursuant to IAS 39 - effective portion (*)			3	(3)
Effect on the pre-tax result	**(5)**	**5**	**3**	**(3)**
Tax effect	1	(1)	(1)	1
Total	**(4)**	**4**	**2**	**(2)**

(*) The change in interest rate has no impact on the income statement. Therefore, the change in the fair value of hedging derivatives resulting from the interest rate decrease affects only equity.

While the SNAM group has put in place a proactive risk management policy, the rise in interest rates relating to floating-rate debt not hedged against interest rate risk might have adverse impacts on the SNAM group's business and balance sheet and cash flow situation.

Exchange rate risk

With regard to the risk of exposure to changes in exchange rates, due to the current circumstances, at present the Snam Group's exposure is small with regard to transaction risk, while it still has exposure to translation risk in relation to several foreign subsidiaries that prepare their financial statements in currencies other than the euro. For the time being, it has been decided not to adopt specific hedging policies for these exposures. In this regard, it should be noted that the effects of exchange rate differences arising from the difference in translation into the presentation currency (euro) of the functional currencies of these companies are recognised in the statement of comprehensive income.

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. With regard to regulated activities, which, at present, account for almost the majority, Snam provides its business services to approximately 220 gas sector operators. The top 10 operators account for about 68% of the whole market (Eni, Edison and Enel Global Trading 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 selling and providing the services, as well as the contractual clauses that significantly reduce the risk of non-compliance by customers. The Codes provide for the issue of guarantees covering the obligations undertaken. In specific cases, the issue of said guarantees can be mitigated when the customer has 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 current 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 needed for safe and efficient transport of gas from the feed points to the draw points, to ensure the constant balance of the network.

With regard to non-regulated activities, which will become increasingly significant over the plan period, the company, through its centralised functions, carries out a prior analysis of the financial soundness of the counterparties in order to minimise this risk.

The maximum exposure to credit risk for Snam at 31 December 2020 is equal to the carrying value of the financial assets recognised in the consolidated financial statements of the Snam group at 31 December 2020. These include cash and cash equivalents and trade receivables, which contribute to financial assets measured at amortised cost (Item 40 of assets) and other assets (Item 130 of assets), respectively, of the CDP Group's consolidated financial statements.

The net carrying amount of the receivables past-due at 31 December 2020, of 194 million euro, mainly relates to the storage sector (77 million euro), primarily linked to VAT invoiced to users for the use of strategic gas unduly charged and not repaid to them in 2010 and 2011 in accordance with the terms established by the Storage Code.

About 34% of trade receivables (39% at 31 December 2019) refers to highly reliable customers, such as Eni, which represents 11% of the total trade receivables (16% at 31 December 2019). The ongoing spread of Covid-19 combined with the macroeconomic scenario could cause situations of financial stress or a slowdown in operations for some customers and suppliers, which, in turn, could have repercussions on Snam's assets and/or liabilities. Likewise, a slowdown in operations and a similar contextual risk is also possible for the development of the energy transition activity, with repercussions on receipts and payments, although, at present, the value of these is extremely limited compared against the entire scope of the Snam group.

Changes in the bad debt provision during the year are shown below:

	Provision for impairment losses			
(millions of euro)	31/12/2019	Provisions	Utilisation for excess	31/12/2020
Trade receivables	102			102

Details of the maturities of trade receivables and other receivables are provided in the table below:

(millions of euro)	Trade receivables	Other receivables	31/12/2020	Trade receivables	Other receivables	31/12/2019
Non-overdue and non-impaired receivables	1,357	125	1,482	1,085	162	1,247
Overdue and non-impaired receivables:	194		194	132		132
- 0-3 months overdue	23		23	11		11
- 3-6 months overdue	7		7	7		7
- 6-12 months overdue	14		14	26		26
- more than 12 months overdue	150		150	88		88
	1,551	**125**	**1,676**	**1,217**	**162**	**1,379**

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. The financial market is characterised by an increasing availability of sources of funding for companies that are able to improve the environmental impact of their investments. The interest of investors is linked and subject to the ability of these companies to achieve specific environmental sustainability goals. With a view to ensuring the proper management of the liquidity risk, the diversification of sources of funding, including through use of sustainable financial instruments, is therefore vital to ensure that companies have wide access to financial markets at competitive conditions, with resulting positive effects on their financial position and performance of operations. Likewise, Snam's failure to meet the KPIs for ESG — within the scope of the group's general goal to make its business more sustainable over the medium-long term — could in future result in higher borrowing costs or lack of access to certain sources of funding. The mitigation of this risk is further aided by Snam's strong focus on ESG issues, which traditionally form an important and structured part of its business strategy.

In line with this approach, in 2018 Snam converted syndicated credit facilities worth 3.2 billion euro into a sustainability-linked loan - the third largest sustainability-linked loan ever to be entered into in the world and the largest by a gas utility. The loan includes bonus / malus mechanisms subject to meeting specific KPIs for ESG (Environment, Social, Governance). Snam also issued (i) its first Climate Action Bond for 500 million euro, in February 2019, (ii) its first Transition bond, the second in Europe and the first to be issued by a gas transport utility, for a further 500 million euro in June 2020, and (iii) a second Transition Bond for 600 million euro, the longest zero-coupon bond issued by an Italian issuer, in December 2020. The bonds will finance investments in environmental sustainability and energy transition. Lastly, in 2020, Snam renewed its Euro Commercial Paper programme, increasing it from 2 billion euro to 2.5 billion euro and linking it to environmental and social sustainability objectives in line with the sustainable loan and obtaining an ESG rating of EE for the instrument from the ESG rating company Standard Ethics. As noted 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, bonds and Commercial Papers).

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 2020, 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 11 billion euro, used for approximately 8.2 billion euro, as well as a Euro Commercial Paper (ECP) Programme for an overall maximum nominal value of 2.5 billion euro, fully used at 31 December 2020.

Snam’s cash and cash equivalents mainly refer to current accounts and promptly collectable bank deposits.

The table below shows the schedule of contractual repayments of financial payables, including interest payments, and derivative liabilities:

(millions of euro)	31/12/2019	31/12/2020	Share within 12 months	Share after 12 months	2022	2023	2024	2025	Beyond
Bank loans	3,704	5,272	2,786	2,485	687	457	119	121	1,101
Bonds (*)	9,056	8,151	259	7,892	1,133	879	1,191	839	3,850
Euro Commercial Paper (ECP)	2,000	2,500	2,500						
Lease liabilities	21	21	6	15	5	4	2	2	2
Interest on loans (*)	772	498	109	388	94	67	59	43	125
Financial liabilities	**15,553**	**16,442**	**5,660**	**10,780**	**1,919**	**1,407**	**1,371**	**1,005**	**5,078**
Forward start derivative instruments (**)	48	31	31						
Derivative liabilities	**48**	**31**	**31**	**-**	**-**	**-**	**-**	**-**	**-**
	15,601	**16,473**	**5,691**	**10,780**	**1,919**	**1,407**	**1,371**	**1,005**	**5,078**

(*) Future payments include the cash flow generated by hedging derivatives.
(**) The future payments are calculated as at the Mandatory Early Termination Date.

Loans from banks, bonds and commercial paper contribute to the financial liabilities measured at amortised cost (item 10 of liabilities) in the CDP Group’s consolidated financial statements.

The market value of long term financial debts, including the short-term portion totals 12,496 million euros27 (12,755 million euros at 31 December 2019). It includes bond loans, whose value is estimated on the basis of the market listings at 31 December 2020, and financial liabilities to banks, all at floating rate, whose corresponding market value is taken as the nominal repayment value.

Default risk and debt covenants

The group’s main long-term financial debt instruments contain covenants typically used in international practice, which include negative pledge and pari passu clauses. Failure to comply with these clauses 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 related loan, resulting in additional costs and/or problems of liquidity. These commitments do not include covenants requiring compliance with economic and/or financial ratios.

At 31 December 2020, Snam had unsecured bilateral and syndicated loan agreements in place with banks and other lending institutions, with the exception of a bank loan (totalling 6.1 million euros) relating to one subsidiary that entered the scope of consolidation in October 2020, assisted by a pledge on financial instruments for a value of around 1 million euros.

Some of these agreements include, inter alia, compliance with typical international practice commitments, some of which are subject to specific materiality thresholds, such as, for example: (i) negative pledge commitments pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out; and (iv) limits on the debt of subsidiaries.

Failure to comply with these covenants, and the occurrence of other events such as cross-default events could result in Snam's failure to comply and, possibly, trigger the early repayment of the related loan. Exclusively for the EIB loans, the lender has the option to request additional guarantees if Snam's credit rating is lower than BBB (Standard & Poor's/Fitch Ratings Limited) or Baa2 (Moody's) for at least two of the three ratings agencies.

The occurrence of one or more of the aforementioned scenarios could have negative effects on Snam group's operations, results, balance sheet and cash flow, resulting in additional costs and/or liquidity issues.

At 31 December 2020, the financial debt subject to these restrictive clauses amounted to approximately 3.8 billion euros.

Bond loans issued by Snam as at 31 December 2020, with a nominal value of approximately 8.2 billion euros, mainly referred to securities issued under the Euro Medium Term Notes programme. The covenants established for the programme's securities are typical of international market practice and consist of, inter alia, negative pledge and pari passu clauses. Specifically, under the negative pledge clause, Snam and its material subsidiaries are subject to limitations to pledging or maintaining encumbrances on all or part of their assets or proceeds to guarantee present or future debt, unless this is explicitly permitted.

Rating risk

Among the factors that determine the risk perceived by the market, the credit rating, assigned to Snam by the rating agencies, plays a decisive role because it affects the company's ability to access sources of funding and the related financial conditions. A deterioration of this credit rating could therefore limit access to the capital market and/or result in an increase in the cost of sources of funding, with consequent adverse effects on the group's earnings, cash flows and financial position.

Snam's long-term rating is: (i) Baa2 with stable outlook, confirmed on 11 January 2021 by Moody's Investors Services; (ii) BBB+ with stable outlook, confirmed on 22 February 2021 by Standard & Poor's Global Rating ("S&P"); (iii) BBB+ with stable outlook, confirmed on 22 January 2021 by Fitch Ratings ("Fitch"). Snam's long-term rating by Moody's and Standard & Poor's is one notch above that of the Italian Republic, two notches above by Fitch. 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 F2 for Fitch. Although the Snam group enters into transactions with diversified counterparties of high credit standing based on a risk management policy and the constant monitoring of their credit risk, the default by any counterparty or the difficulty of liquidating assets on the market may have adverse impacts on the Snam group's business and financial position and performance.

Cash and cash equivalents of Snam mainly refer to short-term investment of liquidity with a bank of high credit standing, repayable in less than three months, and bank deposits.

Although the Snam group enters into transactions with diversified counterparties of high credit standing based on a risk management policy and the constant monitoring of their credit risk, the default by any counterparty or the difficulty of liquidating assets on the market may have adverse impacts on the Snam group's business and financial position and performance.

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.

Italgas group

The main risks subject to analysis and monitoring by the Italgas group are detailed below.

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.

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.

Italgas' aim is to maintain a fixed-to-floating rate debt ratio that minimises the risk of a rise in interest rates.

At 31 December 2020, 13.5% of the financial debt was carried at a floating rate and 86.5% 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).

Fixed-rate financial liabilities amounted to 4,676.3 million euro and consisted of bonds (3,854.5 million euro), three EIB loans (745.5 million euro) and financial payables pursuant to IFRS 16 (76.3 million euro).

Fixed-rate financial liabilities increased by 497.9 million euro on 31 December 2019, mainly due to the bond issue completed in June 2020 for a nominal value of 500 million euro.

Floating-rate liabilities amounted to 728.8 million euro, up by 161.0 million euro due to the greater use of bank credit lines. Bonds and other financial payables contribute to the CDP Group's consolidated financial statements under the liability item 10, which relates to financial liabilities measured at amortised cost.

As at 31 December 2020, Italgas had unused committed credit facilities totalling 500 million euro, with maturity in October 2021.

At 31 December 2020 there were no loan agreements containing financial covenants and/or secured by collateral, except for the EIB loan for 90 million euro taken out by Toscana Energia which requires compliance with particular financial covenants.

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 2020, these commitments had been met.

Credit risk

Credit risk is the 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 the performance and financial situation of Italgas.

The rules governing customers' access to the services offered are established by ARERA 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.

It cannot be ruled out, however, that Italgas could incur liabilities and/or losses due to its customers' failure to discharge their payment obligations.

Trade receivables (462,174 thousand euro as at 31 December 2020 and 474,035 thousand euro as at 31 December 2019), which are included in Other assets in the CDP Group's consolidated financial statements (Item 130 of assets), mainly relate to the gas distribution and related services. These mainly concern receivables from sales companies, of which from the Eni group (203,532 thousand euro), the Enel group (42,669 thousand euro) and Cassa per i Servizi Energetici e Ambientali (CSEA) relating to equalisation[78] (28,588 thousand euro).

Receivables are shown net of the bad debt provision (15,494 thousand euro as at 31 December 2020 and 16,368 thousand euro as at 31 December 2019). Changes in the bad debt provision during the year are shown below:

	Provision for impairment losses				
(thousands of euro)	31/12/2019	Changes in consolidation area	Provisions	Utilisation	31/12/2020
Trade receivables	15,480			(874)	14,606
Other receivables	888				888
	16,368			**(874)**	**15,494**

The maturities of trade receivables and other receivables are shown below:

(thousands of euro)	Trade receivables	Other receivables (*)	31/12/2020	Trade receivables	Other receivables (*)	31/12/2019
Non-overdue receivables	417,520	172,854	590,374	446,631	111,195	557,826
Overdue receivables:	44,654		44,654	27,404		27,404
- 0-3 months overdue	15,929		15,929	6,886		6,886
- 3-6 months overdue	1,430		1,430	1,910		1,910
- 6-12 months overdue	4,596		4,596	3,860		3,860
- more than 12 months overdue	22,699		22,699	14,748		14,748
	462,174	**172,854**	**635,028**	**474,035**	**111,195**	**585,230**

(*) The item includes receivables for investment/disinvestment activities.

Past-due receivables, equal to 44,654 thousand euro, mainly include receivables from the General Government.

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 does not expect significant negative impacts, considering the following: (i) the Company has available cash at leading banks amounting to about 663.5 million euro at 31 December 2020 and a committed credit facility of 500 million euro, completely unused and expiring in October 2021, signed with a pool of Italian and international banks; (ii) there are limited requirements for refinancing debt (the first repayment of a bond is scheduled for 2022); (iii) the bonds issued by Italgas at 31 December 2020, under the Euro Medium Term Notes Programme, do not require compliance with covenants relating to financial statement figures.

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.

78 Mechanism whereby differences between the amount invoiced to the sales companies and the revenue constraint defined by the Authority are recorded as a payable/receivable to CSEA.

The table below shows the schedule of contractual repayments of financial payables, including interest and undiscounted payments:

(thousands of euro)	31/12/2019	31/12/2020	Share within 12 months	Share after 12 months	2022	2023	2024	2025	Beyond
Bank loans	915,060	874,001	44,160	829,841	41,994	65,448	65,448	65,448	591,502
Bonds	3,354,306	3,854,535	33,279	3,821,256	267,709		479,378	495,249	2,578,920
Short term liabilities	408,638	600,717	600,717						
Interest on loans				166,375	22,102	22,072	22,072	22,072	78,057
Lease liabilities	74,650	76,297	20,250	56,047	18,337	15,881	8,877	4,988	7,964
Interest on lease liabilities			295	740	232	172	119	79	138
Financial liabilities	**4,752,654**	**5,405,550**	**698,701**	**4,874,259**	**350,374**	**103,573**	**575,894**	**587,836**	**3,256,581**

Loans from banks and bonds of Italgas contribute to the balances related to financial liabilities measured at amortised cost in the CDP Group's consolidated financial statements, under items 10 a and 10 c of liabilities.

The long-term financial payables, whose carrying value totalled 4,724 million euro, show a fair value equal to 5,039 thousand euro as at 31 December 2020. In this regard, it is noted in particular that the market value of the bonds is classified in level 1 of the fair value hierarchy, since they are financial instruments listed in an active market, and that their value is estimated based on market prices as at 31 December 2020. The carrying amount of short-term financial payables is close to their fair value, taking into account the limited time interval between the liability arising and its maturity.

Rating risk

On 3 December 2020, the rating agencies Fitch and Moody's confirmed their rating assigned to Italgas S.p.A., respectively at BAA2 with stable outlook and BBB+ with stable outlook, for the long-term debt of the company. 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 2020 there were no loan agreements containing financial covenants and/or secured by collateral, except for the EIB loan taken out by Toscana Energia for an amount of 90 million euro, which requires compliance with particular financial covenants. 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. In regard to the EIB loan of Toscana Energia, see the note "Short-term financial liabilities and long-term financial liabilities". For all other loans, at 31 December 2020, these commitments had been met.

The bonds issued by Italgas as at 31 December 2020 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, from the US Navy and the US Coast Guard, and from the Qatari Armed Forces Navy, for work in progress.

The Fincantieri group constantly monitors the creditworthiness of its counterparties and, at present, does not consider the collection of receivables from its customers to be at risk, despite the difficulties that some of them are experiencing due to the Covid-19 pandemic. In addition, the commercial contracts relating to cruise vessels only take effect when the customer signs a committed bank loan agreement, which, in almost all cases, is guaranteed by a national Export Credit Agency (SACE for Italy, Giek for Norway). This structure ensures that customers have sufficient financial means to pay at least 80% of the contract price when the contract becomes effective, thereby mitigating the risk for the group of not receiving the expected amount.

The tables below show receivables by risk class and nominal value at 31 December 2020 and 2019, without considering any impairment for estimated losses.

	31/12/2020							
		Past due						
(thousands of euro)	Not yet due	0-1 month	1-4 months	4-12 months	Beyond 1 year	Gross Total	Provision for impairment	Net total
Trade receivables:								
- from public entities	3,636	505	94	209	16,747	21,191		21,191
- indirectly from public entities (*)	24		258	12,947		13,229		13,229
- from private customers	221,423	76,274	94,586	30,663	71,720	494,666	(34,108)	460,558
- from associates and joint ventures	105,142	56	55	592		105,845		105,845
Total trade receivables	**330,225**	**76,835**	**94,993**	**44,411**	**88,467**	**634,931**	**(34,108)**	**600,823**
Other receivables:								
- form associates					628	628		628
- from the government and public entities for other grants	12,257	1,426				13,683		13,683
- from others	213,029	1,609	6,408		19,972	241,018	(18,385)	222,633
- from controlling companies (fiscal consolidation)	35,773					35,773		35,773
- from related parties	741					741		741
- direct and indirect tax assets	67,674	2,184		2	330	70,190	(327)	69,863
Total other receivables	**329,474**	**5,219**	**6,408**	**2**	**20,930**	**362,033**	**(18,712)**	**343,321**
Contract work in progress	**3,124,554**					**3,124,554**		**3,124,554**
Financial receivables:								
- from associates and joint ventures	28,345				20,430	48,775		48,775
- from others	81,349	9,091	18,408		12,439	121,287	(4,261)	117,026
- Government grants financed by BIIS	131					131		131
Total financial receivables	**109,825**	**9,091**	**18,408**		**32,869**	**170,193**	**(4,261)**	**165,932**
Total	**3,894,078**	**91,145**	**119,809**	**44,413**	**142,266**	**4,291,711**	**(57,081)**	**4,234,630**
Advances, prepayment and accrued income								164,490
Total								**4,399,120**

(*) This item includes receivables from customers that manage contracts ordered by Public Entities, which are thus the substantial debtors.

(thousands of euro)	31/12/2019 Not yet due	Past due 0-1 month	1-4 months	4-12 months	Beyond 1 year	Gross Total	Provision for impairment	Net Total
Trade receivables:								
- from public entities	5,300	697	264	1,669	27,090	35,020		35,020
- indirectly from public entities (*)	259	11	13,575	263	314	14,422		14,422
- from private customers	358,706	23,583	29,271	12,056	69,119	492,735	(31,889)	460,846
- from associates and joint ventures	167,132	15	18	1	18	167,184		167,184
Total trade receivables	**531,397**	**24,306**	**43,128**	**13,989**	**96,541**	**709,361**	**(31,889)**	**677,472**
Other receivables:								
- form associates			686			686		686
- from the government and public entities for other grants	3,017	4,492				7,509		7,509
- from others	274,943	845	871		19,542	296,201	(14,843)	281,358
- from controlling companies (fiscal consolidation)	3,006					3,006		3,006
- from related parties	792					792		792
- direct and indirect tax assets	56,550	1,509	16		330	58,405	(330)	58,075
Total other receivables	**338,308**	**6,846**	**1,573**		**19,872**	**366,599**	**(15,173)**	**351,426**
Contract work in progress	**2,697,714**					**2,697,714**		**2,697,714**
Financial receivables:								
- from associates and joint ventures	33,041	4				33,045		33,045
- from others	60,023					60,023	(507)	59,516
- Government grants financed by BIIS	4,762					4,762		4,762
Total financial receivables	**97,826**	**4**				**97,830**	**(507)**	**97,323**
Total	**3,665,245**	**31,156**	**44,701**	**13,989**	**116,413**	**3,871,504**	**(47,569)**	**3,823,935**
Advances, prepayment and accrued income								169,215
Total								**3,993,150**

(*) This item includes receivables from customers that manage contracts ordered by Public Entities, which are thus the substantial debtors.

Trade receivables, other receivables, assets for contract work in progress and advances, prepayments and accrued income of the Fincantieri group contribute to the balance of the other assets in the CDP Group's consolidated financial statements (asset item 130).

Financial receivables measured at amortised cost contribute to the asset item 40 in the CDP Group's consolidated financial statements, which relates to financial assets measured at amortised cost.

The receivables are shown net of bad debt provisions. These bad debt provisions are made by estimating the write-downs on doubtful receivables such as those subject to litigation and judicial and extra-judicial proceedings related to insolvency of the debtors. In addition, a "Provision for impairment of receivables for default interest" has been established for interest charged for payment delays on past-due receivables. The amount and changes in the provisions are detailed below:

(thousands of euro)	Provision for impairment of receivables	Provision for impairment of receivables for default interest	Total
1/1/2019	**33,128**	**63**	**33,191**
Business combinations			
Direct uses	(2,657)		(2,657)
Provisions/(absorptions)	1,348		1,348
Exchange rate differences	7		7
31/12/2019	**31,826**	**63**	**31,889**
Business combinations			
Direct uses	(2,122)		(2,122)
Provisions/(absorptions)	4,396		4,396
Exchange rate differences	(55)		(55)
31/12/2020	**34,045**	**63**	**34,108**

Liquidity risk

Liquidity risk refers to Fincantieri group's ability to discharge its obligations in respect of financial liabilities.

At 31 December 2020, the group's monitored net financial position – which does not include construction loans and for which a reconciliation with the net financial position according to the ESMA is provided in Note 33 — was a negative amount of 1,062 million euro (negative amount of 736 million euro at 31 December 2019). This net financial position differs from the configuration established by the ESMA, mainly because it does not include construction loans as they are related to the operation of shipbuilding contracts. The reconciliation between the two configurations is mainly due to the investments made in the period and the cash flows typical of the cruise ship business, accentuated by the postponement of part of the commercial receipts expected in the period, as a result of the pandemic. The group has a solid financial position with sufficient liquidity and credit facilities to deal with the current situation and the medium-term outlook, also thanks to the new credit facilities negotiated during the year, which include the facility granted by a pool of national and international banks, for an amount of 1,150 million euro. This loan, with a duration of four years and a two-year grace period, is backed by the SACE guarantee provided for by Decree Law no. 23 of 8 April 2020 ("Liquidity Decree").

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.

(thousands of euro)	31/12/2020 On demand	Within 1 year	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Liabilities included in "Current and non-current financial liabilities" (*)						
Financing and loans (**)	1,149,568	299,464	2,070,283	2,045	3,521,360	3,481,219
BIIS loans	133				133	131
Bonds and commercial papers		100,200			100,200	100,200
IFRS 16 lease liabilities		16,183	40,911	47,920	105,014	86,670
Other financial liabilities	21,255	118,545	19,107	229	159,136	151,730
Liabilities included in "Trade payables and other current liabilities"						
Payables to suppliers	453,891	1,392,888	47,557	20	1,894,356	1,894,356
Payables to suppliers for reverse factoring		466,341			466,341	466,341
Indirect tax liabilities	1,831	8,735			10,566	10,566
Other payables	6,373	217,200	139		223,712	223,712
Advances, accrued expenses and deferred income						56,880
Direct tax liabilities						
Direct tax liabilities	1,634	4,983			6,617	6,617
Total	**1,634,685**	**2,624,539**	**2,177,997**	**50,214**	**6,487,435**	**6,478,422**

(*) Does not include the item "derivative liabilities", details of which are provided in the paragraph "Fair value of derivatives".
(**) This item includes medium/long-term financial payables, on-demand amounts due to banks and construction loans.

(thousands of euro)	31/12/2019 On demand	Within 1 year	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Liabilities included in "Current and non-current financial liabilities" (*)						
Financing and loans (**)	1,653	965,967	718,765	42,021	1,728,406	1,684,461
BIIS loans		4,868			4,868	4,762
Bonds and commercial papers		75,000			75,000	75,000
IFRS 16 lease liabilities		17,909	44,278	46,914	109,101	92,086
Other financial liabilities	9,791	154,517	5,932	874	171,114	171,011
Liabilities included in "Trade payables and other current liabilities"						
Payables to suppliers	242,561	1,491,379	43,372	440	1,777,752	1,777,752
Payables to suppliers for reverse factoring		492,404			492,404	492,404
Indirect tax liabilities	12,406	14,121			26,527	26,527
Other payables	5,942	225,199	189		231,330	223,738
Advances, accrued expenses and deferred income						60,368
Direct tax liabilities						
Direct tax liabilities	100	6,902			7,002	7,002
Total	**272,453**	**3,448,266**	**812,536**	**90,249**	**4,623,504**	**4,615,111**

(*) Does not include the item "derivative liabilities", details of which are provided in the paragraph "Fair value of derivatives".
(**) This item includes medium/long-term financial payables, on-demand amounts due to banks and construction loans.

"Payables to suppliers for reverse factoring" report the liabilities sold to factoring companies by suppliers. These liabilities are classified among "Trade payables and other current liabilities" since they are related to obligations for the supply of goods and services used during the normal operating cycle. The sale is agreed with the supplier and envisages the possibility for the latter to give further extensions for consideration or not.

The current and non-current financial liabilities of the Fincantieri group contribute to the CDP Group's consolidated financial statements under the liability item 10, which relates to financial liabilities measured at amortised cost.

Liabilities included in trade payables and other current liabilities contribute, in the CDP Group's consolidated financial statements, to the liability item 80, Other liabilities.

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 its 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 2020, the group was exposed to exchange rate risk mainly in connection with some contracts in the cruise sector. Such risk was mainly mitigated by using the financial hedging instruments mentioned above.

With regard to currency risk, the group has performed a sensitivity analysis, both including and excluding the effect of hedging derivatives, in order to estimate the impact on pre-tax profit of a reasonable variance in the principal exchange rates to which the group is most exposed against the functional currencies of the parent company Fincantieri S.p.A. and its subsidiaries (involving an appreciation/ depreciation of the foreign currency against the functional one). The analysis looks at exposure to currency risk, as defined by IFRS 7, and therefore does not consider the effects arising from translation of financial statements of foreign companies with a functional currency other than the Euro. In addition, the analysis has not examined the effect of exchange rate fluctuations on the valuation of work in progress, because the latter does not qualify as a financial asset under the IAS 32 definition. The variances for individual cross-currencies have been measured against the average 6-month volatility observed in 2020 for individual exchange rates.

	31/12/2020		31/12/2019	
(millions of euro)	Effect on pre-tax profit	Pre-tax effect on equity	Effect on pre-tax profit	Pre-tax effect on equity
USD vs EUR				
Including hedging derivatives				
Appreciation of the USD vs EUR	5	(37)	4	(67)
Depreciation of the USD vs EUR	(4)	32	(4)	60
Excluding hedging derivatives				
Appreciation of the USD vs EUR			3	3
Depreciation of the USD vs EUR			(2)	(2)

(millions of euro)	31/12/2020 Effect on pre-tax profit	31/12/2020 Pre-tax effect on equity	31/12/2019 Effect on pre-tax profit	31/12/2019 Pre-tax effect on equity
EUR vs NOK				
Including hedging derivatives				
Appreciation of the EUR vs NOK	(16)	(59)	6	6
Depreciation of the EUR vs NOK	19	72	(7)	(7)
Excluding hedging derivatives				
Appreciation of the EUR vs NOK	(8)	(51)	(9)	(9)
Depreciation of the EUR vs NOK	9	62	10	10

(millions of euro)	31/12/2020 Effect on pre-tax profit	31/12/2020 Pre-tax effect on equity	31/12/2019 Effect on pre-tax profit	31/12/2019 Pre-tax effect on equity
USD vs BRL				
Including hedging derivatives				
Appreciation of the USD vs BRL	(11)	(11)	(8)	(8)
Depreciation of the USD vs BRL	11	11	8	8
Excluding hedging derivatives				
Appreciation of the USD vs BRL	(11)	(11)	(8)	(8)
Depreciation of the USD vs BRL	11	11	8	8

(millions of euro)	31/12/2020 Effect on pre-tax profit	31/12/2020 Pre-tax effect on equity	31/12/2019 Effect on pre-tax profit	31/12/2019 Pre-tax effect on equity
Other currencies				
Including hedging derivatives				
Appreciation of other currencies	(7)	(7)	(4)	(4)
Depreciation of other currencies	7	7	4	4
Excluding hedging derivatives				
Appreciation of other currencies	(7)	(7)	(3)	(3)
Depreciation of other currencies	7	7	3	3

Interest Rate Risk

Interest rate risk is defined as:
- uncertainty as to the cash flows relating to the group’s assets and liabilities due to interest rate fluctuations; this risk is mitigated through cash flow hedge transactions;
- variability of the fair value of the group’s 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.

As at 31 December 2020, there were ten interest rate swaps outstanding, of which nine traded in 2020, aimed at hedging interest rate risk. The derivatives reduce exposure to the interest rate risk relating to medium/long-term floating-rate loans.

A sensitivity analysis has also been performed to estimate the impact of a potential general change in benchmark interest rates of +/- 50 basis points on an annualized basis. The estimated effects on profit or loss involve a negative impact of approximately euro 0.9 million in the event of a 0.50% increase in interest rates and a positive impact of euro 0.3 million in the event of a 0.50% reduction.

Other Market Risks

Production costs are influenced by the price trend for the main raw materials used, such as steel, copper and fuels. Fincantieri S.p.A. mitigates these risks by adopting contractual hedges, where possible, and/or financial cover. In 2020, Fincantieri S.p.A. entered into swap contracts to fix the purchase price of a substantial part of its gasoil and fuel oil supplies to 2024.

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 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;
- not correctly disclosing the events and phenomena of operations in the financial reports;
- over-estimating the synergies deriving from acquisitions or suffering the consequences of slow and/or weak integration;
- creating alliances, joint ventures or other relations with counterparties which may negatively affect its ability to compete;
- 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 construction processes and their correct disclosure in the financial reports, or should it fail to adequately manage the group synergies, alliances, joint ventures or other relations with counterparties 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 cruise customers base their investment plans on demand by their own customers, mainly influenced by the 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 operations of the Fincantieri group's main cruise customers could impact capacity utilisation and business profitability. 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 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 not strictly linked to the shipbuilding sector, such as steel infrastructure works and automation systems based on advanced technological solutions.

Given the continuing difficulties in the offshore market, the subsidiary VARD is successfully working to diversify its products and target new market segments such as expedition cruise, fishing vessels and vessels for the operation of marine wind farms, 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 segment, a business with a long track record and, with the VARD group, it has extended that focus to the production of fishing vessels and vessels for the operation of marine wind farms. 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, or inconsistency with the company's principles of environmental protection and sustainability. 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, as well as customer needs, may lead to a reduction in competitiveness, lower production volumes, and/or less remunerative pricing, with a consequent reduction in the sustainability of the business in the medium- to long-term.

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 construction 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. The current high level of unpredictability in the operational scenario also affects the planning and budgeting process, which is based on the availability of complete and reliable information. 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, health-related situations that affect production activities, design changes or problems in procuring key supplies.

Impact

In the event of late delivery, except when due to the effects of events envisaged by the contracts (e.g. "force majeure"), the construction 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. The contracts with customers establish that in the case of a "Force Majeure Event" that prevents the contract from being duly completed, such as a government decree or a pandemic, the company is not required to pay penalties to the ship owner for the delay in delivery.

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. This would also have serious effects on the performance of the operating activities and possibly increase costs, also legal, in the event of non-compliance with contractual commitments.

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, at 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. The group also works continuously with customers and financial institutions to ensure the delivery of the orders in its portfolio.

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, also in situations of severe financial stress resulting from external or internal factors.

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.

Suppliers' access to the Fincantieri supply chain is conditional upon acceptance of the company's sustainability principles, which must be demonstrated in the conduct of their operations.

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 deteriorate. Suppliers that do not adhere to the sustainability principles also negatively affect the stakeholder perception of the company and its sustainable development. 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. Suppliers are included in the supplier pool after due diligence covering financial, production and sustainability aspects. Fincantieri S.p.A. has also developed a precise programme of supplier performance evaluation, 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 suppliers operating in the new sectors which the group entered following its diversification strategy.

Risks associated with climate change

Description of the risk

Fincantieri's focus on sustainability and its desire to create a resilient business model has prompted it to consider how climate change will impact the company in terms of risks, opportunities and financial impacts. Climate change risks are characterised by a high level of uncertainty and the potential impacts may significantly affect Fincantieri's activities, products and entire value chain.

Physical risks are associated with increased economic costs and financial losses due to the greater severity and frequency of extreme weather events associated with climate change. These include acute risks (e.g. floods, heat waves, tornadoes) and chronic risks related to long-term climate change (e.g. rising sea levels and ocean acidification).

Transition risks are associated with the transition to a low-carbon economy and are closely related to the evolution of the social, economic and political environment, changes in the CO2 emissions pricing framework, and regulatory restrictions.

In addition, the company is exposed to the risk of not sufficiently exploiting technological innovation, which may lead to existing products being replaced or upgraded with low-carbon products offering more competitive solutions.

Transition risks also include reputational risks: not implementing a gradual decarbonisation process could have a negative impact on the company's reputation and consequently on its operating and financial results.

Climate change mitigation and adaptation efforts undertaken by the company may also represent an opportunity, for example for the development of new technologies and the roll-out of new environmentally friendly products and services.

Impact

Climate change may prevent the company from carrying out its operations, restricting all the activities in the entire value chain and resulting in a significant increase in costs. Specifically, the assets of the shipbuilding industry are threatened by the impacts of acute phenomena in the short term. However, these phenomena could also have long-term impacts, for example, as a result of rising sea levels, that may prevent the company from carrying out its operations, with the possibility of significant recovery costs for its products and services.

Within the development and building of the product, all decisions associated with the design process that do not conform to the group's Environmental Policy and the Eco-Sustainable Design principles may have a negative impact on the climate and on Fincantieri's reputation.

Remediation actions

Within the management of its processes, the company has established a governance system to ensure the adequate supervision and monitoring of the risks associated with those processes, also in relation to climate change. In particular, climate change risks are included in the risks assessed and managed within the risk management process through the simultaneous implementation of different remediation actions.

With regard to the management of physical risks, the company has taken out specific insurance policies to protect its shipyards from financial damage resulting from catastrophic events.

To maintain its leadership in the shipbuilding sector, Fincantieri is pursuing a number of innovative low-carbon solutions, with projects aimed at identifying new models for generating electricity and heat, in addition to testing the use of new green materials for outfitting cruise ships also based on eco-design principles.

In addition, in accordance with its Environmental Policy, the company monitors its directly generated emissions and impacts and implements mitigation strategies, which include investments in energy efficiency and buying energy from renewable sources. With regard to reputational risk, the group regularly informs all its stakeholders about its commitments, objectives and targets related to tackling climate change, in order to ensure that it also maintains a positive reputation in relation to climate-related matters.

Risks related to human resource 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 the Fincantieri S.p.A. and ensure an improved management of the additional projects in the portfolio.

Description of the risk

Human capital is an essential part of the Fincantieri group's assets, which needs to be protected and developed. The lack of a human resource development strategy would prevent the implementation of processes to optimise this human capital, in addition to ensuring respect for diversity and equal opportunities, protecting human rights and guaranteeing the health and safety of workers.

Impact

The company's objective is to combine business growth with financial soundness in accordance with the principles of social and environmental sustainability. In the long term, failure to achieve this target could compromise the company's growth in value to the benefit of stakeholders.

Remediation actions

The company implemented a sustainability governance system that defines roles and responsibilities to manage these processes, in order to ensure they are adequately monitored and supervised. Risks connected to sustainability are identified, assessed and managed as part of the Enterprise Risk Management process and the company adopted a Sustainability Plan that monitors its application. The initiatives undertaken are reported in the Fincantieri's Sustainability Report.

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 occupational health and safety, environmental protection or tax regulations, as well as any 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 occupational health and safety, environmental protection or tax-related matters. 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 Art. 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. This includes the protocols adopted in all the production units to control and limit the risk of infection during the Covid-19 epidemic, in accordance with the provisions issued by the competent authorities.

The commitment to pursuing and promoting environmental sustainability principles has been reaffirmed in the Fincantieri’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

The group’s 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 and manage the occurrence of these risks, applying the provisions of the regulations in force and 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 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 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. Cash flows may be affected by the impact of the current negative economic and social scenario, with production and financial reprogramming having an impact on planned collections. 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.

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 ensure an appropriate level of financial flexibility, the group continually maintains a buffer of funding that is more than sufficient for its expected future needs also in unfavourable cash flow scenarios and 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

With regard to the "Iraq" lawsuit, which was discussed in detail from the notes to the financial statements at 31 December 2014 and regarding which various updates have been subsequently provided, you are reminded that, pending the signing of the operating contracts (Refurbishment Contract and Combat System Contract) provided for in the Settlement Agreement, the proceedings pending before the Paris Court of Appeal against the arbitration award in favour of Fincantieri were revived by the Iraqi Government. 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. With ruling issued on 15 January 2020, the French Court of Cassation finally rejected the Iraqi Government's appeal in full.

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 Patras Court of Appeal conformed to the principles of law set out by the Court of Cassation (which had referred the case to the Court of Appeal with regard to a relatively minor point). However, Fincantieri has lodged an appeal with the Court of Cassation against this ruling, while (ii) the lawsuit on the alleged loss of income from 2012 to 2052 is currently postponed.

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 2020.

With regard to the above-mentioned disputes, the group has allocated provisions for a total of 2.7 million euro for liabilities considered probable in the event of a ruling against the group.

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. Two of such claims 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 (Art. 1676 of the Italian Civil Code and Art. 29 of Legislative Decree no. 276/2003).

Litigation relating to asbestos continued to be settled both in and out of court in 2020. The provision made in this respect was estimated on the basis of disputes outstanding at the date of the estimate. The contingent liability relating to as yet undiscovered and unknown cases cannot be reliably estimated on the basis of currently available information and has therefore not been disclosed in the notes to the financial statements.

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; 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 eight 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 Art. 406 of the Code of Criminal Procedure, into the former manager of the Monfalcone shipyard for the alleged infringement of Art. 256(1) (a) and (b) of Legislative Decree no. 152/2006, and investigation into the company, under Art. 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 Art. 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 Art. 25-*undecies* of Legislative Decree no. 231/2001 ("Environmental offences"). In September 2018, all those investigated were directly served with a writ of summons. At the hearing on 6 March 2019, the judge ruled that the former Manager of the Monfalcone shipyard in office until 30 June 2013, the former General Managers of the company, the former Safety Manager and the former Staff Manager of the company as well as the company should not be prosecuted due to the statute of limitations as regards the facts ascertained in May 2013. The hearing held on 15 July 2020 resulted in a ruling dismissing the case due to the statute of limitations, for the former shipyard Manager in office from 1 July 2013 (as regards the facts ascertained in February 2015). The next hearing in the proceeding, which involves the company (as regards the facts ascertained in February 2015), is set for 17 March 2021 in order to continue the investigation;
- 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 Art. 19(f) and Art. 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 Art. 2087 of the Italian Civil Code (failure to adopt suitable measures to protect workers' health). A notice was also served on the company, under Art. 25-*septies*(1), (2) and (3) of Legislative Decree no. 231/2001;
- 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 Art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general Art. 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health), but also on the company under Art. 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 Art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general of Art. 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health). A notice was also served on the company under Art. 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 Art. 452 *quaterdecies* of the Italian Criminal Code ("Activity organised for the illegal traffic in waste"), and the company for the offence under Art. 25-*undecies*(2)(f) of Legislative Decree no. 231/2001 ("Environmental Offences"). With order of 23 April 2019, the Judge for Preliminary Investigations, upholding the motion filed by the defence of the company's Chief Executive Officer, ordered the dismissal of the proceedings against the latter. At the hearing held on 11 September 2020, the Judge for the Preliminary Hearing issued the decree ordering a trial against the defendants, including the company. The first hearing was held on 25 November 2020 at the Court of Agrigento, which was postponed until 23 February 2021;
- in September 2019, notices of conclusion of preliminary investigation were served on the hull pre-assembly workshop manager, under investigation for the offence of "bodily harm" under Art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general Art. 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health), but also on the company under Art. 25-septies(3) of Legislative Decree no. 231/2001, in connection with an accident on 3 February 2016 at the Monfalcone shipyard involving an employee who fractured his arm, which healed in 83 days;
- in February 2020, notices of conclusion of preliminary investigation were served on the Manager of the Monfalcone shipyard, the Manager of the Marghera shipyard and the Production Manager of the Marghera shipyard, who are accused of offences pursuant to Art. 256(1) of Legislative Decree 152/06 (Unauthorised waste management), Art. 137 of Legislative Decree 152/06 (Unauthorised discharge of industrial waste water), Art. 279 of Legislative Decree 152/06 ("Unauthorised atmospher-

ic emissions") and, solely for the Manager of the Monfalcone shipyard, the offence pursuant to Art. 29 *quattuordecies*(4)(b) of Legislative Decree 152/06 (Failure to comply with the requirements of the Integrated Environmental Authorisation). As regards the company, it has been accused of breaching Art. 25 undecies(2)(b)(1) and (2) in relation to Art. 5(1)(a) and (b) of Legislative Decree 231/01 (Environmental offences);

- between March and May 2020, notices of conclusion of preliminary investigation were served, among others, on the Manager of the Monfalcone shipyard, the Project Manager responsible for the project on behalf of the company, and the legal representative of the subsidiary Fincantieri SI at the time of the alleged offences, for the offence of "involuntary manslaughter" under Art. 589(1) and (2) of the Italian Criminal Code as a result of the violation of certain provisions of Legislative Decree no. 81/2008 and in general Art. 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health), but also on the company under Art. 25-*septies*(2) of Legislative Decree no. 231/2001, in connection with a fatal accident on 2 March 2017 at the Monfalcone shipyard involving an employee of a subcontracting firm;
- in November 2020, notices of conclusion of preliminary investigation were served on the Head of the hull fabrication area, under investigation for the offence of "bodily harm" under Art. 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general Art. 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health), but also on the company under Art. 25-*septies*(3) of Legislative Decree no. 231/2001, in connection with an accident on 13 April 2018 at the Monfalcone shipyard involving an employee who suffered bruising and abrasions to the right elbow and knee, which healed after more than two months.

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 S.p.A.

In 2020, the Italian Revenue Agency conducted investigations on the 2014 and 2015 tax periods, based on the audit on 2017 already completed in 2019; the resulting claims made were settled by assent.

Fincantieri SI

The audit started in 2020 by the Guardia di Finanza (Italian finance police) on the 2018 tax period is still suspended due to the pandemic.

Marine Interiors Cabins S.p.A.

In 2017, the Italian Revenue Agency conducted a tax audit on the 2014 and 2015 tax periods. The resulting notices of assessment were challenged and an appeal is currently pending. The notice of assessment issued for 2017 was also challenged as it stems from the previous assessments.

With regard to the ruling on the adjustment of the amount stated in the deed of transfer for the business unit for registration tax purposes, the Agency's Pordenone office appealed against the first instance ruling in favour of the company, which has filed a challenge against the appeal.

The claims made by the Norwegian tax authority regarding the treatment of certain items related to the permanent establishment are currently being settled.

Vard Tulcea

The subsidiary was subject to an audit by the Romanian tax authority on the 2012-2016 periods, which concluded with a notice of assessment. The company is continuing its defence actions in the administrative proceedings in relation to all the claims made. The Romanian tax authority has confirmed that no penalties apply. The subsidiary has made appropriate provisions in its financial statements.

Vard Braila

The tax audit by the Romanian tax authority on the 2014-2018 tax periods ended with claims of an insignificant amount.

Antitrust

Following the signing of the agreements for the acquisition of 50% of Chantiers de l'Atlantique (formerly STX France) and the simultaneous loan of 1% of that company by the French government, Fincantieri initiated the procedure to obtain the approval from the competent antitrust authorities for this acquisition.

In particular, on 3 May 2019, the company formally notified the transaction to the European Commission. Following this notification, Fincantieri provided the European antitrust authorities with a considerable number of documents and information, responded to numerous questions and requests from the European Commission and met with it on several occasions.

The procedure, whose final decision was originally scheduled for spring 2020, was suspended due to the Covid-19 emergency. The agreement for the acquisition of the shares of Chantiers de l'Atlantique, which had a final deadline of 31 January 2021 for the completion of the transaction, was then automatically terminated on that date. The antitrust procedure initiated with the European Commission consequently lapsed.

Fintecna group

Risk monitoring was ensured during 2020 through the operating tools employed by the Fintecna group, in line with the methods adopted by the CDP Group and with a view to simplifying processes and procedures. This also took into account the merger by incorporation of Ligestra Due into Fintecna.

The risks related to the transfer of the company headquarters – from 1 July – and the risks connected to the Covid-19 emergency, which involved extensive use of remote working to ensure business continuity, were also monitored during the period.

The risk profile of the Fintecna group did not undergo any significant changes during the period and is still 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.

Operational risks also include those related to the management of environmental remediation work at the sites included in the Efim Separate Asset Pool and the properties belonging to the Iged Separate Asset Pool, as well as the risk arising from the performance by Fintecna of the functions of Liquidator of the company Cinecittà Luce, of the so-called Separate Liquidation procedures[79], and of Consorzio Bancario Sir. With regard to the management of the properties in the separate asset pools and the companies and entities in liquidation mentioned above, from September 2019, Fintecna has used the structures of CDP Immobiliare, by virtue of a specific real estate service agreement, as noted above.

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 payment obligations. Liquidity commitments are in large part linked to the management of the dispute, the coverage of liquidation expenses and disbursements connected with environmental issues and remediations. 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, consequently, failure to make appropriate provisions – with particular reference to the aforementioned core operations and an inefficient use of liquidity – constitute additional risk factors.

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, almost all the cash and cash equivalents are deposited with the Shareholder CDP, with the remainder being deposited on a short-term basis with banks.

Another risk factor - with reference to the 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 marketing support activities envisaged in the service agreement

79 With regard to the so-called Separate Liquidation procedures, the related assets are not owned by the Fintecna group.

signed with CDP Immobiliare were initiated in 2020.

Fintecna contributes to “Other liabilities” in the Group’s consolidated financial statements (item 80 of liabilities) with trade and other payables totalling approximately 125 million euro, mainly due within the financial year.

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, specific organisational monitoring measures are in place to ensure the proactive management of the loan portfolio and the mitigation of the related risks.

There is also a limited counterparty risk linked to the investment of residual short-term liquidity held at banks. 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.

The company contributes about 207 million euro to item 130 of assets (Other assets) in the CDP Group’s consolidated financial statements in respect of trade receivables, for which a bad debt provision of 177 million euro is recorded.

Other financial risks

With the above-mentioned merger by incorporation of Ligestra Due into Fintecna, the loans granted to Ligestra Due for the acquisition of the separate asset pools lapsed. The investment in the separate asset pools is shown under Fintecna’s “Financial assets at fair value” and the related risk profile is connected to the progress of the liquidation of those assets. This is managed and assessed as part of the broader monitoring and management of the liquidation activities.

Compliance risk

The main compliance risks applicable to Fintecna are essentially linked to reputational risks that might arise from failure to comply with the provisions concerning sensitive areas such as the management of liquidation activities and disputes, the execution of specific mandates on behalf of the Public Administration (e.g. the Fintecna projects for Central Italy and for the Emilia region) and the management of real estate assets, including the related environmental and safety issues.

Important in this respect are developments in external regulations, any changes in the scope of the business activity and in the corporate governance structure and changes at organisational or process level.

To protect itself against legal compliance risk, Fintecna has adopted a model to identify the applicable laws and regulations and assess 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 the applicable regulations is an ongoing and constantly updated activity.

Legal disputes

In the financial year ended 31 December 2020, to ensure the optimal development of its activities, 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.

It should be noted first of all that 2020 was affected by the adoption of urgent measures to contain and manage the Covid-19 epidemiological emergency, which also led to the extraordinary suspension of court activities and deadlines from 8 March to 11 May 2020. As a result, it was impossible to carry on most of the court activities during this period and all the related pending deadlines were postponed.

Having regard to the civil/administrative disputes, there has been a fall in the number of pending lawsuits, following the settlement of disputes, but it is still objectively difficult to achieve a resolution of legal proceedings, also through more rapid settlement arrangements.

In this regard, disputes with claims made against the company are backed by provisions in consideration of the risks of each case, as well as the specific legal positions.

The situation of the disputes involving the Company can be summarised in the following table showing the breakdown of the balances:

(number of disputes; %)	31/12/2020	31/12/2019	Change (+/-)	Change %
Civil/administrative/tax disputes	92	93	(1)	-1.1%
Employment disputes	360	332	28	8.4%
Total	**452**	**425**	**27**	**6.4%**

SIMEST

With reference to identifying the risks that characterise SIMEST's activity, the company, while not subject to prudential regulation, adheres to current banking regulations or the classification scheme adopted by the Basel Committee, which distinguishes between "pillar 1 risks" and "pillar 2 risks".

This classification is contained in the Risk Policy adopted by SIMEST and in the specific detailed policies related to risks to ensure that the Company, in coordination with the Parent Company, is able to cover the risks it faces with its own resources. The Policy essentially contains the same risk management principles adopted by the Parent Company, while taking into account the company's specific nature and size.

The Company has also adopted a governance system of Corporate Committees (technical-advisory collective bodies) that guarantees a further effective risk management and control system.

The most significant risks are listed below.

Financial Risks

Credit risk

The risk of a deterioration in the economic-financial condition of a counterparty with whom the Company has a credit exposure. The Risk Policy and the Investment Policy provide for specific guidelines on subscriptions and dedicated credit rating control functions, both ex ante and ex post, for each counterparty/transaction.

The Policies govern the operation of the investment and monitoring process and the roles of the organisational units involved. In order to better monitor credit risk, the company follows specific processes of assessment, monitoring and management of the portfolio by using models, operational tools and reporting aimed at analysing and controlling the risk level of investments.

In particular, the monitoring phase adopts rating and early warning models and systems to promptly detect signs of anomaly relating to the exposures assumed, so as to allow management and the relevant structures to implement specific measures to protect their assets and, if necessary, to start credit recovery activities.

The credit risk associated with the equity investments is mitigated in general 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.

At 31 December 2020, direct commitments of Italian partners for the repurchase of the equity investments totalled approximately 453 million euro (472 million euro at 31 December 2019). Repurchase commitments secured by bank and/or insurance guarantees amounted to approximately 25 million euro (31 million euro at 31 December 2019), while those secured by collateral amounted to 43 million euro (44 million euro at 31 December 2019).

(millions of euro; %)	31/12/2020		31/12/2019	
Direct commitments of Italian partners	453	87%	472	84%
Commitments secured by banks and insurance companies	25	5%	31	8%
Commitments secured by collateral	43	8%	44	8%
Total	**521**		**547**	

Market risk

The risk arising from market transactions in financial instruments, currency and commodities. As regards SIMEST, the price risk and foreign exchange risk are marginal and in effect almost entirely mitigated by contractual clauses which as a rule guarantee that the investment will be recovered at the historic price paid in euro for acquisition of the equity investment. The fair evaluation of a portion of the investment portfolio provided for by IFRS 9 exposes the portfolio to value changes arising from fluctuations in market factors (interest rates and credit spreads).

Operational risk

The risk of loss resulting from inadequate or malfunctioning internal procedures, people and systems or from external events. Such risk includes, among others, losses resulting from fraud, human error, business disruption, system unavailability, breach of contract and natural disasters. The operational risk control framework requires a set of structured processes, functions and resources for identifying, assessing and monitoring operational risks. In particular, in accordance with the Parent Company's guidelines, the operational risk control system includes both (i) a data collection and storage process (Loss Data Collection) and (ii) the assessment of the level of company exposure to operational risks through Risk Self-Assessment.

Liquidity risk

The risk of default on the company's payment obligations, which includes two forms of risk that are often strongly correlated: (i) funding liquidity risk (inability/difficulty to raise funds with the risk of not being able to meet payment obligations) and (ii) market liquidity risk (difficulty in liquidating assets and other assets to settle financial obligations at maturity, without incurring losses). Liquidity risk is monitored constantly through analysis of expected cash flows, especially for equity investments. During the second half of 2020, the company adopted a new framework to monitor the liquidity risk in line with prudential regulations, suitably adapted to the business model and specific operations of SIMEST, which operates as a medium/long-term investor, supporting Italian companies in export and insourcing activities. The new framework is based on two indicators: (i) short-term liquidity indicator and (ii) structural liquidity indicator, which aim respectively to verify and ensure the company's ability to meet its cash outflows in the short term and the right balance between the average duration of funding and lending sources, while monitoring and limiting the use of forms of maturity transformation. These indicators are periodically measured, monitored and reported by the relevant corporate structures. If the defined limits are exceeded, the Contingency Funding Plan is activated as a remediation action, as part of the relevant process.

Interest rate risk

The risk arising from potential changes in interest rates with respect to differences in the maturities and/or timing of redefining the interest rate for the company's assets and liabilities. Specific operational limits and measures for controlling and monitoring interest rate risk are set out in the Risk Policy.

Concentration risk

The risk arising from exposures to individual counterparties, groups of connected counterparties, or counterparties belonging to the same economic sector or carrying out the same activity, or belonging to the same geographical area. Specific operational limits for controlling and monitoring concentration risk are set out in the Risk Policy.

Reputational risk

The current or prospective risk of a fall in profits, penalties, loss of economic value or damage to SIMEST's institutional role, resulting from a negative perception of the Company's image by customers, counterparties, shareholders, investors, regulators or other stakeholders. SIMEST gives the highest priority to preventing and monitoring the occurrence of events of a reputational nature in relation to transactions that are part of its corporate purpose. To this end, it has structured internal controls to mitigate this risk and has adopted specific safeguards to prevent reputational events from occurring in its operations.

Compliance risk

The risk of incurring legal or administrative penalties, losses or reputational damage as a result of violations of external provisions (laws and regulations) or self-governance rules (e.g. articles of association, codes of conduct). SIMEST has adopted the Group's "Risk Assessment and Control of Compliance Risk" policy, while structuring a compliance risk management process aimed at ensuring that internal processes and procedures are consistent with the objective of preventing the violation of self-governance rules or external provisions.

Within the Risk Policy the Company also implemented the process of assessing the correspondence between the capital resources available (represented by equity) and the economic capital necessary to cover existing risks, which is measured using the Internal Capital Adequacy Assessment Process (ICAAP) employed by the CDP Group. Results of the assessments have confirmed the full adequacy of capital resources both at present and in the future.

Specific controls are also in place for the subsidised funds managed by SIMEST to monitor and mitigate the main risks to which the funds are exposed. More specifically, for the Law 295/73 Fund, in order to ensure support for exports through a more efficient allocation of public resources while maintaining adequate control of major risks (foreign exchange and interest rate risk), even in situations of stress, a specific methodology was defined for quantifying the Fund's overall on-balance sheet financial needs with a view to efficiently managing public resources.

Legal disputes

There were two legal disputes pending before the courts at 31 December 2020 concerning amounts claimed for professional fees totalling 287,000 euro. The first instance proceedings in one of the cases ended in 2018 with a decision ordering SIMEST to pay approximately 80,000 euro. In 2019, the first instance proceedings in the second dispute were concluded, with the rejection of the claim. Appeals are currently under way in both proceedings.

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 development

The market risk is the risk of unexpected losses resulting from macroeconomic factors linked to the performance of the property market, which 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 adopted over time.

In the event of investment or divestment operations, there is an assessment of the consistency of the sales conditions with respect to the latest evaluation by the Independent Expert, with respect to the carrying value and forecasts indicated in the Company's budget (if it has been defined). In the event of new investments considered significant, the degree of concentration at province/city/non-metropolitan area is verified. The risk categories of properties are monitored on a quarterly basis (see Parent Company "Guidelines for the assumption of incremental risk at group level in the property sphere").

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, which may also be such that the cost of servicing the debt exceeds the returns generated by the investments it contributes to finance.

Exposure to interest rate risk is mainly linked to the medium and long-term financial liabilities of some investee companies, 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, possibly through the subscription of hedging instruments.

Exchange rate risk

The CDP Immobiliare group operates only in Italy; therefore, it is not exposed to exchange rate risk.

Liquidity risk

From a general point of view, 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.

CDP Immobiliare 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. However, it must be stated that such companies have been, and some still are, subject to restructuring plans/agreements which have entailed the payment and settlement of debts to financial institutions with financial contributions from CDP Immobiliare and the simultaneous acquisition of members' share capital.

CDP Immobiliare contributes 19 million euro to the CDP Group's financial liabilities, including 7 million euro in financial liabilities to banks measured at amortised cost and lease liabilities of about 12 million euro.

The short and medium-term financial requirements of CDP Immobiliare are periodically brought to the attention of the parent Cassa Depositi e Prestiti, which makes available to the Company, on a case-to-case basis and after verifying the activities to which those requirements relate, the resources necessary to meet the needs indicated. The Shareholder has already approved the financial coverage requested by CDP Immobiliare (133 million euro) to meet the needs arising from the 2021 budget and the project to develop the "Torri dell'Eur" property complex for the two-year period 2021-2022, in addition to the amount already approved to cover the 2020 financial year and not yet disbursed (50 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. In any case, these receivables were subject to suitable write-down in the Company's financial statements once they became potentially uncollectable.

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.

CDP Immobiliare contributes to the balance of Other assets of the CDP Group's consolidated financial statements (item 130 of assets) with trade receivables classified as stage 1 totalling 26 million euro, for which a bad debt provision of 4 million euro was recorded.

Risks linked to the spread of the SARS-CoV-2 virus

Going concern

Based on CDP Immobiliare's operations and having considered all information available on its capital structure, available liquidity and financial performance over the medium term, even in the context of the ongoing Covid-19 outbreak, there is no evidence of factors that might in any way affect its ability to continue as a going concern, although there is a high level of uncertainty in real estate market forecasts, both for assets for sale and those to be leased to third parties.

The Company's sole shareholder is CDP S.p.A. and no critical issues are reported concerning the financial support provided to the Company, including with respect to the commitments expected over the next 12 months, as discussed in the section on Liquidity risk.

Significant uncertainties

The most important areas regarding the Covid-19 epidemiological emergency relate to the operational risks associated with the specific business, such as by way of non-exhaustive example:
- counterparty risks due to the possible increase in the financial difficulties of potential tenants of the properties;
- operational risks due to partial use of premises, business continuity and the risk of employees on sick leave;
- liquidity risks due to increased difficulties in raising funds from third-party investors or in finalising debt restructuring/refinancing operations, especially with reference to initiatives launched through special purpose vehicles (e.g. slower disbursement processes by the banking system, delays in defining agreements);
- other operational risks associated with the specific business, such as by way of non-exhaustive example:
  - with reference to construction sites in progress or to be contracted out, delays or interruptions in executing contracted works on the real estate portfolio (with consequent postponement compared to the current schedules), increased costs in relation to greater health and safety precautions;
  - regarding leases, changing operators' strategies and lengthening the time for finalising agreements;
  - for sales processes, impossibility of real estate disinvestment transactions due to market illiquidity.

Specifically, between the first and second quarters of the year, the lockdown led to the suspension of activities related to a number of construction sites to redevelop major properties in the CDP Immobiliare group's assets, as well as to the blocking or slowing of certain property sales.

Fair value measurement

The measurement of the fair value of assets and liabilities may be affected by Covid-19 in terms of market price volatility, increased credit and counterparty risk (partially mitigated by potential government interventions to support the economy), changes in interest rates due to decisions at Government level, etc.

With reference to the latter aspect, the Company, with the support of the Independent Experts, noted the impact that the spread of the virus is having on the trend of real estate market values, in order to record the extent and duration of this impact. Specifically, at 31 December 2020 impairment losses on directly and indirectly owned properties were recognised for 48.5 million euro in total, mainly resulting from updating the financial parameters and schedules to take into account the increased risks associated with specific prospective uses, the progress of construction sites and the slowdown in commercial negotiations.

Furthermore, as described by the Independent Experts, at the date of the assessment, there was a reduced degree of reliance on past real estate transactions and market data to judge the value. The current Covid-19 situation raises unprecedented circumstances on which to base a judgement, so the assessment made considers "a material uncertainty" as indicated by VPS 3 and VPGA 10 of the RICS Red Book Global. As a consequence, less certainty and a higher degree of caution must be applied to the assessment compared to what is normally required under normal market conditions.

The Company carefully and continuously monitors the development of the situation, in order to identify the correct risk mitigation actions (both internal and external to the Company) as well as to limit the situation's impact on the Company's operations and expected results.

Employee benefits

During 2020, the Covid-19 emergency particularly affected the work organisation of the Company's staff. In this regard, CDP Immobiliare, in coordination with the Parent Company, adopted measures to contain potential risks from the spread of Covid-19, by taking a number of measures to protect the health of its employees, including the use of agile work and a ban on business trips.

In order to ensure a safe return to work, the following initiatives were also implemented:

- preparing and issuing a welcome kit consisting of material to ensure a minimum protection from contact with potentially infected people (masks, sanitising gel);
- adopting specific policies and operational guidelines aimed at containing the risk of Covid-19 infection during work activities, using an application designed to monitor the distribution of staff within the workplace, clean desk policy;
- access temperature control and nursing care together with signing agreements with primary national medical structures to allow all head office and local employees to take Covid-19 serological and swab tests. These services are offered by the Company and are available to employees on a voluntary basis;
- voluntary administration of flu vaccines to interested personnel.

Donations

CDP Immobiliare will not make donations and/or payments to third parties involved in social welfare. Likewise it should be noted that a fund-raising campaign was launched in April to support the national measures implemented to combat the Coronavirus emergency. This initiative, launched in cooperation with the Ministry of Economy and Finance, gave the interested colleagues the opportunity to donate up to three days' holiday and a sum of money to the Civil Protection Department of the Presidency of the Council of Ministers. The sum collected equalled 10,353 euro.

Operational risks

The operational risk is the risk of loss resulting from inadequate or failed internal systems, processes and people or from external events. Operational risk is embedded in the company's business and is part of every organisational and production process.

The operational risk management system is a set of structured processes, functions and resources for identifying, assessing and controlling operational risks.

The Risk Management Unit, with the support and involvement of the other company structures and in accordance with the methodologies defined by the Parent Company, monitors these risks and, if particularly exposed areas emerge, suggests and encourages adopting appropriate measures.

During the first few months of 2020, some staff training sessions were organised, aimed at launching the Loss Data Collection process (i.e. collection of the Company's operating loss data), one of the activities envisaged in the methodological framework in effect regarding operational risks. However, the activity was suspended following the spread of the pandemic: a possible resumption will be considered during the second half of 2021. On the other hand, updating the operational risk mapping (Risk Self Assessment) for some of the Company's processes is planned for 2021.

Legal disputes

The dispute the CDP Immobiliare Group is involved in mainly concerns the management of the real estate assets of CDP Immobiliare and its investee companies. 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.

As at 31 December 2020, the situation of the disputes (civil, administrative, criminal) which concern CDP Immobiliare S.r.l. and its investee companies may be summarised in the table shown below:

Disputes involving the CDP Immobiliare group

(number of disputes; %)	31/12/2020	31/12/2019	Change (+/-)	Change %
CDP Immobiliare S.r.l.	43	44	(1)	-2%
Investee companies	6	16	(10)	-63%
Total	**49**	**60**	**(11)**	**-18%**

Disputes involving CDP Immobiliare S.r.l.

There was a total of 43 disputes pending as at 31 December 2019 which involve CDP Immobiliare. These include:
- 25 disputes as the plaintiff: 8 concern lawsuits for releasing properties occupied without entitlement and to determine ownership and rights in rem (for 4 of these, a counterclaim was filed to determine ownership), 10 are enforcement actions, 2 concern the determining of responsibility for breach of contract (with a counterclaim from the opposing party), 2 concern the annulment of administrative measures for breach of laws or misuse of powers, 1 is a tort liability suit and 2 are criminal in nature;
- 18 disputes as the defendant: 4 concern lawsuits for determining ownership, 7 concern the determining of responsibility for breach of contract, 1 for pre-contractual liability, 1 contractual invalidity action, 4 tort proceedings and 1 for the annulment of administrative measures for breach of laws or misuse of power.

In the reporting period, pending disputes decreased in number compared to 31 December 2019 (-4%). Indeed, during this period, in response to 14 disputes as defendant, 16 disputes were resolved, of which 14 favourable, 1 partly unfavourable and 1 concluded with a settlement.

In addition to pending disputes, there are 2 potential disputes: i) dispute as defendant, still in the out-of-court phase, concerning the request for payment of the commission (2.4 million euro plus VAT) for allegedly acting as a broker in connection with the sale of the property of the former Manifattura Tabacchi in Florence; and ii) an action to recover receivables against Rome Capitale for 1.9 million euro is about to be started, pursuant to an order of the Court of Rome.

In addition to the disputes listed above, CDP Immobiliare is involved in 19 tax disputes. Of these, 3 relate to State taxes (specifically, registration tax, mortgage tax and cadastral tax) and 16 to local authority claims for municipal property taxes.

Likewise there are 2 labour law disputes.

Disputes involving investee companies

There was a total of 6 pending disputes, as at 31 December 2020, for all investee companies, of which:
- 2 as the plaintiff (1 criminal and 1 for contractual liability);
- 4 as the defendant (2 for contractual liability, 1 to determine the ownership of a property and 1 for contract invalidity).

During the period ending 31 December 2020, the number of disputes decreased (-60%) while 8 were resolved, of which 3 with a settlement, 3 with a favourable outcome and 2 with an unfavourable outcome. It should be noted that a dispute as defendant is to be considered transferred by virtue of the sale of shares in Manifatture Milan to the IGS group.

Moreover, please note that the out-of-court dispute against Residenziale Immobiliare 2004 S.p.A. concerning the request for payment of the commission for the alleged mediation activity carried out in relation to the sale of the real estate complex of the former San Lorenzo Customs property has been waived by the plaintiff.

A mandate was conferred (i) to launch proceedings for the collection of receivables against Rome Capitale for 1.2 million euro pursuant to an order of the Court of Appeal of Rome and (ii) for activities related to the release of the unlawfully occupied former Salinari houses.

Having regard to pending disputes of CDP Immobiliare and the investee companies, the claims of the counterparties and the related risks are assessed with the support of specialised legal consultants and tax law firms, purposefully tasked by the Company, 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.

SIA group

Risk management

The SIA group intends to counter and minimise its operational, financial, compliance and reputational risks. It acts on customers' business, cybersecurity, fraud management and business continuity processes. It pays attention to suppliers/partners and personal safety.

In 2020, the companies acquired in 2018 continued to be integrated also for the risk management process. An integrated risk governance method was put in place to ensure risk control at group level with:
- a single group risk policy;

- focus on the specific operational characteristics of individual companies with regard to compliance, financial, customer and supplier risks;
- a breakdown into centralised and decentralised functions with appropriate information and reporting flows.

The SIA group also devotes a great deal of attention to the issue of risk culture and for this reason it carried out annual actions with different levels of detail and learning methods and heterogeneous recipients (distribution of checklists, sharing results with customer support structures, sharing operational risk management strategies at group level). Specifically, in 2020 SIA's risk culture was enhanced by group-wide knowledge on the questions to be asked in risk analyses of services and initiatives and on the results of such analyses.

In this context, the Risk Governance department focuses on identifying and managing material risks for value creation and protection by integrating risk culture and risk management practices into business processes. The aim is to promote informed decisions that are consistent with the company's risk objective.

Risk management process

The top management of SIA, aware of the type, nature and extent of the risks to which the company is exposed, support the risk management process and define the risk objectives. This process defines the methods by which to identify, evaluate, contrast, monitor and prevent the risks to which the group is exposed.

The risk management process:
- is set according to the ISO 31000:2018 standard and in 2020 it was updated at group level;
- is aimed at pursuing the objectives and protecting the company's value;
- is an integral part of the organisational systems and business processes, the initiatives being defined and the services provided;
- addresses the conditions of uncertainty and is a component of business decision-making processes;
- is carried out in a systematic, structured, timely and documented manner;
- considers the human, perceptive and cultural factors that facilitate risk reporting and impact assessments;
- is checked on a regular basis to ensure that it meets the business objectives.

From an organisational point of view, SIA has a three-line model which includes:
- the corporate organisational structures - which identify, govern and control the risks of their areas of action (first level);
- the Risk Governance department - which is responsible for second-level risk control and the governance of compliance, business continuity, personal data protection and Health and Safety systems. This structure reports to the Chief Financial Officer within the staff of the CEO;
- the Internal Audit department - which ensures third-level control over corporate risks, operates independently and reports to the Chairman.

In addition:
- the top management are periodically aligned and intervene in risk assessment decisions;
- a "Risk Team" - consisting of "risk officers" who operate in their areas of competence - is in place to supervise and monitor risk assessment and risk treatment plans;
- the contact persons of the group companies with whom systematic information and operational contact is established are defined.

Main activities carried out in 2020

The main activities at group level were:
- updating the group's risk policy and risk management process;
- monitoring the risks of the group's services/products and business initiatives;
- extending the monitoring of business certifications and approvals to the group with specific compliance dashboards;
- continuously monitoring IT, technological and security risks;
- implementing the actions of the GDPR improvement programme extended to the group;
- strengthening the risk culture with appropriate training solutions.

Operational risks for new initiatives

The SIA group is strongly committed to the project development of new initiatives and technological solutions to respond promptly to customer demand and anticipate its evolutionary lines.

The main activities carried out in 2020 concerned risk assessment for new initiatives right from the design and early stages (by design), with special risk assessment checklists and specific in-depth risk analyses for significant initiatives.

Operational risks in the services rendered

The risks of the main production services continue to be monitored in line with the ISO 31000 and IT risk best practices. To this end, a special checklist is used to take into account the characteristics of the services/products offered and, in the case of services with significant risks, special plans are required in order to deal with the risks identified. Also worthy of note are SIA's ISO 9001 quality checks, carried out on services and products which are also risk-oriented.

Technological risks

The continuous monitoring of technological infrastructures and the related availability risks continues with organisational solutions for centralised oversight of technological infrastructures, systems and networks responsible for providing services for the legal entities of the group. The incident, problem, change and release ICT processes are also managed and monitored.

To reduce the risks in the production environments, specific test environments are organised and a centralised governance of all requests for interventions and changes to the test and production environments is established. Furthermore, the analysis of the technological risk profile of the main SIA group sites has been completed.

Operational risks for suppliers and partners

SIA has a consolidated supplier selection and qualification process overseen by a procurement team aiming to reduce potential risks arising from relationships with third parties. In particular, contractual risks are mitigated by standard clauses that are reviewed and revised when appropriate with the support of SIA's in-house lawyers.

Furthermore, in 2020 public financial and compliance information started to be collected on suppliers and their corporate structures through access to market database services.

Finally, it should be noted that the operational risk analysis carried out on customer services and products also addresses the impacts that could be caused by specific suppliers that are relevant to the services/products.

Compliance risks

Compliance risk monitoring is ensured by a specific governance and management system that operates as second-level control and focuses on key regulatory deadlines and new regulations impacting companies and customers.

High attention is paid to the rules regarding critical infrastructures for payment systems and financial markets, the card processing world and the regulations on cyber resilience.

It should be noted that in 2020, actions were taken to:

- coordinate requests for information, documents and data received by the Central Bank's Supervisory structure pursuant to Art. 146 of the Consolidated Law on Banking;
- provide a dashboard at group level to monitor business certifications, ATMs (Automated Teller Machines), POS (Points Of Sale), approvals and circuit agreements;
- extend the group monitoring of ISO certifications, ISAE 3402 type 2 reports/SOC1 reports, Ministry of Economic Development and AGCOM obligations, and national regulatory obligations;
- renew group PCI certifications (PCI-DSS, PCI 3DS, PCI PIN, PCI Card Production);
- maintain the MasterCard Global Risk Management Program certification;
- extend the alerting service in relation to MasterCard Bulletins and VISA Member Letters of international circuits to group companies;
- maintain the ISO 9001 – Quality, ISO 22301 - Business Continuity, ISO 20000 - IT Services, ISO 27001 – Information Security, ISO 14001 – Environmental Management, OHSAS 18001 Health and Safety certifications. These certifications are held by group companies according to the business requests;
- maintain ISO 27017 and ISO 27018 certifications for electronic storage and EasyPA services and the AgID certification for digital storage services;
- direct and coordinate the general and application ICT controls included in the ISAE 3402 Type 2 reports;
- maintain the organisational model pursuant to Legislative Decree 231/2001 for Italian group companies on the instruction of the Supervisory Body.

Risks relating to personal data processing

SIA, in order to fulfil the obligations provided for by privacy regulations and to minimise the risks arising therefrom, makes use of a specific Governance System, which involves all personnel according to their role and responsibilities. Monitoring is guaranteed, at group level, by SIA's DPO (Data Protection Officer), which was also designated for the other companies, and which relies on the collaboration, at local level, of a focal point/privacy officer.

In 2020, activities continued at group level, in order to:
- ensure effective and efficient responses to requests to exercise data subjects' rights (e.g. completion of the internal GDPR improvement programme at SIA);
- adjust the policies (e.g. new release of Group Privacy Policy), procedures (e.g. new DPIA procedure) and reference documentation, in line with the evolution of the regulatory scenario and the organisational model;
- update the Record of Processing Activities with particular attention to the processing of personal data in the context of the services provided to customers;
- improve GDPR awareness by delivering a specific programme through the "Academy online" e-learning platform;
- monitor that the processing of personal data is carried out according to the regulations and in compliance with the contractual agreements in force (e.g. involvement in the internal audits and those requested by customers);
- guarantee periodic reporting to top management (e.g. actions in the Board of Directors and Board of Statutory Auditors of SIApay) and the Data Controller (e.g. bimonthly reports to SIA's Chairman).

Operational security and cybersecurity risks

The financial sector is characterised by its reliance on information, IT systems and computer networks and is consequently increasingly exposed to cyber threats due to the relevance of the data processed and the critical nature thereof for the economy. The occurrence of threats on the data processed by the services offered by SIA may have significant impacts on the services themselves and on the customers and, therefore, reflect on the company's financial results and reputation.

Given the high degree of technological innovation of the services provided by SIA and their importance in terms of managing sensitive data relating to payments, specific policies and methodologies were defined to identify and manage IT risk (including cyber risk) and specific organisational controls were implemented as part of the Information Security Management System for line controls and risk management control in accordance with the ISO/EC 27001 standard and certified by a qualified third party.

SIA intends to respond to the expectations of customers and institutions regarding the safety and protection of critical infrastructures and, therefore, to provide the best response to cybersecurity threat contexts in line with the directives for the Financial Market Infrastructure (FMI) defined to improve resilience in the face of cyber threats.

The continuous monitoring of technological infrastructures and the related risks continued in the period with organisational solutions for centralised oversight of technological infrastructures, systems and networks responsible for providing services also aimed at dealing with the technological risk and ensuring role segregation.

As mentioned above, SIA has put in place a complex series of operational controls and security countermeasures at an organisational, logical and physical level the application of which is aligned with the business guidelines and at the same time suitable for risk assessments on the confidentiality, integrity and availability of information.

The initiatives launched are set out along the following guidelines:
- ensure prevention against cyber-attacks according to an "in-depth defence" approach through the distribution of security measures on different layers so as to allow a protection measure to be covered by a subsequent line of defence;
- increase the effectiveness and speed in identifying and responding to security threats, through the analysis and use of information obtained from technical probes and external information sharing sources;
- harmonise coverage to the whole group with the alignment of protection procedures and measures.

Operational risks are also mitigated through specific insurance policies.

Business continuity operational risks

The activities envisaged in the 2020 plan and regarding SIA and the group companies were suspended in order to follow the implementation of continuity plans during the acute phase of the Covid emergency. However, the following activities were carried out to maintain and check the business continuity solutions:
- updating the Business Impact Analysis;
- necessary updates to business continuity plans and documents to keep them aligned with the corporate organisational structure;

- running of technology tests, successfully performed with all personnel involved in remote working;
- courses via Skype;
- responding to customer requests such as calls for tender, audits and questionnaires;
- periodic meetings with Department and group representatives to update them on business continuity activities.

Annual testing of organisational solutions was not carried out as the management of the Covid-19 emergency required a real use of processes and procedures, with some areas for improvement being identified.

Financial risks

The qualitative disclosures on the financial risks to which the SIA group is exposed, as well as the quantitative disclosures are set out below in accordance with the provisions laid down by IFRS 7.

SIA is exposed to the main financial risks detailed below.

Exchange rate risks

Most of the group companies operate mainly in the euro zone and are therefore not significantly exposed to exchange rate risks. SIA monitors the strategic plans, the mix of revenues and costs and the customers of the companies that operate with reference currencies other than the euro (in particular Perago FSE and SIA Central Europe) also with reference to the trend in exchange rates, in order to prevent unexpected fluctuations from affecting the results and the carrying values of the investments, which, if they occur, would result in indicators to be considered during the impairment tests.

Credit risks

The group companies operate mainly with well-known and high-standing customers, many of whom belong to the financial world. In view of the acquisition of new customers, in the event that there are any doubts about the counterparty's reliability, specific checks are carried out on the financial soundness of the potential customer. With reference to debt recovery activities, the group has implemented procedures for monitoring expected cash flows and for any recovery actions, aimed mainly at facilitating the process of validating invoices at commercial counterparties in order to speed up the collection thereof. In addition, external lawyers are also retained in order to recover non-performing exposures. Looking also at past years, the credit loss phenomenon was in any event negligible. Furthermore, during 2020, the group did not have any significant difficulties in collecting receivables from customers and the past due amounts were substantially in line with the previous year.

Exposure to credit risk and expected losses on trade and other receivables were calculated by the group based on an internal classification between performing and defaulting customers as follows:

(thousands of euro)	Bonis	Past due	Unlikely to pay	Dispute	Legal	Default	Total
Customers	200,215	13,736	9,388	2,332	2,020		227,691
Gross value	**200,215**	**13,736**	**9,388**	**2,332**	**2,020**		**227,691**
Impairment provision	1,186	827	1,201	1,317	1,937		6,468
Net value	**199,029**	**12,909**	**8,187**	**1,015**	**83**		**221,223**

Trade receivables of the SIA group contribute, in the CDP Group's consolidated financial statements, to the asset item 130, Other assets.

Changes in the bad debt provision are shown below:

(thousands of euro)	31/12/2020	31/12/2019	Changes
Opening balance	(5,747)	(5,618)	(129)
Increase	(1,089)	(1,966)	877
Decrease	368	1,837	(1,469)
Closing balance	**(6,468)**	**(5,747)**	**(721)**

In 2020, the bad debt provision increased by 721 thousand euro, as a result of updating the time series of loss rates and forward-looking parameters used to estimate expected losses. In the previous year, the bad debt provision was mainly used for the final settlement of certain receivables for which a specific provision was made in 2018.

Liquidity risks

The business model and the operational management implemented at group level have shown, over the years, that they are able to generate positive cash flows, also during cyclical and structural economic crises. Also in 2020, the group generated significant positive operating cash flows, as shown in the consolidated cash flow statement, and suspended the distribution of dividends to shareholders, allocating the 2019 net income to reserves, following the approval by the Shareholders' Meeting on 11 May 2020 of the proposal made by the Board of Directors on 9 April 2020. The group has a significant amount of liquidity (calculated as the sum of current financial receivables, liquid assets and unused committed credit facilities) following the loan granted by a pool of banks to cope with the strategic acquisitions for inorganic growth concluded in previous years.

In light of the periodic analyses of the discrepancies between actual and forecast data and the defined strategic objectives, there are no liquidity risks to date, also taking into account the short-term credit lines negotiated with some banks to deal with any temporary cash imbalances. Most of the liquidity is managed by SIA and P4cards, and extremely prudential criteria are used in terms of the type of investments and their duration.

The medium/long-term loan agreement entered into in July 2018 by SIA S.p.A. with a pool of banks for the acquisition of the equity investments in SIA Greece and SIA Slovakia (which, with effect from 1 January 2020, changed its name to SIA Central Europe a.s.), with the simultaneous renegotiation of the previous loan entered into for the acquisition in 2017 of the equity investment in P4cards, is subject to two financial covenants in terms of early repayment of the loan and distribution of dividends; these covenants, in line with best market practices, express limits linked to the ratio between EBITDA variables and the group's net financial position and had been observed as at 31 December 2020.

Based on the best estimates currently available, it is reasonable to expect that in the 12 months following the reporting date of these consolidated financial statements, there are no significant liquidity risks, i.e. risks associated with the SIA group's ability to repay its debt and comply with the financial covenants, in view of reshaping its operating requirements and the finalisation of additional credit facilities during the year.

The tables below show the quantitative disclosures on existing liquidity reserves at the reporting date and the breakdown by maturity of payables and other financial liabilities.

Liquidity reserves

(thousands of euro)	31/12/2020	31/12/2019
Cash equivalents	161,390	97,435
Current financial assets	111	127
Current financial receivables	11,016	5,456
Committed lines not used	100,100	20,114
Uncommitted lines not used	104,577	27,600
Total	**377,194**	**150,732**

Breakdown of liabilities by residual maturity

(thousands of euro)	Within 1 year	1 - 2 years	3 - 5 years	Over 5 years	Total
Bank loans	216,511	86,268	449,484		752,263
Leasing	22,582	13,322	27,842	18,744	82,490
Other financial debt	19,567				19,567
Trade debt	85,595				85,595
Total	**344,255**	**99,590**	**477,326**	**18,744**	**939,915**

Bank borrowings and lease liabilities of the SIA group contribute to the CDP Group's consolidated financial statements under the liability item 10, which relates to financial liabilities measured at amortised cost. Trade payables are included among Other liabilities (liability item 80).

Interest rate risks

The SIA group uses the liquid resources available in current accounts and bank deposits, with fixed returns or at variable rates. Changes in interest rates can influence returns on loans, impacting financial income, albeit not significantly, in relation to the reference amounts. The only significant financial payables recognised by the group, in addition to the medium/long-term loan taken out with a pool of banks for the acquisitions of P4cards, SIA Greece and SIA CE, are connected to finance lease agreements, normally defined at variable rates.

As regards the aforementioned bank loan disbursed by a pool of banks in favour of SIA, in order to avoid possible negative effects deriving from future fluctuations in interest rates, in December 2018, a hedging transaction was negotiated with the same lending banks using interest rate swaps (IRS) for an original notional amount of 575 million euro (reduced to 425 million euro at 31 December 2020 due to the repayment of the instalments of the aforementioned related hedged loan), classifiable as a cash flow hedging transaction, which swaps the variable lending rate with a fixed market rate determined at the signing of the agreement.

The tables below show the breakdown of financial assets and liabilities among fixed-rate and variable-rate components:

Financial assets

	31/12/2020		31/12/2019	
(thousands of euro)	**Fixed rate**	**Variable rate**	**Fixed rate**	**Variable rate**
Cash		12		14
Current accounts and bank deposits		161,378		97,388
Non-current financial assets (*)				
Current financial receivables		11,016		5,456
Current financial assets (*)		111		127
Total		**172,517**		**102,985**

(*) Amounts pertaining to minority equity investments and equity derivatives are excluded.

Amounts related to current financial receivables mainly refer to receivables regarding the acquiring activities carried out by the subsidiary SIApay.

In the CDP Group's consolidated financial statements, current accounts and bank deposits contribute to the asset item 40 relating to Financial assets measured at amortised cost.

Financial liabilities

	31/12/2020		31/12/2019	
(thousands of euro)	**Fixed rate**	**Variable rate**	**Fixed rate**	**Variable rate**
Bonds				
Non-current financial liabilities (*)		3,614		3,738
Current financial liabilities (*)		3,192		2,587
Non-current financial liabilities (**)	59,908	535,752	61,400	617,750
Current financial liabilities (**)	22,582	236,078	28,383	199,424
Total	**82,490**	**778,636**	**89,783**	**823,499**

(*) The value concerns the SIA's hedging derivatives.
(**) The value concerns the SIA's bank loan and the values of the finance leases.

Bank borrowings and lease liabilities of the SIA group contribute to the CDP Group's consolidated financial statements under the liability item 10, which relates to Financial liabilities measured at amortised cost.

Health and safety and environmental risks

The SIA group carries out regular and systematic prevention and control actions to protect health in the workplace, also in accordance with the provisions laid down by the relevant legislation. With regard to the risks associated with the occurrence of events that may cause effects on the environment or on the health of the population residing in the areas affected by its activities, the SIA group has not caused any damage to the environment for which it has been found culpable, nor has it been subject to sanctions or penalties for environmental offences or damage. It should also be noted that the SIA group also pays special attention to the aspect that governs the administrative, safety and environmental responsibilities regarding the risk of committing offences, as defined by Legislative Decree 231/2001.

The second-level control has led to regular and systematic prevention and control actions to protect health in the workplace, also in accordance with the provisions laid down by the relevant legislation. In particular, in 2020, through the Occupational Health and Safety Management System, the powers, delegations and appointments relating to health and safety in the workplace and the Risk Assessment Document (DVR) and its annexes were updated.

The following were also carried out:
- periodic meeting with the employer;
- health surveillance programme;
- risk assessment of work-related stress;
- development of the training plan;
- corporate protocol that governs measures to combat and contain the spread of Covid-19 in the workplace;
- Lorenteggio office emergency plan update;
- noise risk assessment in the Milan offices;
- environmental and fire prevention checklists in all Italian offices;
- update of the corporate dashboard to monitor the application of Health and Safety laws in Italy and in the various countries where the SIA group has a legal entity.

Reputational risks

Service interruptions or reductions in the quality of the services provided can have an impact on the reputation of the company and of the customers working with the SIA group. To this end, the structure in charge of managing external relations and communications constantly monitors SIA's presence, visibility and image in the main media, such as press agencies, daily and periodical newspapers, including online, radio and TV, and social media channels.

In 2020, the scope of media monitoring in the Central and Eastern European countries where SIA is present was extended. Worth noting - especially in the first part of the year - were communication initiatives as part of the overall management of the Covid emergency, to customers, employees, suppliers, Supervisory Authorities and all the company stakeholders.

Personnel and organisation risks

During the period, the availability of resources and skills was strengthened — particularly in the areas of digital, smart working, agile work and processes — to support remote working and people development even during the pandemic. In particular, the following actions were implemented in 2020, with the aim of mitigating some of the risks in the personnel and organisation area:
- periodic "we work smart" and "know the rules" communications to all group companies regarding best practices and updates in terms of processes and procedures;
- ongoing training and development on cybersecurity, digital education and privacy issues while updating the information security policy, providing GDPR learning tips and organising initiatives dedicated to employees and their children ("Sul filo della Rete");
- adopting a new communication tool (MS Teams), accompanied by virtual training classes for all in-house and external collaborators;
- converting the "Inside SIA" refresher courses from classroom to webinar format, with the involvement of internal lecturers to provide spaces for discussion on business, projects and best practices;
- mapping technical and business skills throughout the SIA group.

Risk reporting

In 2020, a liaison with group companies on risk management was ensured. The following continued throughout the year:
- the ongoing liaison between risk management, business, operational technological and staff structures, with in-depth meetings and specific risk teams;
- the discussion with Internal Audit on the subject of corporate risks (third-level control) with information flows and meetings.

Actions — still under way — to set up reporting based also on risk indicators were initiated in 2020. These monitoring and reporting actions were also carried out for sustainability requirement purposes.

Ansaldo Energia group

The Ansaldo Energia group is exposed to a series of business and financial risks associated with its operations.

The main business risks can be identified as follows:

- economic crisis: the continuation of the economic crisis could squeeze the Ansaldo Energia group's profitability and its ability to generate cash, including in the relevant sectors. In the face of this risk, the group pursues the objective of increasing its industrial efficiency and improving its ability to execute contracts, while reducing structural costs;
- long-term contracts at a predetermined price: the Ansaldo Energia group's response to this risk is expressed by following the procedures in place in the process of preparing and authorising the main commercial offers from the early stages by checking the main economic and financial parameters, including the Economic Value Added (EVA), which is one of the reference aggregates for the evaluation. In addition, it regularly conducts a review of the estimated costs of the contracts, at least on a quarterly basis. Risks and uncertainties related to the execution of contracts are identified, monitored and assessed through the "Contract Management" directive and two "Lifecycle Management" and "Risk Assessment" procedures, aimed at reducing the probability of occurrence or the negative consequences of the identified risks and promptly implementing the identified mitigation actions; these analyses involve top management, program managers and the quality, production and finance functions (so-called "phase review");
- responsibility vis-à-vis customers: the Ansaldo Energia group is exposed to liability risks vis-à-vis customers or third parties connected to the correct execution of contracts, to which it responds with the stipulation of insurance policies available on the market to cover any damage caused. It cannot be ruled out, however, that damage not covered by insurance policies, which exceeds the insured ceilings or an increase in insurance premiums may occur in the future, which management nevertheless monitors on an ongoing basis;
- compliance with country regulations: the Ansaldo Energia group monitors, through specific structures, the constant updating with the reference legislation, subjecting the launch of commercial actions to checks into compliance with the limitations and obtainment of the necessary authorisations.

Financial risks can be described as follows:

- liquidity risks, represented by the risk that the available financial resources are not sufficient to meet the obligations within the agreed terms and deadlines;
- market risks, relating to exposure to positions that generate interest (interest rate risks) and to operations in currency areas other than that of the denomination (exchange rate risks);
- credit risks, deriving from normal business transactions or from financing activities.

The Ansaldo Energia group specifically monitors each of the aforementioned financial risks, intervening with the aim of promptly minimising them including, for example, through the use of derivative hedging instruments.

The following paragraphs analyse, including through sensitivity analyses, the potential impact on the final results deriving from hypothetical fluctuations of the reference parameters. These analyses are based, as required by IFRS 7, on simplified scenarios applied to the final data of the periods taken as reference and, by their very nature, cannot be considered indicators of the real effects of future changes in the reference parameters against a different capital and financial structure and different market conditions, nor can they reflect the interrelationships and the complexity of the reference markets.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds or to liquidate assets on the market, the group may be unable to fulfil its payment commitments, resulting in a negative impact on income if it is forced to sustain additional costs to meet such commitments or a condition of insolvency.

The group's goal is to implement a financial structure that, in line with business objectives and the limits defined, (i) guarantees an adequate level of liquidity, minimising the related opportunity cost and (ii) maintains an optimal profile in terms of debt maturity and composition.

The table below shows an analysis of maturities, based on contractual repayment obligations, relating to the capitalised values of the bond loan, trade payables and other liabilities outstanding at 31 December 2020 and 2019. The first column represents the year-end balance, while the subsequent ones represent the disbursements expected at the indicated maturities, inclusive of interest.

Financial payables attributable to available-for-sale assets amounted to 36,724 thousand euro in 2019 and 31,919 thousand euro in 2020.

(thousands of euro)	Balance at 31/12/2020	Within 1 year	From 1 year to 5 years	More than 5 years	Total
Bond loan	353,876	9,625	378,875		388,500
Other current and non-current financial liabilities	819,254	212,268	625,401	2,843	840,512
Trade payables	438,299	438,299			438,299
Other current and non-current liabilities	197,095	106,013	91,757		197,770

(thousands of euro)	Balance at 31/12/2019	Within 1 year	From 1 year to 5 years	More than 5 years	Total
Bond loan	619,213	277,970	388,500		666,470
Other current and non-current financial liabilities	891,863	253,333	893,222	24,406	1,170,961
Trade payables	417,576	417,576			417,576
Other current and non-current liabilities	296,168	282,064	14,104	450	296,618

Bonds and other financial liabilities of the Ansaldo group contribute to the CDP Group's consolidated financial statements under the liability item 10, which relates to financial liabilities measured at amortised cost.

Trade payables and other liabilities contribute to the liability item 80. Other liabilities.

Interest rate risk

The group is exposed to interest rate fluctuations as regards the use of its liquidity. Interest rate risks were measured through sensitivity analyses, as required by IFRS 7, on the portion exposed to the risk of interest rate variability not covered by derivative instruments. If the reference rates were 50 basis points higher/lower, the effects on equity as at 31 December 2020 and on the income (loss) for the year ended on that date would have been negligible.

Exchange rate risk

The group's procedures provide for the hedging, at the moment of the contract acquisition, of the foreign currency gains exposed to the exchange rate risk. As regards costs, the group implements the policy of stipulating supply contracts mainly in euro. The share of purchases to be made in local currency is normally covered by a corresponding revenue value in the same currency.

At 31 December 2020, the total notional value in euro of the items hedged by derivative instruments for sale is equal to 70,362 thousand euro and the value of those for purchase is equal to 23,380 thousand euro.

Given the above, and in particular net of the effect deriving from the hedging policy of transactions in currencies other than the euro, the sensitivity analysis on exchange rate changes appears to be negligible.

Credit risk

The group is exposed to credit risk both in relation to the counterparties to its own business transactions, and for financing and investment activities, as well as for the guarantees provided on third-party debts or commitments.

In order to eliminate or minimise the credit risk deriving from business transactions in particular with foreign countries, the group adopts an accurate risk hedging policy from the outset of the business transaction by carrying out a careful examination of the conditions and means of payment to be proposed in commercial offers which can subsequently be incorporated into sales contracts.

In particular, depending on the contractual amount, the type of customer and the importing country, the necessary precautions are taken to limit credit risk both in terms of payment and in the financial means envisaged such as stand-by letter or irrevocable and confirmed letter of credit or, in cases where this is not possible and if the country/customer is particularly at risk, the opportunity to request adequate insurance coverage is assessed through the dedicated Export Credit Agencies such as SACE or through the intervention of International Banks for contracts where financing of the supply is required.

The following table provides a breakdown of trade receivables, grouped by past due and by geographical area, net of the bad debt provision:

(thousands of euro)	Other customers: Italy	Europe CIS Africa Middle East	Americas	Asia	Total at 31/12/2020
Retentions		203			203
Receivables not past due	24,307	7,558	629	4,641	37,135
Receivables less than 6 months past due	8,570	16,145	80	12,119	36,914
Receivables 6 months to 1 year past due	26,427	42,144	1,447	19,792	89,810
Receivables 1 to 5 years past due	19,650	79,265	7,421	4,329	110,665
Receivables more than 5 years past due	7,799	8,784	3,979	390	20,952
Total	**86,753**	**154,099**	**13,556**	**41,271**	**295,679**

Credit concentration risks are not considered significant, either by geographical area, by sector, or by customer type.

Trade receivables of the Ansaldo group contribute, in the CDP Group's consolidated financial statements, to the asset item 130, Other assets.

Disputed and doubtful trade receivables, in relation to litigation, judicial or insolvency proceedings, are recognised at nominal value and written down in a specific bad debt provision. The receivables recognised are not supported by notes or similar instruments.

Changes in the bad debt provision were as follows:

(thousands of euro)	31/12/2020	31/12/2019
Opening balance	3,721	6,376
Uses during the year		(214)
Other changes (exchange rate differences)	(25)	73
Reclassification to discontinued operations		(2,514)
Closing balance	**3,696**	**3,721**

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)
Brugg Kabel AG	29/02/2020	26,196	90%	9,805	392
Arsenal S.r.l.	21/04/2020	75	100%	30	(70)
SLS Support Logistic Service S.r.l.	29/07/2020	2,484	60%	3,990	154
MIECI S.p.A.	05/10/2020	59,026	100%	46,802	5,099
Evolve S.r.l.	05/10/2020	14,201	100%	23,786	654
Pentagramma Piemonte S.p.A.	16/12/2020	850	100%		(2,188)

Key:
(1) = Cost of transaction.
(2) = Percentage of voting rights in the Ordinary Shareholder’s Meeting.
(3) = Total Group revenues.
(4) = Group net Profit (Loss).

Brugg Kabel AG acquisition

On 29 February, Terna S.p.A., through its subsidiary Terna Energy Solution S.r.l., acquired 90% of Brugg Kabel AG (Brugg group), one of the main European operators in the terrestrial cable sector, active in the design, development, construction, installation and maintenance of electrical cables of all voltages and accessories for high voltage cables.

The acquisition of Brugg Kabel enables Terna S.p.A. to equip itself with a centre of excellence for research, development and testing in one of the core technologies for the TSO, i.e. terrestrial cables.

The closing of the transaction, which Terna funded with its own resources, was finalised via the subsidiary Terna Energy Solutions S.r.l. The final value for the acquisition of 90% of the equity investment was 24.9 million CHF, net of the Purchase Price Adjustment of around 1 million CHF and payment of an additional amount equal to 0.5 million CHF within the second year from the acquisition date. The portion of the share capital held by minority shareholders (10%) was measured at fair value and amounted to approximately €2.6 million at the date the transaction was completed. The PPA process was completed during the year.

The table below shows the consideration paid for the acquisition of the business unit, 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
10. Cash and cash equivalents	21		21
30. Financial assets at fair value through other comprehensive income	6,043		6,043
40. Financial assets measured at amortised cost	21,827		21,827
90. Property, plant and equipment	55,722	22,527	78,249
100. Intangible assets		9,665	9,665
110. Tax assets	4,082	5,936	10,018
130. Other assets	88,570		88,570
Total acquired assets	**176,265**	**38,128**	**214,393**
Liabilities			
10. Financial liabilities at amortised cost	56,280		56,280
60. Tax liabilities	4,720	11,730	16,450
80. Other liabilities	34,928		34,928
100. Provisions for risks and charges	7,550		7,550
Total liabilities assumed	**103,478**	**11,730**	**115,208**
Net acquired assets	**72,787**	**26,398**	**99,185**
Badwill		72,989	72,989
Cost of business combination	**72,787**	**(46,591)**	**26,196**

Arsenal S.r.l. acquisition

On 21 April 2020, the subsidiary Fincantieri Oil & Gas S.p.A. acquired the entire equity investment held in Arsenal S.r.l.

The table below shows the consideration paid for the acquisition of the business unit, 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
10. Cash and cash equivalents	3		3
40. Financial assets measured at amortised cost	95		95
90. Property, plant and equipment	4		4
100. Intangible assets	14		14
130. Other assets	19		19
Total acquired assets	**135**		**135**
Liabilities			
10. Financial liabilities at amortised cost	56		56
80. Other liabilities	60		60
90. Staff severance pay	9		9
Total liabilities assumed	**125**		**125**
Net acquired assets	**10**		**10**
Goodwill		65	65
Cost of business combination	**10**	**65**	**75**

Acquisition of SLS Support Logistic Service S.r.l.

On 2 July 2020, through the subsidiary Fincantieri NexTech S.p.A., Fincantieri completed the acquisition of a 60% stake in Support Logistic Services S.r.l. (SLS), a company specialising in the construction, installation and maintenance of satellite, radio and radar communications for military and civil applications.

The purchase price for the equity investment was 2.5 million euro. The agreement also gives Fincantieri the right to exercise a call option on the remaining 40%, and the third-party non-controlling shareholder the right to exercise a put option on that stake. Non - controlling interests at the date of purchase amounted to approximately 0.5 million euros. The fair value of the net assets acquired amounts to 1.2 million euro, resulting in a pro-rata shareholders' equity acquired of 0.7 million euro. The portion of consideration not attributed to the company's assets, equal to 1.8 million euro, was recorded under goodwill. The PPA process was completed during the year.

The table below shows the consideration paid for the acquisition of the business unit, 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
10. Cash and cash equivalents	6		6
30. Financial assets at fair value through other comprehensive income	15		15
40. Financial assets measured at amortised cost	1,559		1,559
90. Property, plant and equipment	153		153
100. Intangible assets	324		324
130. Other assets	5,803		5,803
Total acquired assets	**7,860**		**7,860**
Liabilities			
10. Financial liabilities at amortised cost	2,223		2,223
60. Tax liabilities	59		59
80. Other liabilities	4,043		4,043
90. Staff severance pay	261		261
100. Provisions for risks and charges	74		74
190. Non-controlling interests (+/-)	481		481
Total liabilities assumed	**7,141**		**7,141**
Net acquired assets	**719**		**719**
Goodwill		1,765	1,765
Cost of business combination	**719**	**1,765**	**2,484**

Acquisition of MIECI S.p.A. and Evolve S.r.l.

On 5 October 2020, Snam, through its subsidiary Snam 4 Efficiency, completed the acquisition of a 70% stake in Mieci S.p.A. and Evolve S.r.l., companies operating in the energy efficiency sector in Italy, for a value of about 47 million euro (about 30 million euro net of the cash and cash equivalents acquired).

The operation was entirely financed with own funds and put and call options on non-controlling interests due in 2025 were contractually agreed to.

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 Mieci and Evolve, without, however, recognising any non-controlling interests. The PPA process relating to both acquisitions was completed during the year.

In accordance with IFRS 3 "Business combinations", the accounting effects of the business combination are summarised in the tables below, which show the consideration paid for the acquisition of the companies and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

Mieci S.p.A.

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	14,873		14,873
20. Financial assets designated at fair value through profit or loss	981		981
90. Property, plant and equipment	559		559
100. Intangible assets	49	30,603	30,652
110. Tax assets	111		111
130. Other assets	32,811		32,811
Total acquired assets	**49,384**	**30,603**	**79,987**

Liabilities			
10. Financial liabilities at amortised cost	13,985		13,985
60. Tax liabilities	236	8,538	8,774
80. Other liabilities	9,788		9,788
90. Staff severance pay	657		657
Total liabilities assumed	**24,666**	**8,538**	**33,204**

Net acquired assets	**24,718**	**22,065**	**46,783**
Goodwill		12,243	12,243
Cost of business combination	**24,718**	**34,308**	**59,026**

Evolve S.r.l.

Assets	Book value	Adjustment	Fair value
10. Cash and cash equivalents	1,580		1,580
70. Equity investments	605		605
90. Property, plant and equipment	1,378		1,378
100. Intangible assets	7	9,848	9,855
130. Other assets	24,590		24,590
Total acquired assets	**28,160**	**9,848**	**38,008**

Liabilities			
10. Financial liabilities at amortised cost	11,984		11,984
60. Tax liabilities	225	2,748	2,973
80. Other liabilities	7,996		7,996
90. Staff severance pay	854		854
Total liabilities assumed	**21,059**	**2,748**	**23,807**

Net acquired assets	**7,101**	**7,100**	**14,201**
Cost of business combination	**7,101**	**7,100**	**14,201**

Pentagramma Piemonte S.p.A. acquisition

On 16 December 2020, the subsidiary CDP Immobiliare S.p.A. acquired the entire equity investment held in Pentagramma Piemonte S.p.A. The PPA process was completed during the year.

The table below shows the consideration paid for the acquisition of the business unit, 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	38		38
90. Property, plant and equipment	11,960	14,090	26,050
130. Other assets	251		251
Total acquired assets	**12,249**	**14,090**	**26,339**
Liabilities			
10. Financial liabilities at amortised cost	39,011	(21,511)	17,500
80. Other liabilities	9,573	(7,252)	2,321
100. Provisions for risks and charges	1,672	(1,664)	8
Total liabilities assumed	**50,256**	**(30,427)**	**19,829**
Net acquired assets	**(38,007)**	**44,517**	**6,510**
Badwill		5,660	5,660
Cost of business combination	**(38,007)**	**38,857**	**850**

Section 2 - Business combinations completed after the end of the year

2.1 Business combinations

No business combination transactions were completed after the end of the 2020 financial year.

Section 3 - Retrospective adjustments

In the last months of 2019, two business combinations were finalised (SIA, Ansaldo Energia) as well as the purchase of an equity investment subject to significant influence (Webuild, formerly Salini Impregilo), which had been accounted for in the consolidated financial statements of the Cassa Depositi e Prestiti Group as at 31 December 2019 on the basis of the provisions of IFRS 3, recognising the assets and liabilities of the companies acquired at their respective fair values at the acquisition date, provisionally determined.

More specifically, as indicated in the 2019 consolidated financial statements, the differences between the acquisition cost incurred and the net assets — pro-rata — expressed at fair value had been allocated provisionally to goodwill.

IFRS 3 provides that if the accounting for a business combination cannot be definitively determined by the end of the financial year in which it is carried out, since the fair value to be assigned to the assets and liabilities acquired can only be determined provisionally the accounting must be made using provisional values, recording within 12 months of the acquisition — with retroactive effect — the adjustments to those provisional data and thus determining the final balances inherent in the acquisition transaction.

Below is a description of the effects associated with each of the operations indicated above.

SIA

In November 2019, when the conditions precedent to which the transaction was subject were no longer present, FSIA and CDP Equity S.p.A., respectively, completed acquisitions of 7.934% (which was previously held by UniCredit and Intesa Sanpaolo) and a further 25.69% (previously held by Orizzonte HAT SGR and F2I SGR through funds managed by them) of the share capital of SIA. These transactions brought the total equity investment in SIA to 83.1%, thus establishing a controlling interest in a leading company, both in Italy and in Europe, in the electronic money sector.

As at 31 December 2019, the difference between the consideration paid for the acquisition of control, including the FV of the shares previously held by SIA, compared to the share of equity acquired had been provisionally allocated to goodwill, considering this representation to be the most reasonable at that date based on the information available.

During 2020, the process of allocating the consideration paid including the FV of the shares previously held by SIA to the assets and liabilities of the acquired entity was completed, leading to the identification and valuation mainly of intangible assets (backlog, customer relationships and software) and goodwill for the residual amount, as shown in the following table:

(thousands of euro)	Provisional Fair value (Balance sheet 2019)	Final fair value (Balance sheet 2019)
A Cost of business combination	1,414,431	1,414,431
- Price paid	749,284	749,284
- FV of previously held shares	665,147	665,147
B Non controlling interests	(109,164)	162,038
C Net acquired assets	(252,006)	374,174
D = A + B - C Goodwill	**1,557,273**	**1,202,295**

In detail, the adjustments to the book values, taking into account the peculiarities of the sector SIA operates in (development of solutions and technologies for the banking and financial sector as well as platforms for financial markets and services for electronic payments), have resulted in the valuation of the following main intangible assets:

- software: the valuation was carried out using the Relief from Royalty method which is based on the concept of avoided cost, which determines the value of a technology based on the cost that would have to be incurred to remunerate the owner thereof for the right to use it. The determination of this cost is based on the identification of royalty flows, in turn based on rates observed in market transactions, to be determined over the useful life of the asset;
- value of the portfolio of contracts (backlog) and customer relationships: the valuation methodology used is that of the Multi Period Excess Earnings Method ("MPEEM") which values an asset on the basis of its net cash flows, determined residually, deducting from the total company income the normal remuneration of all other assets (tangible and intangible) that contribute to the generation of income.

Although IFRS 3 provides that adjustments to provisionally allocated amounts must be recognised with retrospective effect from the acquisition date, in this case, having assumed — from an accounting point of view — 31 December 2019 as the effective date of the acquisition and having assessed that the period between the date of completion of the acquisition of control and 31 December 2019 did not result in a significant change in the values under analysis, no impact was recognised on the 2019 income statement as a result of the retrospective change.

In the PPA process third-party interests were measured as a pro-rata of the fair value of the net assets acquired.

Based on the effects related to the final measurement of the identifiable assets and liabilities at fair value, the balance sheet of SIA as recorded at the acquisition date by Cassa Depositi e Prestiti is shown below. In detail, the balance sheet provides evidence at the acquisition date of the balance sheet data on the basis of the IFRS accounting values derived from SIA and the fair values provisionally recognised for the purposes of the 2019 Consolidated Financial Statements and the final values accounted for with retrospective effect for the purposes of the Consolidated Financial Statements as at 31 December 2020.

(thousands of euro) Assets	Carrying amount IFRS	Provisional Fair value (Balance sheet 2019)	Final fair value (Balance sheet 2019)
10. Cash and cash equivalents	47	47	47
30. Financial assets at fair value through other comprehensive income	12	12	12
40. Financial assets measured at amortised cost	102,971	102,971	102,971
70. Equity investments	725	725	725
90. Property, plant and equipment	150,762	150,762	150,762
100. Intangible assets	894,511	325,372	1,201,461
of which re-measurement at FV			
- *backlog*			*141,387*
- *customer relationship*			*682,483*
- *software*			*52,219*
110. Tax assets	100,231	100,231	100,231
130. Other assets	258,276	258,276	258,276
Total acquired assets	**1,507,535**	**938,396**	**1,814,485**
Liabilities			
10. Financial liabilities at amortised cost	906,957	906,957	906,957
30. Financial liabilities designated at fair value	2,117	2,117	2,117
40. Hedging derivatives	6,325	6,325	6,325
60. Tax liabilities	66,579	66,579	316,488
- *of which DTL on re-measurement at FV*			*249,909*
80. Other liabilities	179,517	179,517	179,517
90. Staff severance pay	25,866	25,866	25,866
100. Provisions for risks and charges	3,041	3,041	3,041
Total liabilities assumed	**1,190,402**	**1,190,402**	**1,440,311**
Net acquired assets	**317,133**	**(252,006)**	**374,174**

Ansaldo Energia

Ansaldo Energia, owned through CDP Equity, became a subsidiary (the shareholding in the share capital was 59.94% at 31 December 2019) following the expiration on 5 December 2019 and the non-renewal of the shareholders' agreements and investment agreements with Shanghai Electric Company ("SEC"), in consideration of which joint control over the company — engaged in the production of turbines for the generation of electricity — had been ascertained.

Since the verification of control occurred in the absence of a purchase price as required by IFRS 3 (par. B46), the pro rata share of the fair value of the investee as at 31 December 2019 was identified as a reference value as part of the Purchase Price Allocation process, having assessed that the period between the date of completion of the acquisition of control and 31 December 2019 did not result in a significant change in the values under analysis.

As at 31 December 2019, the difference between the share of the fair value of Ansaldo Energia compared to the share of equity acquired had been provisionally allocated to goodwill, considering this representation to be the most reasonable at that date based on the information available.

During 2020, the process of allocating the fair value pro rata to the assets and liabilities of the acquired entity was completed, determining the identification at fair value of some tangible and intangible assets and goodwill for the residual amount, as shown in the following table:

(thousands of euro)	Provisional Fair value (Balance sheet 2019)	Final fair value (Balance sheet 2019)
A FV of previously held shares	195,879	195,879
B Non controlling interests	(242,218)	(109,550)
C Net acquired assets	(604,600)	(273,447)
D (= A + B - C) Goodwill	**558,261**	**359,776**

In detail, the adjustments to the book values resulted in the restatement of the value of the following items:

- property, plant and equipment: the most significant real estate assets recorded in the financial statements were examined, the value of which was expressed at fair value on the basis of the observed market value, referring to publicly available third-party sources for similar properties in terms of type and location. On the other hand, with regard to plants and machinery, the cluster of assets subject to analysis was valued by re-expressing the residual useful life thereof according to their economic useful life;
- intangible assets: these are represented by technology, customer relationships and the value of the portfolio of contracts outstanding at the valuation date (backlog). The MPEEM valuation method was used. The fair value of the Ansaldo Energia brand was also identified by applying the Relief-from-Royalty method.

Although IFRS 3 provides that adjustments to provisionally allocated amounts must be recognised with retrospective effect from the acquisition date, in this case, having assumed — from an accounting point of view — 31 December 2019 as the effective date of the acquisition and having assessed that the period between the date of completion of the acquisition of control and 31 December 2019 did not result in a significant change in the values under analysis, no impact was recognised on the 2019 income statement as a result of the retrospective change.

In the PPA process third-party interests were measured as a pro-rata of the fair value of the net assets acquired.

Based on the effects related to the final measurement of the identifiable assets and liabilities at fair value, the balance sheet of Ansaldo Energia as recorded at the acquisition date by Cassa Depositi e Prestiti is shown below. In detail, the balance sheet provides evidence at the acquisition date of the balance sheet data on the basis of the IFRS accounting values derived from Ansaldo Energia and the fair values provisionally recognised for the purposes of the 2019 Consolidated Financial Statements and the final values accounted for with retrospective effect for the purposes of the Consolidated Financial Statements as at 31 December 2020.

(thousands of euro) Assets	Carrying amount IFRS	Provisional Fair value (Balance sheet 2019)	Final fair value (Balance sheet 2019)
40. Financial assets measured at amortised cost	311,845	311,845	311,845
70. Equity investments	21,419	21,419	21,419
90. Property, plant and equipment	290,541	290,541	308,525
of which re-measurement at FV			
- *property, plant and equipment*			*17,984*
100. Intangible assets	1,376,160	578,382	1,028,795
of which re-measurement at FV			
- *backlog*			*31,869*
- *customer relationship*			*48,918*
- *technology*			*369,626*
110. Tax assets	78,840	78,840	81,379
- *of which DTA on re-measurement at FV*			*2,539*
120. Non-current assets and disposal groups held for sale	324,338	324,338	324,338
130. Other assets	1,155,632	1,155,632	1,146,532
- *of which re-measurement at FV*			*(9,100)*
Total acquired assets	**3,558,775**	**2,760,997**	**3,222,833**
Liabilities			
10. Financial liabilities measured at amortised cost	1,484,575	1,484,575	1,484,575
40. Hedging derivatives	12,996	12,996	12,996
60. Tax liabilities	91,673	91,673	222,356
- *of which DTL on re-measurement at FV*			*130,683*
70. Liabilities associated with non-current assets and disposal groups held for sale	165,706	165,706	165,706
80. Other liabilities	1,426,134	1,426,134	1,426,134
90. Staff severance pay	14,344	14,344	14,344
100. Provisions for risks and charges	170,340	170,340	170,340
190. Non-controlling interest	(171)	(171)	(171)
Total liabilities assumed	**3,365,597**	**3,365,597**	**3,496,280**
Net acquired assets	**193,178**	**(604,600)**	**(273,447)**

Webuild

The subscription of a reserved capital increase in Webuild was finalised in November 2019, as a result of which a 18.7% equity investment in the company was acquired as part of the so-called Project Italy, aimed at promoting the consolidation and development of the construction sector.

In view of the interest acquired and the agreements entered into in the context of the capital increase, significant influence on Webuild was ascertained. In compliance with the provisions of IFRS 28, par. 26, the assets and liabilities of the investee measured using the equity method were then expressed at fair value. The Purchase Price allocation process showed an implicit goodwill in the equity investment of 17 million euro. Taking into account that, from an accounting point of view, 31 December 2019 was the date of purchase of significant influence over Webuild, no impact was recognised on the 2019 income statement as a result of the retrospective change.

Part H - Transactions with related parties

1. Information on the remuneration of key management personnel

The following table shows the remuneration paid in 2020 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	18,094	3,802	24,581
b) Post-employment benefits	273		598
c) Other long-term benefits	530		3,563
d) Severance benefits	291		2,566
e) Share-based payments	3,311		2,766
Total	**22,499**	**3,802**	**34,074**

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 2020 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;
- other counterparties (mainly included are post-employment benefit plans for CDP Group employees and social, environmental and cultural development promotion foundations set up by CDP Group companies).

(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		99,337			99,337
Financial assets measured at fair value through other comprehensive income	10,170,074		406,078		10,576,152
Financial assets measured at amortised cost					
- *loans to banks*			*2,505,657*		*2,505,657*
- *loans to customers*	*273,945,709*	*1,001,364*	*3,774,882*		*278,721,956*
Other assets	3,278,786	412,080	765,191	556	4,456,613
Liabilities					
Financial liabilities measured at amortised cost:					
- *due to banks*			*4*		*4*
- *due to customers*	*8,477,862*	*3,181,822*		*270*	*11,659,954*
Other liabilities	32,778,292	802,054	148,324	8,161	33,736,831
Off-balance sheet	**3,073,337**	**4,763,004**	**2,119,331**		**9,955,672**
Income statements					
Interest income and similar income	5,640,134	113,379	94,669		5,848,182
Interest expense and similar expense	(108)	(566)	(330)	(136)	(1,140)
Commission income	315,601	7,032	1,281		323,914
Commission expense	(4,924)	(1,393,020)	(7)	(11)	(1,397,962)
Profits (losses) on trading activities			(120)		(120)
Gains (losses) on disposal or repurchase	(87)		5		(82)
Net adjustments/recoveries for credit risk	(4,054)	(1,552)	(11,209)		(16,815)
Administrative expenses	(130)	(54,399)	(44,180)	(4,668)	(103,377)
Other operating income (costs)	367,062	330,511	2,766,219	(4,956)	3,458,836

With regard to financial liabilities measured at amortised cost, and in particular securities issued, it should be noted that only securities issued by the Parent Company CDP and held by associates or companies jointly controlled by the CDP group are reported under amounts due to customers. In particular, amounts due to customers include bonds issued by CDP and guaranteed by the Italian government, subscribed by Poste Italiane S.p.A. for a total nominal value of 3.16 billion euro.

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 related 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 all three cycles are Total Shareholder Return ("TSR") and EBITDA, which provide objective criteria for measuring value creation by the Company over the long term.

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 Plan provides for the allocation and delivery to the beneficiaries of the shares accrued in relation to the first, second and third cycle respectively by 31 July 2019, 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. ordinary 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 business and financial performance targets consist of two components:
- 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;
- 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 "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 the date of the financial statements, it has been assumed that the target will be met.

The table below shows the amount, for each cycle of the Plan, of the fair value determined at the grant date of the rights to the beneficiaries.

	Grant date	No. of shares assigned	Fair value (euro)
First cycle of the Plan	19/05/2017	9,101,544	6,866,205
Second cycle of the Plan	25/07/2017	4,170,706	3,672,432
Third cycle of the Plan	22/06/2018	3,604,691	3,963,754

With reference to the 2016-2018 Performance Share Plan, please note that:

- the BoD meeting on 27 June 2019 resolved on the closure of the 1st cycle of the "2016-2018 Performance Share Plan", assigning, free of charge to the beneficiaries, 10,104,787 ordinary shares of Fincantieri through the use of 2,572,497 treasury shares in the portfolio and issuing 7,532,290 new shares, always without nominal value. The issue and delivery of the shares took place on 31 July 2019;
- the BoD meeting on 10 June 2020 resolved on the closure of the 2nd cycle of the "2016-2018 Performance Share Plan", assigning, free of charge to the beneficiaries, 4,822,542 ordinary shares of Fincantieri through the use of treasury shares in the portfolio. The net shares actually assigned amounted to 2,685,862 shares (net of those withheld to meet the tax obligations of the beneficiaries). The delivery of the shares took place on 3 July 2020.

The features of the Plan, as described above, are described in further detail in the information document prepared by the Company pursuant to Art. 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 "Ethics and Governance - Shareholders' Meetings - Shareholders' Meeting 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 by 31 July 2022, while those accrued in relation to the second and third cycles will be vested and assigned respectively by 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. 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.

In the first cycle of the Plan, 6,842,940 Fincantieri S.p.A. ordinary shares were assigned to the beneficiaries identified by the Board of Directors on 24 July 2019.

In the second cycle of the Plan, 11,133,829 Fincantieri S.p.A. ordinary shares were assigned to the beneficiaries identified by the Board of Directors on 30 July 2020.

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 table below shows the amount, for each cycle of the Plan, of the fair value determined at the grant date of the rights to the beneficiaries.

	Grant date	No. of shares assigned	Fair value (euro)
First cycle of the Plan	24/07/2019	6,842,940	6,668,616
Second cycle of the Plan	30/07/2020	11,133,829	5,958,837

The features of the Plan, as described above, are described in further detail in the information document prepared by the Parent Company pursuant to Art. 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 "Ethics and Governance - Shareholders' Meetings - Shareholders' Meeting 2018".

Incentive plans for executives based on Snam shares

2017-2019 Long-term performance share plan

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.

	Vesting period and performance			
2017 award	2017	2018	2019	2020 free share award

	Vesting period and performance			
2018 award	2018	2019	2020	2021 free share award

	Vesting period and performance			
2019 award	2019	2020	2021	2022 free share award

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.

A total of 5,385,372 shares have been assigned under the Plan, of which 1,368,397 shares in relation to 2017, 2,324,413 shares in relation to 2018 and 1,692,562 shares in relation to 2019. The unit fair value of the shares, which equates to the price of the Snam shares at the grant date, was 3.8548, 3.5463 and 4.3522 euro for the shares granted respectively in 2017, 2018 and 2019. The costs, recognised as labour cost, with a balancing entry in equity reserves, amounted to 6 million euro (7 million euro in 2019).

In July 2020, a total of 1,511,470 shares were granted to Snam's senior managers under the 2017 Performance Share Plan, whose vesting period has ended, with the consequent release of the related equity reserve, established during the three-year vesting period.

2020-2022 Long-term Performance Share Plan

On 18 June 2020, the shareholders' meeting of Snam, in the ordinary session, approved the 2020-2022 Long-term Performance Share Plan, giving the powers necessary to implement the Plan to the board of directors.

The Plan provides for three annual awards over the period 2020-2022. Each award is subject to a three-year vesting period. As a result, the shares, if any, are granted between 2023 and 2025, as shown below.

	Vesting period and performance			
	2020	2021	2022	
2020 award	2020	2021	2022	2023 free share award
2021 award	2021	2022	2023	2024 free share award
2022 award	2022	2023	2024	2025 free share award

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, as well as any additional positions identified in relation to the performance achieved, the available skills or with a view to retention, up to a maximum of 100 beneficiaries.

The board of directors set the maximum number of shares backing each three-year period of the Plan to 3,500,000. The Plan will end in 2025, that is, on expiry of the vesting period of the last assignment set for 2022.

The Plan includes free shares granted in variable numbers in relation to the individual assignment and the degree to which the performance targets of the Plan are met. The number of shares vested is subject to meeting the performance targets, verified for all the beneficiaries at the end of each three-year vesting period, upon completion, by the Remuneration Committee, of a thorough process of assessment of the results achieved.

The Plan's performance targets, measured according to a linear interpolation criterion among the minimum, target and maximum values, are linked to the following parameters:
- accumulated adjusted net income in the three-year period corresponding to the Performance Period, with a weight of 50%;
- added value which reflects the value generation of the regulated business, calculated as a change in the RAB in the three-year period corresponding to the Performance Period, added to the dividends distributed, the treasury shares repurchased and reduced by the change in net debt;
- ESG Metric, with a weight of 20%, measured through the results achieved with regard to 2 indicators, aiming to:
  - reduce natural gas emissions in the three-year period corresponding to the Performance Period (weight of 10%);
  - ensure fair representation of the least present gender in Snam's management team (weight of 10%), in terms of percentage of senior and middle manager positions of the least represented gender on the total of senior and middle manager positions of the group.

An additional number of shares is also envisaged - defined as dividend equivalent - to be allocated based on the shares actually granted at the end of the vesting period. The number of additional shares to be assigned is determined by dividing the sum of the dividends distributed during the vesting period by the average share price recorded in the month preceding the allocation. For the Chief Executive Officer and the other beneficiaries of the Plan, 20% of the granted shares, gross of those necessary to comply with the tax expense, will be subject to a lock-up period.

For more information see the "2020-2022 Long-term Performance Share Plan Information Document" prepared pursuant to article 84-*bis* of the Issuers' Regulation, available on Snam's website.

A total of 1,277,996 shares have been assigned under the Plan, in relation to 2020. The unit fair value of the shares, determined by the stock exchange quotation of the price of the Snam shares at the respective grant dates, was 4.441 euro per share and 4.559 euro per share (on 14 October 2020 and 16 December 2020 respectively for the Chief Executive Officer and for the members of the leadership team and the other beneficiaries).

The costs, for the period from 1 July to 31 December 2020, equal to the sum of the number of shares expected to vest at maturity multiplied by their fair value at the grant date, were recognised as a component of labour cost against a

Incentive plans for executives based on Terna shares

In 2020, Terna S.p.A. launched a treasury share buy-back programme to back the 2020-2023 Performance Share Plan, implementing the resolutions of the Shareholders' Meeting of 18 May 2020 and the Board of Directors of 17 June 2020.

The ESG-linked treasury shares buy-back programme (to service the 2020-2023 Performance Share Plan) was completed on 10 August 2020. Terna purchase 1,525,900 treasury shares (0.076% of share capital) under the programme, for a total value of approximately 9.5 million euro. This Programme has a reward/penalty mechanism linked to the achievement of specific environmental, social and governance targets by the Company. This mechanism will allow the Company to contribute to projects of reforestation and creation of green spaces in Italy, further consolidating the central role of sustainability as a strategic driver for creating value for all stakeholders.

2018-2020 long-term performance share plans of Italgas S.p.A.

On 19 April 2018 the Shareholders' Meeting of ITALGAS approved the 2018-2020 long-term performance share plan, for the Chief Executive Officer, General Manager and key managers able to influence the Company's performance, with an annual assignment of three-year targets. 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 4,000,000 shares. In relation to the above-mentioned Plan, the Board of Directors, on the proposal of the Nomination and Remuneration Committee and in accordance with the 2018 Remuneration Policy, granted rights to receive 341,310 Italgas shares for the 2018-2021 plan, 279,463 for the 2019-2021 plan, and 327,760 for the 2020-2021 plan. The unit fair value of the shares, which equates to the price of the Italgas shares at the grant date, was 4.79, 5.58 and 4.85 euro per share respectively. The cost of the Long-Term Incentive Plan is recognised during the vesting period 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 prepared 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;
- Companies subject to management and coordination: represented by the financial data of the Companies subject to management and coordination, except for those included in the previous sector, and without their equity investments, which are reported under the heading "Companies not subject to management and coordination". The segment therefore includes CDP Reti, Fintecna, CDP Equity, FSI Investimenti, CDP Investimenti SGR, CDP Industria, FSIA Investimenti, the funds FIV Plus, FIV Extra, FNT (former FIT), FT1 and FIA2, CDP Immobiliare and its subsidiaries[80];
- International expansion: represented by the SACE group's financial data;
- Other segments: represented by the financial data of the companies consolidated line by line (Snam, Terna, Italgas, Fincantieri, SIA, Ansaldo Energia, Fondo Italiano di Investimento Sgr and FoF Private debt) and by the financial data deriving from consolidation with the equity method of Eni, Poste Italiane, Saipem, OpenFiber, Webuild, Kedrion, IQ Made in Italy, Valvitalia Finanziaria, Trevi Finanziaria Industriale, Rocco Forte Hotels, BF, Hotelturist, and the other associates or companies subject to joint control.

The 2019 tables were reproduced for comparability excluding the SACE Group, which is no longer subject to management and coordination following the publication of Decree Law 23/2020.

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 two segments "Support for the economy" and "Companies subject to management and coordination".

Thus, the contribution of the two segments taken together, for which profit before tax amounts to 2.5 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.

The Companies not subject to management and coordination included in the segments "International expansion" and "Other sectors" reported a profit before tax of 0.2 billion euro. With regard to gross income, there was an improvement 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 using the equity method. This item mainly includes the negative results of Eni and Saipem, partially offset by Poste Italiane's positive result.

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 9.4 billion euro and amortisation/depreciation charges for the period of 2.6 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 2020 and for the comparison year, shown below, are attributable to the group as a whole. The item "Property, plant and equipment/technical investments" corresponds to item 90 "Property, plant and equipment" of the consolidated financial statements, while the item "Other assets (including inventories)" corresponds to item 130 "Other assets" of the consolidated financial statements. For the reconciliation of the other items with those of the consolidated financial statements, see Annex 2.1 "Reconciliation between the reclassified income statement and balance sheet and the financial statements – CDP Group".

80 The segment includes the equity investments of CDP Immobiliare and Fintecna, since they are representative of the company's business.

Reclassified consolidated balance sheet - 2020

(thousands of euro)	Support for the economy	Subject to management and coordination	Total	Not subject to management and coordination		Total
				International expansion	Other segments	
Loans and cash and cash equivalents	288,686,103	1,500,131	290,186,234	34,142,096	9,035,581	333,363,911
Equity investments		29,645	29,645	22,490	15,782,250	15,834,385
Debt and equity securities and units in collective investment undertakings	83,649,169	158,251	83,807,420	3,913,502	1,025,167	88,746,089
Property, plant and equipment/technical investments	348,769	1,617,469	1,966,238	90,649	38,258,611	40,315,498
Other assets (including Inventories)	265,242	82,248	347,490	292,001	11,084,185	11,723,676
Funding	373,805,954	1,599,807	375,405,761	2,557,925	39,140,772	417,104,458
- *of which: bonds*	*21,196,046*	*416,784*	*21,612,830*	*531,611*	*21,238,300*	*43,382,741*

Reclassified consolidated balance sheet - 2019

(thousands of euro)	Support for the economy	Subject to management and coordination	Total	Not subject to management and coordination		Total
				International expansion (*)	Other segments (**)	
Loans and cash and cash equivalents	267,613,704	965,066	268,578,770	2,512,478	5,506,807	276,598,055
Equity investments		58,094	58,094	8,699	18,885,330	18,952,123
Debt and equity securities and units in collective investment undertakings	79,568,053	167,346	79,735,399	4,211,027	772,235	84,718,661
Property, plant and equipment/technical investments	347,062	1,582,926	1,929,988	93,852	37,348,643	39,372,483
Other assets (including Inventories)	277,852	119,336	397,188	130,303	10,182,644	10,710,135
Funding	349,625,099	1,417,781	351,042,880	1,322,419	33,353,420	385,718,719
- *of which: bonds*	*19,962,542*	*416,607*	*20,379,149*	*531,584*	*20,954,275*	*41,865,008*

(*) 2019 figures have been restated and, in coherence with 2020 view, include SACE Group (International expansion) in the companies not subject to management and coordination.
(**) Figures as at 31 December 2019 have been restated as a result of the purchase price allocation on Ansaldo Energia and SIA.

Reclassified consolidated income statement - 2020

(thousands of euro)	Support for the economy	Subject to management and coordination	Total (*)	Not subject to management and coordination: International expansion	Not subject to management and coordination: Other segments	Total
Net interest income	**2,080,262**	**1,007**	**2,081,269**	**140,751**	**(323,506)**	**1,898,514**
Dividends	1,089,038	472,364	22,593	285	3,167	26,045
Gains (losses) on equity investments		(3,454)	(3,454)	(563)	(2,113,392)	(2,117,409)
Net commission income (expense)	89,835	5,604	95,439	61,247	(25,732)	130,954
Other net revenues (costs)	788,158	(68,026)	720,132	(55,044)	(178,230)	486,858
Gross income	**4,047,293**	**407,495**	**2,915,979**	**146,676**	**(2,637,693)**	**424,962**
Profit (loss) on insurance business				(5,088)		(5,088)
Profit (loss) on banking and insurance operations	**4,047,293**	**407,495**	**2,915,979**	**141,588**	**(2,637,693)**	**419,874**
Net recoveries (impairment)	(245,587)	6,907	(238,680)	(29,833)	(14,355)	(282,868)
Administrative expenses	(195,477)	(87,576)	(283,053)	(152,525)	(9,446,103)	(9,881,681)
Other net operating income (costs)	2,213	10,967	13,180	1,493	15,087,371	15,102,044
Operating income	**3,608,442**	**337,793**	**2,407,426**	**(39,277)**	**2,989,220**	**5,357,369**
Net Provisions for risks and charges	25,106	131,232	156,338	30,645	(223,987)	(37,004)
Net adjustment to property, plant and equipment and intangible assets	(20,760)	(64,628)	(85,388)	(10,404)	(2,583,504)	(2,679,296)
Other	(48)	5,245	5,197		(2,674)	2,523
Income (loss) for the year before tax	**3,612,740**	**409,642**	**2,483,573**	**(19,036)**	**179,055**	**2,643,592**
Income taxes						(1,480,526)
Net income for the year						**1,163,066**

(*) Total of the segments “Support for the economy” and “Subject to management and coordination”, net of elimination of dividends.

Reclassified consolidated income statement - 2019

(thousands of euro)	Support for the economy	Subject to management and coordination	Total (*)	Not subject to management and coordination: International expansion (**)	Not subject to management and coordination: Other segments	Total
Net interest income	**1,377,267**	**13,328**	**1,390,595**	**137,659**	**(320,106)**	**1,208,148**
Dividends	1,423,995	449,988	13,843	211	2,443	16,497
Gains (losses) on equity investments		1,211	1,211	460	428,818	430,489
Net commission income (expense)	77,301	5,284	82,585	50,284	(37,567)	95,302
Other net revenues (costs)	725,870	30,331	756,201	(1,174)	(109,002)	646,025
Gross income	**3,604,433**	**500,142**	**2,244,435**	**187,440**	**(35,414)**	**2,396,461**
Profit (loss) on insurance business				164,337		164,337
Profit (loss) on banking and insurance operations	**3,604,433**	**500,142**	**2,244,435**	**351,777**	**(35,414)**	**2,560,798**
Net recoveries (impairment)	72,102	(8,568)	63,534	(39,458)	(7,454)	16,622
Administrative expenses	(181,326)	(95,336)	(276,662)	(163,864)	(7,469,249)	(7,909,775)
Other net operating income (costs)	7,377	12,450	19,827	6,716	12,654,306	12,680,849
Operating income	**3,502,586**	**408,688**	**2,051,134**	**155,171**	**5,142,189**	**7,348,494**
Net Provisions for risks and charges	(50,213)	26,641	(23,572)	3,266	(93,367)	(113,673)
Net adjustment to property, plant and equipment and intangible assets	(14,566)	(33,722)	(48,288)	(9,489)	(2,188,007)	(2,245,784)
Other	(43)	5,190	5,147		(18,006)	(12,859)
Income (loss) for the year before tax	**3,437,764**	**406,797**	**1,984,421**	**148,948**	**2,842,809**	**4,976,178**
Income taxes						(1,565,476)
Net income for the year						**3,410,702**

(*) Total of the segments "Support for the economy" and "Subject to management and coordination", net of elimination of dividends.
(**) 2019 figures have been restated and, in coherence with 2020 view, include SACE Group (International expansion) in the companies not subject to management and coordination.

Part M - Disclosure of leases

This section contains some information indicated by IFRS 16.

Section 1 - Lessee

Qualitative disclosures

The lease agreements included in the scope of application of IFRS 16 are mainly referred to the rental contracts of the real estate properties used by the Group in addition to the lease agreements for machinery (other assets e.g. printers, scanners etc.) and vehicles.

The CDP Group calculated the duration of the lease for each individual contract, considering the “non-cancellable” period during which it has the right to use the underlying asset by measuring all the contractual aspects that may change this duration, including, in particular, the possible presence of:
- any period covered by an option to extend the lease, if it is reasonably certain that the option will be exercised;
- any period covered by an option to terminate the lease, if it is reasonably certain that the option will not be exercised.

In accordance with the accounting standard which provides that “the underlying asset can be of low value only if:
- the lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the lessee; and
- the underlying asset is not highly dependent on, or highly interrelated with, other assets”;

the CDP Group applies the exemption for lease contracts when the asset value on the purchase date is negligible (e.g. car parks, printers, scanners).

The Standard also specifies that “a contract containing the purchase option cannot be considered a short-term lease”.

The CDP Group considers a lease to be “short-term” when it has a maximum lease duration of 12 months and does not include any option to extend (and to purchase) that may be exercised at the discretion of the lessee.

For these contracts, the related payments are recorded in the income statement on a straight-line basis for the corresponding duration.

Quantitative disclosures

Reported below is the information required by IFRS 16 with regard to contracts where the CDP Group acts as a lessee, contained in these notes in the following sections:
- Part B - Assets, section 9 - for information on the rights of use acquired under a lease;
- Part B – Liabilities, section 1, table 1.6 “Lease liabilities” - for information on lease liabilities;
- Part C – Section 1, table 1.3 “Interest expense and similar expense: breakdown” — for information on interest expense on the lease liabilities;
- Part C – Section 14, table 14.1 “Net adjustments to property, plant and equipment: breakdown” — for information on the depreciation of the rights of use acquired under a lease.

Short-term leases and leases of a low value are accounted for in accordance with paragraph 6 of IFRS 16. The costs are reported in Part C, section 12, table 12.5 “Other administrative expenses: breakdown”.

Section 2 - Lessor

Qualitative disclosures

The CDP Group has leases in place as a lessor, which include both finance and operating leases.

Finance leases require the recognition of a credit corresponding to the net value of the investment in the lease. The net value is the sum of the minimum payments and the unguaranteed residual value, discounted at the interest rate implicit in the lease.

Subsequently, financial income is recognised in the income statement for the term of the contract to make the periodic rate of return on the residual net investment constant.

The estimate of the unguaranteed residual value is periodically reviewed for any impairment losses.

Whereas, lease payments relating to lease contracts that qualify as operating leases are recognised in the income statement on a straight-line basis over the term of the contract.

Quantitative disclosures

1. Disclosures on the balance sheets and income statements

2. Finance leases

2.1 Classification by time band of the payments to be received and reconciliation with loans for leases recognised under assets

At the reporting date, there were no loans for leases recognised under assets.

2.2 Other information

There is no additional information to report.

3. Operating leases

3.1 Classification by time band of the payments to be received

(thousands of euro) Time bands	Total 31/12/2020 Lease payments to be received
Up to 1 year	19,446
Between 1 and 2 years	13,286
Between 2 and 3 years	13,006
Between 3 and 4 years	12,506
Between 4 and 5 years	12,470
Over 5 years	277,593
Total	**348,307**

3.2 Other information

There is no additional information to report.

Annexes

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				
4TCC1 S.c.ar.l.	Trieste	Fincantieri SI S.p.A.	75.00%	Equity
		Fincantieri S.p.A.	5.00%	Equity
ACE Marine LLC	Madison, WI	Fincantieri Marine Group LLC	100.00%	Line-by-line
African Trade Insurance Company	Nairobi	SACE S.p.A.	3.46%	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.	100.00%	Line-by-line
Alivieri Power Units Maintenance S.A.	Athens	Ansaldo Energia Switzerland AG	100.00%	Line-by-line
Ansaldo Algerie S.a.r.l.	Algiers	Ansaldo Energia S.p.A.	49.00%	Equity
Ansaldo Energia S.p.A.	Genoa	CDP Equity S.p.A.	87.57%	Line-by-line
Ansaldo Energia Holding USA Co.	Wilmington	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Ansaldo Energia IP UK Ltd.	London	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Ansaldo Energia Iranian LLC	Tehran	Ansaldo Energia S.p.A.	70.00%	Line-by-line
		Ansaldo Russia LLC	30.00%	Line-by-line
Ansaldo Energia Korea YH	Seoul	Ansaldo Energia Switzerland AG	95.00%	Line-by-line
		Ansaldo Energia S.p.A.	5.00%	Line-by-line
Ansaldo Energia Messico S. de R.L. de C.V.	Cortina Tagles Isoard (CTI)	Ansaldo Energia Switzerland AG	95.00%	Line-by-line
		Ansaldo Energia S.p.A.	5.00%	Line-by-line
Ansaldo Energia Muscat LLC	Muscat	Ansaldo Energia S.p.A.	50.00%	Line-by-line
		Ansaldo Energia Switzerland AG	50.00%	Line-by-line
Ansaldo Energia Netherlands BV	Breda	Ansaldo Energia Switzerland AG	100.00%	Equity
Ansaldo Energia Spain S.L.	Zaragoza	Ansaldo Energia Switzerland AG	100.00%	Line-by-line
Ansaldo Energia Switzerland AG	Baden	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Ansaldo Gas Turbine Technology Co. Ltd. (JVA)	Shanghai	Ansaldo Energia S.p.A.	60.00%	Equity
Ansaldo Nigeria Limited	Lagos	Ansaldo Energia S.p.A.	60.00%	Line-by-line
		Ansaldo Thomassen B.V.	40.00%	Line-by-line
Ansaldo Nucleare S.p.A.	Genoa	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Ansaldo Russia LLC	Moscow	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Ansaldo Servicos de Energia Brasil Ltda	São Paulo	Ansaldo Energia S.p.A.	5.00%	Line-by-line
		Ansaldo Energia Switzerland AG	95.00%	Line-by-line
Ansaldo Thomassen B.V.	Rheden	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Ansaldo Thomassen Gulf	Abu Dhabi	Ansaldo Thomassen B.V.	100.00%	Line-by-line
Arbolia S.r.l. Società Benefit	S. Donato Milanese (MI)	Snam S.p.A.	100.00%	At cost
Arsenal S.r.l.	Trieste	Fincantieri Oil & Gas S.p.A.	100.00%	Line-by-line
AS Gasinfrastruktur Beteiligung GmbH	Wien	Snam S.p.A.	40.00%	Equity
Asia Power Project Private Ltd.	Chennai	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Asset Company 10 S.r.l.	S. Donato Milanese (MI)	Snam S.p.A.	100.00%	At cost
Asset Company 11 S.r.l.	S. Donato Milanese (MI)	Snam S.p.A.	100.00%	At cost
Asset Company 2 S.r.l.	S. Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Asset Company 4 S.r.l.	S. Donato Milanese (MI)	Snam S.p.A.	100.00%	At cost

Company name	Registered office	Investor	% holding	Consolidation method
Asset Company 7 B.V.	Amsterdam	Snam S.p.A.	100.00%	At cost
Asset Company 9 S.r.l.	S. Donato Milanese (MI)	Snam S.p.A.	100.00%	At cost
Astaldi S.p.A.	Rome	SACE S.p.A.	1.02%	At cost
		Fincantieri S.p.A.	0.21%	At cost
		SACE FCT S.p.A.	0.17%	At cost
ATS S.p.A.	Milan	SIA S.p.A.	30.00%	Equity
A-U Finance Holdings Bv	Amsterdam	Ansaldo Energia S.p.A.	40.00%	Equity
Avvenia the Energyinnovator S.r.l.	Rome	Terna Energy Solutions S.r.l.	70.00%	Line-by-line
B.F. S.p.A.	Jolanda di Savoia (FE)	CDP Equity S.p.A.	18.79%	Equity
Bacini di Palermo S.p.A.	Palermo	Fincantieri S.p.A.	100.00%	Line-by-line
Bonafous S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
BOP6 S.c.ar.l.	Trieste	Fincantieri SI S.p.A.	95.00%	Line-by-line
		Fincantieri S.p.A.	5.00%	Line-by-line
Brevik Technology AS	Brevik	Vard Group AS	34.00%	Equity
Brugg Cables (India) Pvt., Ltd.	Haryana	Brugg Kabel GmbH	0.26%	Line-by-line
		Brugg Kabel AG	99.74%	Line-by-line
Brugg Cables (Shanghai) Co., Ltd.	Shanghai	Brugg Kabel AG	100.00%	Line-by-line
Brugg Cables (Suzhou) Co., Ltd.	Suzhou	Brugg Cables (Shanghai) Co., Ltd.	100.00%	Line-by-line
Brugg Cables Italia S.r.l.	Milan	Brugg Kabel AG	100.00%	Line-by-line
Brugg Cables Middle East DMCC	Dubai	Brugg Kabel AG	100.00%	Line-by-line
Brugg Kabel AG	Brugg	Terna Energy Solutions S.r.l.	90.00%	Line-by-line
Brugg Kabel GmbH	Schwieberdingen	Brugg Kabel AG	100.00%	Line-by-line
BUSBAR4F S.c.ar.l.	Trieste	Fincantieri SI S.p.A.	50.00%	Equity
		Fincantieri S.p.A.	10.00%	Equity
C.S.I S.r.l.	Milan	Fincantieri NexTech S.p.A.	75.65%	Line-by-line
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.	100.00%	Line-by-line
CDP Immobiliare S.r.l.	Rome	CDP S.p.A.	100.00%	Line-by-line
CDP Immobiliare SGR S.p.A.	Rome	CDP S.p.A.	70.00%	Line-by-line
CDP Industria S.p.A.	Rome	CDP S.p.A.	100.00%	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
CDP Venture Capital SGR S.p.A.	Rome	CDP Equity S.p.A.	70.00%	At cost
Centro per gli Studi di Tecnica Navale - Cetena S.p.A.	Genoa	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	15.00%	Line-by-line
		Fincantieri S.p.A.	71.10%	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
Cinecittà Luce S.p.A. in liquidazione	Rome	Fintecna S.p.A.	100.00%	At cost
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 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

Company name	Registered office	Investor	% holding	Consolidation method
Consorzio MED.IN. in liquidazione	Rome	Fintecna S.p.A.	85.00%	At cost
Consorzio Stabile Ansaldo Newclear	Genoa	Ansaldo Energia S.p.A.	18.18%	Line-by-line
		Ansaldo Nucleare S.p.A.	72.73%	Line-by-line
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
CSS Design Limited	Isole Vergini Britanniche (GB)	Vard Marine Inc.	31.00%	Equity
CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	Fincantieri S.p.A.	40.00%	Equity
Cubogas s.r.l.	S. Donato Milanese (MI)	Snam 4 Mobility S.p.A.	100.00%	Line-by-line
Decomar S.p.A.	Massa (MS)	Fincantieri S.p.A.	20.00%	Equity
Difebal S.A.	Montevideo	Terna S.p.A.	100.00%	Line-by-line
DMAN in liquidazione	Athens	SIA S.p.A.	100.00%	At cost
DOF Iceman AS	Storebø	Vard Group AS	50.00%	Equity
Ecoprogetto Milan S.r.l.	Bolzano	Renerwaste S.r.l.	45.00%	Line-by-line
		Renerwaste Lodi S.r.l.	55.00%	Line-by-line
Ecoprogetto Tortona S.r.l.	Bolzano	Renerwaste 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
Energy Investment Solution S.r.l.	Brescia	TEP Energy Solution S.r.l.	40.00%	At cost
Enerpaper S.r.l.	Turin	Seaside S.r.l.	10.00%	Equity
Enersi Sicilia S.r.l.	S. Donato Milanese (MI)	Snam 4 Mobility S.p.A.	100.00%	Line-by-line
Eni S.p.A.	Rome	CDP S.p.A.	25.96%	Equity
Enura S.p.A.	S. Donato Milanese (MI)	Snam S.p.A.	55.00%	Line-by-line
E-phors S.p.A.	Milan	Fincantieri S.p.A.	100.00%	Line-by-line
ESPERIA-CC S.r.l.	Rome	Terna S.p.A.	1.00%	Line-by-line
ESSETI sistemi e tecnologie S.r.l.	Milan	Fincantieri NexTech S.p.A.	51.00%	Line-by-line
Estaleiro Quissamã Ltda	Rio de Janeiro	Vard Group AS	50.50%	Line-by-line
		Vard Promar S.A.	49.50%	Line-by-line
ETIHAD SHIP BUILDING LLC	Abu Dhabi	Fincantieri S.p.A.	35.00%	Equity
EUR-Europrogetti & Finanza S.r.l. in liquidazione	Rome	CDP S.p.A.	31.80%	Equity
Evolve S.r.l.	Milan	Snam 4 Efficiency S.r.l.	100.00%	Line-by-line
FIA2 - Fondo Investimenti per l'Abitare 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 Partecipacoes S.A.	Rio de Janeiro	Fincantieri Holding B.V.	20.00%	Line-by-line
		Fincantieri S.p.A.	80.00%	Line-by-line
Fincantieri Dragaggi Ecologici S.p.A.	Rome	Fincantieri S.p.A.	55.00%	Line-by-line
Fincantieri EUR-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 S.p.A.	1.00%	Line-by-line
		Fincantieri Holding B.V.	99.00%	Line-by-line
Fincantieri Infrastructure Opere Marittime S.p.A.	Trieste	Fincantieri Infrastructure S.p.A.	100.00%	Line-by-line
Fincantieri Infrastructure S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri INfrastructure Sociali S.r.l.	Rome	Fincantieri Infrastructure S.p.A.	90.00%	Line-by-line
Fincantieri Infrastructure USA. Inc.	Middletown - Delaware	Fincantieri Infrastructure S.p.A.	100.00%	Line-by-line
Fincantieri Infrastructure Wisconsin. Inc.	Appleton - Wisconsin	Fincantieri Infrastructure USA. Inc.	100.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Fincantieri Marine Group Holdings Inc.	Wilmington, DE	Fincantieri USA Inc.	87.44%	Line-by-line
Fincantieri Marine Group LLC	Carson City, NV	Fincantieri Marine Group Holdings Inc.	100.00%	Line-by-line
Fincantieri Marine Systems North America Inc.	Wilmington, DE	Fincantieri USA Inc.	100.00%	Line-by-line
Fincantieri NexTech S.p.A.	Milan	Fincantieri S.p.A.	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	CDP Industria S.p.A.	71.32%	Line-by-line
Fincantieri Services Middle East LLC	Doha (QFC)	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Services USA LLC	Plantation, FL	Fincantieri USA Inc.	100.00%	Line-by-line
Fincantieri SI S.p.A.	Trieste	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	100.00%	Line-by-line
Fincantieri Sweden AB	Stoccolma	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri USA Holding. LLC	Wilmington, DE	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri USA Inc.	Wilmington, DE	Fincantieri S.p.A.	65.00%	Line-by-line
		Fincantieri USA Holding LLC	35.00%	Line-by-line
Fintecna S.p.A.	Rome	CDP S.p.A.	100.00%	Line-by-line
FIV Comparto Extra	Rome	CDP S.p.A.	100.00%	Line-by-line
FIV Comparto Plus	Rome	CDP S.p.A.	100.00%	Line-by-line
FMSNA YK	Nagasaki	Fincantieri Marine Systems North America Inc.	100.00%	Line-by-line
FNT Fondo Nazionale del Turismo	Rome	CDP S.p.A.	74.29%	Line-by-line
FoF Private Equity Italia	Milan	CDP S.p.A.	100.00%	At cost
FoF Private Debt	Milan	CDP S.p.A.	62.50%	Line-by-line
FoF Private Debt Italia	Milan	CDP Equity S.p.A.	100.00%	At cost
FoF Venture Capital	Milan	CDP S.p.A.	76.69%	At cost
Fondo acceleratori	Rome	CDP Equity S.p.A.	100.00%	At cost
Fondo di Fondi Venturitaly	Rome	CDP Equity S.p.A.	93.02%	At cost
Fondo Italiano Consolidamento e Crescita (FICC)	Milan	CDP S.p.A.	72.37%	Equity
Fondo Italiano di Investimento SGR S.p.A.	Milan	CDP Equity S.p.A.	68.00%	Line-by-line
Fondo Technology Transfer - Comparto Diretto	Rome	CDP Equity S.p.A.	100.00%	At cost
Fondo Technology Transfer - Comparto Indiretto	Rome	CDP Equity S.p.A.	100.00%	At cost
FSE Fondo Sviluppo Export	Milan	SACE 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 Equity S.p.A.	39.00%	Equity
FSIA Investimenti S.r.l.	Milan	FSI Investimenti S.p.A.	70.00%	Line-by-line
FT1 Fondo Turismo 1	Rome	FNT Fondo Nazionale del Turismo	100.00%	Line-by-line
Galaxy Pipeline Assets Holdco Limited	Jersey	Snam S.p.A.	12.33%	Equity
Gannouch Maintenance S.a.r.l.	Tunis	Ansaldo Energia Switzerland AG	1.00%	Line-by-line
		SPVTCCC B.V.	99.00%	Line-by-line
Gasrule Insurance D.A.C.	Dublin	Snam S.p.A.	100.00%	Line-by-line
Gaxa S.p.A	Milan	Italgas S.p.A.	51.85%	Line-by-line
Gesam Reti S.p.A.	Lucca	Toscana Energia S.p.A.	42.96%	Equity
Gestione Bacini La Spezia S.p.A.	La Spezia	Fincantieri S.p.A.	99.89%	Line-by-line
GNL Italia S.p.A.	S. Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Gruppo PSC S.p.A.	Maratea (PZ)	Fincantieri S.p.A.	10.00%	Equity
HMS IT S.p.A.	Rome	Fincantieri NexTech S.p.A.	60.00%	Line-by-line
Hotelturist S.p.A.	Padua	CDP Equity S.p.A.	45.95%	Equity
IES Biogas S.r.l.	Pordenone	Snam 4 Mobility S.p.A.	100.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
IES Biogas S.r.l. (Argentina)	Buenos Aires	IES Biogas S.r.l.	95.00%	At cost
		Snam 4 Mobility S.p.A.	5.00%	At cost
Infrastrutture Trasporto Gas S.p.A.	S. Donato Milanese (MI)	Asset Company 2 S.r.l.	100.00%	Line-by-line
Iniziative Biometano S.p.A.	Cittadella (PD)	Snam 4 Environment S.r.l.	50.00%	Equity
Interconnector (UK) Ltd.	London	Snam International B.V.	23.68%	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
Island Diligence AS	Stålhaugen	Vard Group AS	39.38%	Equity
Island Offshore XII Ship AS	Ulsteinvik	Vard Group AS	35.66%	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)	Fincantieri S.p.A.	100.00%	Line-by-line
Italgas Acqua S.p.A.	Milan	Italgas S.p.A.	100.00%	Line-by-line
Italgas NewCo S.r.l.	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	Snam S.p.A.	13.50%	Line-by-line
		CDP Reti S.p.A.	26.04%	Line-by-line
ITsART S.p.A.	Milan	CDP S.p.A.	51.00%	At cost
Kedrion S.p.A.	Castelvecchio Pascoli (LU)	FSI Investimenti S.p.A.	25.06%	Equity
Latina Biometano S.r.l.	Rome	IES Biogas S.r.l.	32.50%	At cost
Leonardo Sistemi Integrati S.r.l.	Genoa	Fincantieri NexTech S.p.A.	14.58%	Equity
Luxury Interiors Factory s.r.l.	Pordenone	Marine Interiors Cabins S.p.A.	100.00%	Line-by-line
M.T. Manifattura Tabacchi S.p.A.	Rome	CDP Immobiliare S.r.l.	40.00%	Equity
Marina Bay S.A.	Luxembourg	Fincantieri NexTech S.p.A.	100.00%	Line-by-line
Marine Interiors Cabins S.p.A.	Trieste	Marine Interiors S.p.A.	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	Green Bay, WI	Fincantieri Marine Group LLC	100.00%	Line-by-line
MC4COM - Mission critical for communication S.c.ar.l.	Milan	HMS IT S.p.A.	50.00%	Equity
Medea S.p.A.	Sassari	Italgas Reti S.p.A.	51.85%	Line-by-line
Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	Italgas S.p.A.	50.00%	Equity
MI S.p.A.	Trieste	Marine Interiors S.p.A.	100.00%	Line-by-line
Mieci S.p.A.	Milan	Snam 4 Efficiency S.r.l.	100.00%	Line-by-line
Møkster Supply AS	Stavanger	Vard Group AS	40.00%	Equity
Møkster Supply KS	Stavanger	Vard Group AS	36.00%	Equity
Naviris S.p.A.	Genoa	Fincantieri S.p.A.	50.00%	Equity
New SIA Greece S.A.	Athens	SIA S.p.A.	100.00%	Line-by-line
Niehlgas GmbH	Oberursel	Ansaldo Energia Switzerland AG	100.00%	Line-by-line
Nuclear Enginnering Group Limited	Wolverhampton	Ansaldo Nucleare S.p.A.	100.00%	Line-by-line
OLT Offshore LNG Toscana S.p.A.	Milan	Snam S.p.A.	49.07%	Equity
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
P4cards S.r.l.	Verona	SIA S.p.A.	100.00%	Line-by-line
Pentagramma Perugia S.p.A.	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Pentagramma Piemonte S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Pentagramma Romagna S.p.A. in liquidazione unipersonale	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Perago Financial System Enablers Ltd.	Centurion	SIA S.p.A.	100.00%	Line-by-line
Pergenova S.c.p.A.	Genoa	Fincantieri Infrastructure S.p.A.	50.00%	Equity
PforCards GmbH	Vienna	SIA S.p.A.	100.00%	Line-by-line
PI.SA. 2 S.r.l.	Rome	Terna Interconnector S.r.l.	100.00%	Line-by-line
Polaris Anserv S.r.l.	Bucarest	Ansaldo Nucleare S.pA.	20.00%	Equity
Poste Italiane S.p.A.	Rome	CDP S.p.A.	35.00%	Equity
Power System M Japan	Tokyo	Power System MSG LLC	100.00%	Line-by-line
Power System MSG LLC	Jupiter	Ansaldo Energia Holding USA Co.	100.00%	Line-by-line
Prelios Solutions & Technologies S.r.l.	Milan	Fincantieri NexTech S.p.A.	49.00%	Equity
Quadrifoglio Brescia S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Genoa S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Modena S.p.A in liquidazione	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Quadrifoglio Piacenza S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Verona S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
QuattroR SGR S.p.A.	Milan	CDP Equity S.p.A.	40.00%	Equity
Redo SGR S.p.A.	Milan	CDP S.p.A.	30.00%	At cost
REICOM S.r.l.	Milan	Fincantieri NexTech S.p.A.	100.00%	Line-by-line
Rem Supply AS	Alesund	Vard Group AS	26.66%	Equity
Renerwaste Lodi S.r.l.	Bolzano	Renerwaste S.r.l.	100.00%	Line-by-line
Renerwaste S.r.l.	Bolzano	Snam 4 Environment S.r.l.	100.00%	Line-by-line
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.	100.00%	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
Rocco Forte Hotels Limited	London	FSI Investimenti S.p.A.	23.00%	Equity
S.L.S. - Support Logistic Services S.r.l.	Guidonia Montecelio	Fincantieri NexTech S.p.A.	60.00%	Line-by-line
SACE BT S.p.A.	Rome	SACE S.p.A.	100.00%	Line-by-line
SACE do Brasil	Sao Paolo	SACE S.p.A.	100.00%	Line-by-line
SACE FCT S.p.A.	Rome	SACE S.p.A.	100.00%	Line-by-line
SACE Servizi S.r.l.	Rome	SACE BT S.p.A.	100.00%	Line-by-line
SACE S.p.A.	Rome	CDP S.p.A.	100.00%	Line-by-line
Saipem S.p.A.	S. Donato Milanese (MI)	CDP Industria S.p.A.	12.55%	Equity
Seanergy a Marine Interiors Company S.r.l.	Pordenone	Marine Interiors Cabins 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.	Casalecchio di Reno (BO)	Italgas S.p.A.	100.00%	Line-by-line
Seastema S.p.A.	Genoa	Fincantieri S.p.A.	100.00%	Line-by-line
Securitè des Environnements Complexes S.r.l.	Milan	Fincantieri NexTech S.p.A.	100.00%	Line-by-line
Senfluga Energy Infrastructure Holdings S.A.	Athens	Snam S.p.A.	60.00%	Equity
Senfluga2 S.r.l.	Brussels	Snam S.p.A.	40.00%	At cost

Company name	Registered office	Investor	% holding	Consolidation method
Shanghai Electric Gas Turbine Co. Ltd. (JVS)	Shanghai	Ansaldo Energia S.p.A.	40.00%	Equity
SIA Central Europe. A.S.	Bratislava	SIA S.p.A.	100.00%	Line-by-line
SIA Croatia d.o.o.	Zagreb	SIA S.p.A.	100.00%	Line-by-line
SIA Czech Republic. S.r.o.	Prague	SIA S.p.A.	100.00%	Line-by-line
SIA Romania Payment Technologies S.r.l.	Bucarest	SIA S.p.A.	100.00%	Line-by-line
SIA RS d.o.o. Beograd	Belgrad	SIA S.p.A.	100.00%	Line-by-line
SIA S.p.A.	Milan	FSIA Investimenti S.r.l.	57.42%	Line-by-line
		CDP Equity S.p.A.	25.69%	Line-by-line
SIAadvisor S.r.l.	Rome	SIA S.p.A.	100.00%	Line-by-line
SIApay S.r.l.	Milan	SIA S.p.A.	100.00%	Line-by-line
Simest S.p.A.	Rome	SACE S.p.A.	76.01%	Line-by-line
Snam 4 Enviroment	S. Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Snam 4 Mobility S.p.A.	S. Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Snam Gas & Energy Services (Beijing) Co. Ltd.	Beijing	Snam International B.V.	100.00%	Line-by-line
Snam International B.V.	Amsterdam	Snam S.p.A.	100.00%	Line-by-line
Snam Rete Gas S.p.A.	S. Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Snam S.p.A.	S. Donato Milanese (MI)	CDP Reti S.p.A.	31.35%	Line-by-line
Snam 4 Efficiency S.r.l.	S. Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Società per l’Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Southeast Electricity Network Coordination Center S.A.	Thessaloniki	Terna S.p.A.	25.00%	Equity
SPE Santa Lucia 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
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
Spe Transmissora De Energia Linha Verde I S.A.	Belo Horizonte	Terna Plus S.r.l.	100.00%	Line-by-line
Spe Transmissora De Energia Linha Verde II S.A.	Belo Horizonte	Terna Plus S.r.l.	75.00%	Line-by-line
Stogit S.p.A.	S. Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Tamini Transformatori India Private limited	Magarpatta City, Hadapsar, Pune	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Transformers USA L.L.C.	Sewickley	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
Tea Innovazione Due S.r.l.	Brescia	Tep Energy Solution S.r.l.	100.00%	At cost
Tep Energy Solution S.r.l.	Rome	Snam 4 Efficiency S.r.l.	100.00%	Line-by-line
Terēga Holding S.A.S.	Pau	Snam S.p.A.	40.50%	Equity
Termoroma S.r.l.	Rome	Evolve S.r.l.	100.00%	At cost
Terna 4 Chacas S.A.C.	Lima	Terna Plus S.r.l.	99.99%	Line-by-line
		Terna Chile S.p.A.	0.01%	Line-by-line
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 Rete Italia S.p.A.	5.00%	Line-by-line
		Terna S.p.A.	65.00%	Line-by-line
Terna Peru S.A.C.	Lima	Terna Plus S.r.l.	99.99%	Line-by-line
		Terna Chile S.p.A.	0.01%	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

Company name	Registered office	Investor	% holding	Consolidation method
Tlux S.r.l.	Piancogno (BS)	Mieci S.p.A.	100.00%	Line-by-line
Toscana Energia Green S.p.A.	Pistoia	Toscana Energia S.p.A.	100.00%	Line-by-line
Toscana Energia S.p.A.	Florence	Italgas S.p.A.	50.66%	Line-by-line
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	SACE S.p.A.	6.99%	Equity
		FSI Investimenti S.p.A.	25.67%	Equity
Umbria Distribuzione GAS S.p.A.	Terni	Italgas S.p.A.	45.00%	Equity
Unifer Navale S.r.l.	Finale Emilia (MO)	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	20.00%	Equity
Unione di Tamini - CERB – DZZD	Sofia	Tamini Trasformatori S.r.l.	78.48%	Line-by-line
Valdarno S.r.l.	Pisa	Toscana Energia S.p.A.	30.04%	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 S.A.	Puerto Montt	Vard Aqua Sunndal AS	95.00%	Line-by-line
Vard Aqua Scotland Ltd.	Aberdeen	Vard Aqua Sunndal AS	100.00%	Line-by-line
Vard Aqua Sunndal AS	Sunndal	Vard Group AS	100.00%	Line-by-line
Vard Braila S.A.	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	Tennfjord	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 (Instalacoes 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.	Trieste	Vard Electro AS	100.00%	Line-by-line
Vard Electro Tulcea S.r.l.	Tulcea	Vard Electro AS	99.96%	Line-by-line
Vard Electro US Inc.	Delaware	Vard Electro Canada Inc	100.00%	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.	Danzig	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.	98.30%	Line-by-line
Vard Infraestrutura Ltda	Ipojuca	Vard Promar S.A.	99.99%	Line-by-line
		Vard Group AS	0.01%	Line-by-line
Vard International Services S.r.l.	Costanza	Vard Braila S.A.	100.00%	Line-by-line
Vard Marine Inc.	Vancouver	Vard Group AS	100.00%	Line-by-line
Vard Marine US Inc.	Dallas	Vard Marine Inc.	100.00%	Line-by-line
Vard Niterói Ltda	Rio de Janeiro	Vard Electro Brazil (Instalacoes Eletricas) Ltda	0.01%	Line-by-line
		Vard Group AS	99.99%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Vard Piping AS	Sovik	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 Shipholding Singapore Pte Ltd.	Singapore	Vard Holdings Limited	100.00%	Line-by-line
Vard Singapore Pte. Ltd.	Singapore	Vard Group AS	100.00%	Line-by-line
Vard Tulcea SA	Tulcea	Vard Group AS	0.004%	Line-by-line
		Vard RO Holding S.r.l.	99.996%	Line-by-line
Vard Vung Tau Ltd.	Vung Tau	Vard Singapore Pte. Ltd.	100.00%	Line-by-line
VBD1 AS	Sovik	Vard Group AS	100.00%	Line-by-line
Webuild S.p.A.	Milan	CDP Equity S.p.A.	18.68%	Equity
XXI Aprile S.r.l. in liquidazione	Rome	Fintecna S.p.A.	100.00%	At cost
Yeni Aen Insaat Anonim Sirketi	Istanbul	Ansaldo Energia S.p.A.	100.00%	Line-by-line

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Art. 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, whose rules have been reformulated by Art. 35 of Decree Law no. 34 of 30 April 2019, relating to the disclosure obligations connected to public funds.

The reformulation of the original regulatory provisions clarified some significant interpretation issues raised by the previous formulation, confirming the interpretation guidance shared during the first application of the disclosure obligations, and contained in Assonime circular no. 5 of 22 February 2019 regarding "Transparency in the system of public funding: analysis of the rules and interpretation guidance".

According to the contents of Art. 35 of decree no. 34/2019:
- companies publish in the notes to the separate financial statements and to the consolidated financial statements, if any, the amounts and information relating to subsidies, subventions, benefits, contributions or aid, paid in cash or in kind, not of a general nature and with no consideration, remuneration or compensation, effectively granted to them by 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;
- the publication obligations established for government agencies by Art. 26 of Legislative Decree no. 33 of 2013 apply also to entities and companies controlled, directly or indirectly, on a legal or de facto basis by government agencies, with the publication in the notes to their annual accounting reports.

The disclosure obligations established by Law 124 of 2017, in continuity with what was represented during the first application, are thus 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.

The disbursements, unless otherwise specified, are recognised on a cash basis. With reference to any disbursements not in cash, the cash criterion is understood in a substantial sense, allocating the economic benefit to the financial year in which it is received.

In accordance with the guidance provided by the Assonime circular no. 5/2019, the information provided in application of Law 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 2020 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) Ente beneficiario	Ente Concedente	Causale	Amount
Terna S.p.A.	Sicily Region	Government grants collected	1,650
Fincantieri S.p.A.	Ligurian District	Prodifcon forgivable loan	336
Fincantieri S.p.A.	La Spezia Chamber of Commerce, Industry, Agriculture and Handicraft	Grant for damages caused by bad weather	844
Fincantieri S.p.A.	Genoa Chamber of Commerce, Industry, Agriculture and Handicraft	Grant for damages caused by bad weather	783
Fincantieri S.p.A.	Energy services operator GSE S.p.A.	Ministerial Decree 16/02/2016 winter heating system with heat pump	48
Fincantieri S.p.A.	MIT	Project XL/Ministerial Decree of 10 June 2015	480
Fincantieri S.p.A.	Friuli Venezia-Giulia Region	POR FESR 2014 - 2020	352
Centro per gli Studi di Tecnica Navale - Cetena S.	Friuli Venezia-Giulia Region	Project co-financed in the context of the FVG Region Research	203
Seastema S.p.A	Ligurian District	Prodifcon forgivable loan	27
Seastema S.p.A	Ligurian District	Prodifcon forgivable loan	114
Italgas Reti S.p.A.	Caramanico Terme	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	21
Italgas Reti S.p.A.	Casalincontrada	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	90
Italgas Reti S.p.A.	Morro d'Oro	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	14
Italgas Reti S.p.A.	Civitaquana	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	23
Italgas Reti S.p.A.	Sellia	Grants related to plants Law 784/80	50
Italgas Reti S.p.A.	Montefino	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	31
Italgas Reti S.p.A.	Bussi sul Tirino	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	42
Italgas Reti S.p.A.	Silvi	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	20
Italgas Reti S.p.A.	Bucchianico	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	29
Italgas Reti S.p.A.	Castiglione Messer Raimondo	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	10
Italgas Reti S.p.A.	Castilenti	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	8
Italgas Reti S.p.A.	Introdacqua	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	20
Italgas Reti S.p.A.	Elice	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	13
Italgas Reti S.p.A.	Catignano	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	44
Italgas Reti S.p.A.	Pineto	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	2
Medea S.p.A.	Porto Torres	Grants related to plants Resolution 54/28 of 22.11.2005 of the Sardinia Autonomous Region - Article 5	1,551
Tocana Energia Green S.p.A.	Tuscany Region	Grants related to plants - Regional Law of 3 April 1995, no. 25 and Regional Law of 27 December 2001, no. 84	109

Public funding granted pursuant to Art. 1, par. 126, Law No. 124/2017

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP Immobiliare SGR S.p.A.	Videocittà S.r.l.	Loan for free use	see note (1)
CDP Immobiliare SGR S.p.A.	Municipality of Cremona	Loan for free use	see note (1)
CDP Immobiliare SGR S.p.A.	Municipality of Diano Castello	Loan for free use	see note (1)
CDP Immobiliare SGR S.p.A.	Prs Impresa Sociale	Loan for free use	see note (1)
CDP Immobiliare SGR S.p.A.	Human Foundation	Loan for free use	see note (1)
CDP Immobiliare SGR S.p.A.	Ass. Culturale Riaperture	Loan for free use	see note (1)
CDP Immobiliare SGR S.p.A.	Municipality of Macerata	Loan for free use	see note (1)
CDP Immobiliare SGR S.p.A.	Municipality of Milan	Loan for free use	see note (1)

(thousands of euro) Grantor	Beneficiary	Motive	Amount
SACE S.p.A.	Giovanni XXIII Hospital in Bergamo	Health Emergency Contribution	115
SACE S.p.A.	L'Albero della Vita Onlus Foundation	Donation	10
Terna S.p.A.	Palazzo Strozzi	Donation	30
Terna S.p.A.	Save the Children Italia Onlus	Donation	20
Terna S.p.A.	Fond. Pol. Univ. A. Gemelli IRCCS	Donation	50
Terna S.p.A.	Fond. Pol. Univ. A. Gemelli IRCCS	Donation	30
Terna S.p.A.	Fondaz. Accademia Naz. Santa Cecilia	Gift	10
Terna S.p.A.	Prime Minister’s Office	Donation	20
Terna S.p.A.	Municipality of Cepagatti	Donation	10
Terna S.p.A.	Fondaz. Accademia Naz. Santa Cecilia	Gift	165
Terna S.p.A.	Ass.ne Comunità Papa Giovanni XXIII	Donation	10
Terna S.p.A.	Prime Minister’s Office	Donation	61
Terna S.p.A.	Fondaz. Accademia Naz. Santa Cecilia	Gift	160
Terna S.p.A.	Il Gazzettino S.p.A.	Donation	10
Terna S.p.A.	Prime Minister’s Office	Donation	160
Fincantieri Marine Group LLC	Aurora Health Care Foundation Inc.	Donation	22
Fincantieri Marine Group LLC	Bellin Health Foundation Inc.	Donation	22
Fincantieri S.p.A.	Azienda Ulss 3 Serenissima - Covid-19 Emergency Healthcare Materials For Ospedale dell'Angelo in Venezia Mestre	Donation	400
Fincantieri S.p.A.	Ospedale Policlinico San Martino IRCCS - Liguria Region Healthcare System	Donation	500
Fincantieri S.p.A.	Azienda Sanitaria Universitaria Giuliano Isontina - Ospedali di Cattinara e Maggiore a Trieste e Sao Paolo a Monfalcone	Donation	400
Fincantieri S.p.A.	Azienda Ospedaliera Specialistica dei Colli - Ospedale Domenico Cotugno	Donation	300
Fincantieri S.p.A.	Azienda Ospedaliera Universitaria - Ospedali Riuniti Ancona Umberto I - G.M. Lancisi - G. Salesi	Donation	300
Fincantieri S.p.A.	Azienda Ospedaliera Ospedali Riuniti Villa Sofia - Cervello Palermo in Favour of Cervello Hospital in Palermo Sicily	Donation	300
Fincantieri S.p.A.	Atlantic Council	Charitable donation	26
Fincantieri S.p.A.	Municipality of Monfalcone/School	Donation	50
Fincantieri S.p.A.	Civil Defence Department Veneto Region	Donation	150
Fincantieri S.p.A.	Azienda Sociosanitaria Ligure 4 ASL 4 - Ospedale di Lavagna (Ge) Liguria	Donation	100
Fincantieri S.p.A.	Azienda Sociosanitaria Ligure 5 ASL 5 Ospedale Civile Sant'Andrea La Spezia	Donation	200
Fincantieri S.p.A.	Associazione fino a prova contraria	Charitable donation	10
Fincantieri S.p.A.	Fondazione Residenza Universitaria delle Peschiere (GE) della Fondazione RUI	Charitable donation	10
Fincantieri S.p.A.	Associazione Amici del Cuore	Charitable donation	20
Fincantieri S.p.A.	Caritas Italiana - in Support of Food Banks	Donation	29
Fincantieri S.p.A.	Civil Defence Department Sicily Region	Donation	150
Fincantieri S.p.A.	Civil Defence Department Campania Region	Donation	150
Fincantieri S.p.A.	Civil Defence Department Friuli Venezia Giulia Autonomous Region	Donation	150
Fincantieri S.p.A.	Fondazione Policlinico Universitario Agostino Gemelli	Donation	500
Fincantieri S.p.A.	Civil Defence Department Marche Region	Donation	150
Fincantieri S.p.A.	Civil Defence Department Liguria Region	Donation	150
Vard Electro Canada Inc	University of British Columbia	Charitable donation	196
Fondo Italiano di Investimento SGR S.p.A.	L'abbraccio Onlus	Donation	75
CDP S.p.A.	Municipality of Genoa	Collapse of the Genoa viaduct - see note (2)	16,488

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Az. Spec. Pensionato per Anziani Casa del Sorriso	Charities - Covid-19 emergency - see note (2)	70
CDP S.p.A.	Casa di Riposo Borsetti Sella Facenda	Charities - Covid-19 emergency - see note (2)	29
CDP S.p.A.	Casa di Riposo della Città di Asti	Charities - Covid-19 emergency - see note (2)	50
CDP S.p.A.	Casa di Riposo di Vasto	Charities - Covid-19 emergency - see note (2)	17
CDP S.p.A.	Casa di Riposo d di Ricovero - Casale Monferrato	Charities - Covid-19 emergency - see note (2)	70
CDP S.p.A.	Casa di Riposo Lascito Ing. G. Destefanis	Charities - Covid-19 emergency - see note (2)	49
CDP S.p.A.	Casa di Riposo San Giuseppe Onlus	Charities - Covid-19 emergency - see note (2)	66
CDP S.p.A.	Casa di Riposo - Ric.ro dei Vec. Fon.ne M.G. Taglietti- Nebbiuno	Charities - Covid-19 emergency - see note (2)	36
CDP S.p.A.	Casa di Soggiorno per Anziani San Giuseppe	Charities - Covid-19 emergency - see note (2)	69
CDP S.p.A.	Cavriagoservizi	Charities - Covid-19 emergency - see note (2)	257
CDP S.p.A.	Fondazione Felice Rinaldo Baguzzi e Antonio Dassu - Onlus	Charities - Covid-19 emergency - see note (2)	30
CDP S.p.A.	Fondazione Istituzioni Riunite - Mede	Charities - Covid-19 emergency - see note (2)	79
CDP S.p.A.	Fondazione Ospedale Giuseppe Aragona - Onlus	Charities - Covid-19 emergency - see note (2)	88
CDP S.p.A.	Fondazione Per L'infanzia Protasi Caldara	Charities - Covid-19 emergency - see note (2)	6
CDP S.p.A.	Fondazione Santa Maria Della Neve	Charities - Covid-19 emergency - see note (2)	64
CDP S.p.A.	Fondazione Villa Fiori R.S.A. Onlus	Charities - Covid-19 emergency - see note (2)	32
CDP S.p.A.	Istituto Pietro Cadeo Onlus	Charities - Covid-19 emergency - see note (2)	46
CDP S.p.A.	Opere Riunite Don Luigi Rossi	Charities - Covid-19 emergency - see note (2)	81
CDP S.p.A.	Municipality of Bertonico	First red zone municipalities - Covid-19 emergency - see note (2)	19
CDP S.p.A.	Municipality of Casalpusterlengo	First red zone municipalities - Covid-19 emergency - see note (2)	37
CDP S.p.A.	Municipality of Codogno	First red zone municipalities - Covid-19 emergency - see note (2)	19
CDP S.p.A.	Municipality of Maleo	First red zone municipalities - Covid-19 emergency - see note (2)	131
CDP S.p.A.	Municipality of Somaglia	First red zone municipalities - Covid-19 emergency - see note (2)	162
CDP S.p.A.	Municipality of Terranova dei Passerini	First red zone municipalities - Covid-19 emergency - see note (2)	37
CDP S.p.A.	Municipality of Adria	2012 earthquake - see note (2)	14
CDP S.p.A.	Municipality of Bagnolo di Po	2012 earthquake - see note (2)	166
CDP S.p.A.	Municipality of Bastiglia	2012 earthquake - see note (2)	67
CDP S.p.A.	Municipality of Bergantino	2012 earthquake - see note (2)	349
CDP S.p.A.	Municipality of Borgo Virgilio	2012 earthquake - see note (2)	32
CDP S.p.A.	Municipality of Borgocarbonara	2012 earthquake - see note (2)	40
CDP S.p.A.	Municipality of Calto	2012 earthquake - see note (2)	47
CDP S.p.A.	Municipality of Camposanto	2012 earthquake - see note (2)	101
CDP S.p.A.	Municipality of Canaro	2012 earthquake - see note (2)	215
CDP S.p.A.	Municipality of Canda	2012 earthquake - see note (2)	106
CDP S.p.A.	Municipality of Casalmaggiore	2012 earthquake - see note (2)	10
CDP S.p.A.	Municipality of Castel d'Ario	2012 earthquake - see note (2)	65
CDP S.p.A.	Municipality of Castelguglielmo	2012 earthquake - see note (2)	254
CDP S.p.A.	Municipality of Castellucchio	2012 earthquake - see note (2)	60
CDP S.p.A.	Municipality of Castelmassa	2012 earthquake - see note (2)	343
CDP S.p.A.	Municipality of Castelnovo Bariano	2012 earthquake - see note (2)	103
CDP S.p.A.	Municipality of Cavezzo	2012 earthquake - see note (2)	110
CDP S.p.A.	Municipality of Ceneselli	2012 earthquake - see note (2)	58
CDP S.p.A.	Municipality of Cento	2012 earthquake - see note (2)	1,345
CDP S.p.A.	Municipality of Commessaggio	2012 earthquake - see note (2)	22
CDP S.p.A.	Municipality of Crevalcore	2012 earthquake - see note (2)	247
CDP S.p.A.	Municipality of Dosolo	2012 earthquake - see note (2)	185
CDP S.p.A.	Municipality of Fabbrico	2012 earthquake - see note (2)	154
CDP S.p.A.	Municipality of Ferrara	2012 earthquake - see note (2)	1,718
CDP S.p.A.	Municipality of Ficarolo	2012 earthquake - see note (2)	6

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Municipality of Fiesso Umbertiano	2012 earthquake - see note (2)	189
CDP S.p.A.	Municipality of Finale Emilia	2012 earthquake - see note (2)	636
CDP S.p.A.	Municipality of Gaiba	2012 earthquake - see note (2)	64
CDP S.p.A.	Municipality of Galliera	2012 earthquake - see note (2)	60
CDP S.p.A.	Municipality of Gavello	2012 earthquake - see note (2)	75
CDP S.p.A.	Municipality of Giacciano con Baruchella	2012 earthquake - see note (2)	101
CDP S.p.A.	Municipality of Gonzaga	2012 earthquake - see note (2)	242
CDP S.p.A.	Municipality of Guastalla	2012 earthquake - see note (2)	205
CDP S.p.A.	Municipality of Luzzara	2012 earthquake - see note (2)	124
CDP S.p.A.	Municipality of Magnacavallo	2012 earthquake - see note (2)	67
CDP S.p.A.	Municipality of Mantua	2012 earthquake - see note (2)	116
CDP S.p.A.	Municipality of Medolla	2012 earthquake - see note (2)	266
CDP S.p.A.	Municipality of Melara	2012 earthquake - see note (2)	87
CDP S.p.A.	Municipality of Moglia	2012 earthquake - see note (2)	101
CDP S.p.A.	Municipality of Motteggiana	2012 earthquake - see note (2)	139
CDP S.p.A.	Municipality of Novi di Modena	2012 earthquake - see note (2)	72
CDP S.p.A.	Municipality of Occhiobello	2012 earthquake - see note (2)	1,235
CDP S.p.A.	Municipality of Pegognaga	2012 earthquake - see note (2)	245
CDP S.p.A.	Municipality of Piadena Drizzona	2012 earthquake - see note (2)	95
CDP S.p.A.	Municipality of Pieve di Cento	2012 earthquake - see note (2)	333
CDP S.p.A.	Municipality of Pincara	2012 earthquake - see note (2)	30
CDP S.p.A.	Municipality of Poggio Rusco	2012 earthquake - see note (2)	332
CDP S.p.A.	Municipality of Pomponesco	2012 earthquake - see note (2)	67
CDP S.p.A.	Municipality of Quingentole	2012 earthquake - see note (2)	27
CDP S.p.A.	Municipality of Ravarino	2012 earthquake - see note (2)	111
CDP S.p.A.	Municipality of Reggiolo	2012 earthquake - see note (2)	155
CDP S.p.A.	Municipality of Robecco d'Oglio	2012 earthquake - see note (2)	51
CDP S.p.A.	Municipality of Rodigo	2012 earthquake - see note (2)	188
CDP S.p.A.	Municipality of Rolo	2012 earthquake - see note (2)	109
CDP S.p.A.	Municipality of Roncoferraro	2012 earthquake - see note (2)	188
CDP S.p.A.	Municipality of Sabbioneta	2012 earthquake - see note (2)	170
CDP S.p.A.	Municipality of Salara	2012 earthquake - see note (2)	46
CDP S.p.A.	Municipality of San Benedetto Po	2012 earthquake - see note (2)	111
CDP S.p.A.	Municipality of San Daniele Po	2012 earthquake - see note (2)	115
CDP S.p.A.	Municipality of San Felice Sul Panaro	2012 earthquake - see note (2)	654
CDP S.p.A.	Municipality of San Giacomo delle Segnate	2012 earthquake - see note (2)	99
CDP S.p.A.	Municipality of San Giovanni del Dosso	2012 earthquake - see note (2)	75
CDP S.p.A.	Municipality of San Giovanni in Persiceto	2012 earthquake - see note (2)	375
CDP S.p.A.	Municipality of San Prospero	2012 earthquake - see note (2)	175
CDP S.p.A.	Municipality of Stienta	2012 earthquake - see note (2)	292
CDP S.p.A.	Municipality of Sustinente	2012 earthquake - see note (2)	67
CDP S.p.A.	Municipality of Suzzara	2012 earthquake - see note (2)	647
CDP S.p.A.	Municipality of Terre del Reno	2012 earthquake - see note (2)	38
CDP S.p.A.	Municipality of Trecenta	2012 earthquake - see note (2)	334
CDP S.p.A.	Municipality of Viadana	2012 earthquake - see note (2)	623
CDP S.p.A.	Municipality of Vigarano Mainarda	2012 earthquake - see note (2)	507
CDP S.p.A.	Municipality of Villimpenta	2012 earthquake - see note (2)	65
CDP S.p.A.	Municipality of Accumoli	Central Italy earthquake - see note (2)	97
CDP S.p.A.	Municipality of Acquasanta Terme	Central Italy earthquake - see note (2)	179
CDP S.p.A.	Municipality of Amandola	Central Italy earthquake - see note (2)	127

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Municipality of Amatrice	Central Italy earthquake - see note (2)	102
CDP S.p.A.	Municipality of Antrodoco	Central Italy earthquake - see note (2)	132
CDP S.p.A.	Municipality of Apiro	Central Italy earthquake - see note (2)	215
CDP S.p.A.	Municipality of Appignano del Tronto	Central Italy earthquake - see note (2)	64
CDP S.p.A.	Municipality of Arquata del Tronto	Central Italy earthquake - see note (2)	60
CDP S.p.A.	Municipality of Arrone	Central Italy earthquake - see note (2)	203
CDP S.p.A.	Municipality of Ascoli Piceno	Central Italy earthquake - see note (2)	1,082
CDP S.p.A.	Municipality of Barete	Central Italy earthquake - see note (2)	61
CDP S.p.A.	Municipality of Belforte del Chienti	Central Italy earthquake - see note (2)	102
CDP S.p.A.	Municipality of Belmonte Piceno	Central Italy earthquake - see note (2)	39
CDP S.p.A.	Municipality of Bolognola	Central Italy earthquake - see note (2)	22
CDP S.p.A.	Municipality of Borbona	Central Italy earthquake - see note (2)	42
CDP S.p.A.	Municipality of Cagnano Amiterno	Central Italy earthquake - see note (2)	10
CDP S.p.A.	Municipality of Caldarola	Central Italy earthquake - see note (2)	98
CDP S.p.A.	Municipality of Camerino	Central Italy earthquake - see note (2)	675
CDP S.p.A.	Municipality of Campli	Central Italy earthquake - see note (2)	214
CDP S.p.A.	Municipality of Camporotondo di Fiastrone	Central Italy earthquake - see note (2)	23
CDP S.p.A.	Municipality of Campotosto	Central Italy earthquake - see note (2)	50
CDP S.p.A.	Municipality of Cantalice	Central Italy earthquake - see note (2)	140
CDP S.p.A.	Municipality of Capitignano	Central Italy earthquake - see note (2)	13
CDP S.p.A.	Municipality of Cascia	Central Italy earthquake - see note (2)	141
CDP S.p.A.	Municipality of Castel Castagna	Central Italy earthquake - see note (2)	27
CDP S.p.A.	Municipality of Castel di Lama	Central Italy earthquake - see note (2)	372
CDP S.p.A.	Municipality of Castel Sant'Angelo	Central Italy earthquake - see note (2)	24
CDP S.p.A.	Municipality of Castelli	Central Italy earthquake - see note (2)	132
CDP S.p.A.	Municipality of Castelraimondo	Central Italy earthquake - see note (2)	620
CDP S.p.A.	Municipality of Castelsantangelo sul Nera	Central Italy earthquake - see note (2)	114
CDP S.p.A.	Municipality of Castignano	Central Italy earthquake - see note (2)	13
CDP S.p.A.	Municipality of Castorano	Central Italy earthquake - see note (2)	95
CDP S.p.A.	Municipality of Cerreto d'Esi	Central Italy earthquake - see note (2)	530
CDP S.p.A.	Municipality of Cerreto di Spoleto	Central Italy earthquake - see note (2)	90
CDP S.p.A.	Municipality of Cessapalombo	Central Italy earthquake - see note (2)	45
CDP S.p.A.	Municipality of Cingoli	Central Italy earthquake - see note (2)	943
CDP S.p.A.	Municipality of Cittaducale	Central Italy earthquake - see note (2)	586
CDP S.p.A.	Municipality of Cittareale	Central Italy earthquake - see note (2)	27
CDP S.p.A.	Municipality of Civitella del Tronto	Central Italy earthquake - see note (2)	272
CDP S.p.A.	Municipality of Colledara	Central Italy earthquake - see note (2)	151
CDP S.p.A.	Municipality of Colli del Tronto	Central Italy earthquake - see note (2)	124
CDP S.p.A.	Municipality of Colmurano	Central Italy earthquake - see note (2)	98
CDP S.p.A.	Municipality of Comunanza	Central Italy earthquake - see note (2)	256
CDP S.p.A.	Municipality of Corridonia	Central Italy earthquake - see note (2)	388
CDP S.p.A.	Municipality of Cortino	Central Italy earthquake - see note (2)	125
CDP S.p.A.	Municipality of Cossignano	Central Italy earthquake - see note (2)	25
CDP S.p.A.	Municipality of Crognaleto	Central Italy earthquake - see note (2)	223
CDP S.p.A.	Municipality of Esanatoglia	Central Italy earthquake - see note (2)	282
CDP S.p.A.	Municipality of Fabriano	Central Italy earthquake - see note (2)	2,010
CDP S.p.A.	Municipality of Falerone	Central Italy earthquake - see note (2)	142
CDP S.p.A.	Municipality of Fano Adriano	Central Italy earthquake - see note (2)	39
CDP S.p.A.	Municipality of Farindola	Central Italy earthquake - see note (2)	47
CDP S.p.A.	Municipality of Ferentillo	Central Italy earthquake - see note (2)	157
CDP S.p.A.	Municipality of Fiastra	Central Italy earthquake - see note (2)	77

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Municipality of Fiuminata	Central Italy earthquake - see note (2)	158
CDP S.p.A.	Municipality of Folignano	Central Italy earthquake - see note (2)	487
CDP S.p.A.	Municipality of Force	Central Italy earthquake - see note (2)	90
CDP S.p.A.	Municipality of Gagliole	Central Italy earthquake - see note (2)	70
CDP S.p.A.	Municipality of Gualdo	Central Italy earthquake - see note (2)	96
CDP S.p.A.	Municipality of Isola del Gran Sasso d’Italia	Central Italy earthquake - see note (2)	117
CDP S.p.A.	Municipality of Leonessa	Central Italy earthquake - see note (2)	92
CDP S.p.A.	Municipality of Loro Piceno	Central Italy earthquake - see note (2)	202
CDP S.p.A.	Municipality of Macerata	Central Italy earthquake - see note (2)	2,185
CDP S.p.A.	Municipality of Maltignano	Central Italy earthquake - see note (2)	5
CDP S.p.A.	Municipality of Massa Fermana	Central Italy earthquake - see note (2)	71
CDP S.p.A.	Municipality of Matelica	Central Italy earthquake - see note (2)	875
CDP S.p.A.	Municipality of Micigliano	Central Italy earthquake - see note (2)	26
CDP S.p.A.	Municipality of Mogliano	Central Italy earthquake - see note (2)	336
CDP S.p.A.	Municipality of Monsampietro Morico	Central Italy earthquake - see note (2)	52
CDP S.p.A.	Municipality of Montalto delle Marche	Central Italy earthquake - see note (2)	157
CDP S.p.A.	Municipality of Montappone	Central Italy earthquake - see note (2)	156
CDP S.p.A.	Municipality of Monte Cavallo	Central Italy earthquake - see note (2)	43
CDP S.p.A.	Municipality of Monte Rinaldo	Central Italy earthquake - see note (2)	26
CDP S.p.A.	Municipality of Monte San Martino	Central Italy earthquake - see note (2)	56
CDP S.p.A.	Municipality of Monte Vidon Corrado	Central Italy earthquake - see note (2)	43
CDP S.p.A.	Municipality of Montefalcone Appennino	Central Italy earthquake - see note (2)	25
CDP S.p.A.	Municipality of Montefortino	Central Italy earthquake - see note (2)	32
CDP S.p.A.	Municipality of Montefranco	Central Italy earthquake - see note (2)	30
CDP S.p.A.	Municipality of Montegallo	Central Italy earthquake - see note (2)	61
CDP S.p.A.	Municipality of Montegiorgio	Central Italy earthquake - see note (2)	346
CDP S.p.A.	Municipality of Monteleone di Fermo	Central Italy earthquake - see note (2)	29
CDP S.p.A.	Municipality of Monteleone di Spoleto	Central Italy earthquake - see note (2)	13
CDP S.p.A.	Municipality of Montelparo	Central Italy earthquake - see note (2)	78
CDP S.p.A.	Municipality of Montereale	Central Italy earthquake - see note (2)	86
CDP S.p.A.	Municipality of Montorio al Vomano	Central Italy earthquake - see note (2)	293
CDP S.p.A.	Municipality of Muccia	Central Italy earthquake - see note (2)	39
CDP S.p.A.	Municipality of Norcia	Central Italy earthquake - see note (2)	321
CDP S.p.A.	Municipality of Offida	Central Italy earthquake - see note (2)	200
CDP S.p.A.	Municipality of Ortezzano	Central Italy earthquake - see note (2)	35
CDP S.p.A.	Municipality of Palmiano	Central Italy earthquake - see note (2)	2
CDP S.p.A.	Municipality of Penna San Giovanni	Central Italy earthquake - see note (2)	151
CDP S.p.A.	Municipality of Petriolo	Central Italy earthquake - see note (2)	87
CDP S.p.A.	Municipality of Pietracamela	Central Italy earthquake - see note (2)	57
CDP S.p.A.	Municipality of Pieve Torina	Central Italy earthquake - see note (2)	281
CDP S.p.A.	Municipality of Pioraco	Central Italy earthquake - see note (2)	104
CDP S.p.A.	Municipality of Pizzoli	Central Italy earthquake - see note (2)	154
CDP S.p.A.	Municipality of Poggio Bustone	Central Italy earthquake - see note (2)	34
CDP S.p.A.	Municipality of Poggiodomo	Central Italy earthquake - see note (2)	29
CDP S.p.A.	Municipality of Polino	Central Italy earthquake - see note (2)	65
CDP S.p.A.	Municipality of Pollenza	Central Italy earthquake - see note (2)	308
CDP S.p.A.	Municipality of Posta	Central Italy earthquake - see note (2)	7
CDP S.p.A.	Municipality of Preci	Central Italy earthquake - see note (2)	32
CDP S.p.A.	Municipality of Rieti	Central Italy earthquake - see note (2)	1,970
CDP S.p.A.	Municipality of Ripe San Ginesio	Central Italy earthquake - see note (2)	42

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Municipality of Rivodutri	Central Italy earthquake - see note (2)	42
CDP S.p.A.	Municipality of Rocca Santa Maria	Central Italy earthquake - see note (2)	87
CDP S.p.A.	Municipality of Roccafluvione	Central Italy earthquake - see note (2)	55
CDP S.p.A.	Municipality of San Ginesio	Central Italy earthquake - see note (2)	297
CDP S.p.A.	Municipality of San Severino Marche	Central Italy earthquake - see note (2)	435
CDP S.p.A.	Municipality of Santa Vittoria in Matenano	Central Italy earthquake - see note (2)	30
CDP S.p.A.	Municipality of Sant'Anatolia di Narco	Central Italy earthquake - see note (2)	45
CDP S.p.A.	Municipality of Sant'Angelo in Pontano	Central Italy earthquake - see note (2)	109
CDP S.p.A.	Municipality of Sarnano	Central Italy earthquake - see note (2)	400
CDP S.p.A.	Municipality of Scheggino	Central Italy earthquake - see note (2)	46
CDP S.p.A.	Municipality of Sefro	Central Italy earthquake - see note (2)	61
CDP S.p.A.	Municipality of Sellano	Central Italy earthquake - see note (2)	13
CDP S.p.A.	Municipality of Serrapetrona	Central Italy earthquake - see note (2)	13
CDP S.p.A.	Municipality of Serravalle di Chienti	Central Italy earthquake - see note (2)	97
CDP S.p.A.	Municipality of Servigliano	Central Italy earthquake - see note (2)	71
CDP S.p.A.	Municipality of Smerillo	Central Italy earthquake - see note (2)	32
CDP S.p.A.	Municipality of Spoleto	Central Italy earthquake - see note (2)	1,400
CDP S.p.A.	Municipality of Teramo	Central Italy earthquake - see note (2)	1,771
CDP S.p.A.	Municipality of Tolentino	Central Italy earthquake - see note (2)	1,579
CDP S.p.A.	Municipality of Torricella Sicura	Central Italy earthquake - see note (2)	49
CDP S.p.A.	Municipality of Tossicia	Central Italy earthquake - see note (2)	58
CDP S.p.A.	Municipality of Treia	Central Italy earthquake - see note (2)	328
CDP S.p.A.	Municipality of Urbisaglia	Central Italy earthquake - see note (2)	244
CDP S.p.A.	Municipality of Ussita	Central Italy earthquake - see note (2)	745
CDP S.p.A.	Municipality of Valfornace	Central Italy earthquake - see note (2)	189
CDP S.p.A.	Municipality of Valle Castellana	Central Italy earthquake - see note (2)	113
CDP S.p.A.	Municipality of Vallo di Nera	Central Italy earthquake - see note (2)	7
CDP S.p.A.	Municipality of Venarotta	Central Italy earthquake - see note (2)	96
CDP S.p.A.	Municipality of Visso	Central Italy earthquake - see note (2)	177
CDP S.p.A.	Province of Ancona	Central Italy earthquake - see note (2)	1,528
CDP S.p.A.	Province of Ascoli Piceno	Central Italy earthquake - see note (2)	1,200
CDP S.p.A.	Province of Fermo	Central Italy earthquake - see note (2)	1,466
CDP S.p.A.	Province of Macerata	Central Italy earthquake - see note (2)	1,223
CDP S.p.A.	Province of Perugia	Central Italy earthquake - see note (2)	4,891
CDP S.p.A.	Province of Pescara	Central Italy earthquake - see note (2)	2,709
CDP S.p.A.	Province of Rieti	Central Italy earthquake - see note (2)	988
CDP S.p.A.	Province of Teramo	Central Italy earthquake - see note (2)	1,007
CDP S.p.A.	Province of Terni	Central Italy earthquake - see note (2)	1,168
CDP S.p.A.	Municipality of Casamicciola Terme	Ischia earthquake - see note (2)	619
CDP S.p.A.	Municipality of Forio	Ischia earthquake - see note (2)	410
CDP S.p.A.	Municipality of Lacco Ameno	Ischia earthquake - see note (2)	612
CDP S.p.A.	Carabinieri Corps	Supply of face masks - Covid-19 emergency	950
CDP S.p.A.	China-Italy Philanthropy Forum	Contribution for medical material transport costs - Covid-19 emergency	547
CDP S.p.A.	CDP Foundation	Establishment of the CDP Foundation	5,000

(1) For both segments of the Investment Fund for Development (FIV Extra and FIV Plus) the spaces granted on free loan are former barracks characterised 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, as well as in response to the Covid-19 health emergency, the parent company CDP has established, in favour of local authorities or entities operating in social welfare activities, the loan instalments, 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 2020, in terms of principal and interest, the collection of which has been deferred to the future date.

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 IAS/IFRS purposes with their reclassification into uniform aggregates in relation to both products and business lines.

Reclassified consolidated balance sheet - Assets

(millions of euro) ASSETS - Balance sheet items	31/12/2020	Cash and cash equivalents and other trasury investments	Loans	Debt securities and units in collective investment undertakings	Equity investments	Trading and hedging derivatives	Property, plant and equipment and intangible assets	Reinsurers' share of technical reserves	Other assets
10. Cash and cash equivalents	1	1							
20. Financial assets measured at fair value through profit or loss:	4,923								
a) Financial assets held for trading	1,321			1,215		106			
b) Financial assets designated at fair value	479		479						
c) Other financial assets mandatorily measured at fair value	3,123		430	2,693					
30. Financial assets measured at fair value through other comprehensive income	13,538			13,538					
40. Financial assets measured at amortised cost:	403,754								
a) Loans to banks	48,553	32,517	14,193	1,843					
b) Loans to customers	355,201	187,524	98,220	69,457					
50. Hedging derivatives	554					554			
60. Fair value change of financial assets in hedged portfolios (+/-)	2,532								2,532
70. Equity investments	15,834				15,834				
80. Reinsurers' share of technical reserves	2,595							2,595	
90. Property, plant and equipment	40,316						40,316		
100. Intangible assets	14,357						14,357		
110. Tax assets	1,989								1,989
120. Non-current assets and disposal groups held for sale	291								291
130. Other assets	11,724								11,724
Total assets	**512,408**	**220,042**	**113,322**	**88,746**	**15,834**	**660**	**54,673**	**2,595**	**16,536**

Reclassified consolidated balance sheet – Liabilities and equity

(millions of euro) LIABILITIES AND EQUITY - Balance sheets items	31/12/2020	Total funding	Funding				Liabilities held for trading and hedging derivatives	Technical reserves	Other liabilities	Provisions for contin-gencies, taxes and staff sever-ance pay	Total equity
			Postal funding	Funding from banks	Funding from customers	Bond funding					
10. Financial liabilities measured at amortised cost	417,074										
a) Due to banks	62,303	62,303	1,416	60,887							
b) Due to customers	311,388	311,388	273,159	24,209	14,020						
c) Securities issued	43,383	43,383				43,383					
20. Financial liabilities held for trading	268						268				
30. Financial liabilities designated at fair value	30	30			30						
40. Hedging derivatives	4,684						4,684				
50. Fair value change of financial liabilities in hedged portfolios (+/-)	10								10		
60. Tax liabilities	3,748									3,748	
70. Liabilities associated with non-current assets and disposal groups held for sale	165								165		
80. Other liabilities	46,094								46,094		
90. Staff severance pay	241									241	
100. Provisions for risks and charges	2,934									2,934	
110. Technical reserves	3,461							3,461			
120. Valuation reserves	511										511
150. Reserves	14,187										14,187
160. Share premium reserve	2,379										2,379
170. Share capital	4,051										4,051
180. Treasury shares (-)	(322)										(322)
190. Non-controlling interests (+/-)	13,262										13,262
200. Net income (loss) for the year	(369)										(369)
Total liabilities and equity	**512,408**	**417,104**	**274,575**	**85,096**	**14,050**	**43,383**	**4,952**	**3,461**	**46,269**	**6,923**	**33,699**

Reclassified consolidated income statement

(millions of euro) INCOME STATEMENT - Financial statement items		2020	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	7,953	7,953				7,953	
20.	Interest expense and similar expense	(4,962)	(4,962)				(4,962)	
40.	Commission income	520	300		220		520	
50.	Commission expense	(1,482)	(1,393)		(89)		(1,482)	
70.	Dividends and similar revenues	26		26			26	
80.	Profits (losses) on trading activities	(119)				(119)	(119)	
90.	Net gain (loss) on hedging activities	(50)				(50)	(50)	
100.	Gains (losses) on disposal or repurchase	857				857	857	
110.	Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	(201)				(201)	(201)	
130.	Net adjustments/recoveries for credit risk	(191)						
140.	Gains/losses from changes in contrats without derecognition							
160.	Net premium income	(12)						(12)
170.	Net other income (expense) from insurance operations	7						7
190.	Administrative expenses	(9,882)						
200.	Net accruals to the provisions for risks and charges	(129)						
210.	Net adjustments to/recoveries on property, plant and equipment	(1,793)						
220.	Net adjustments to/recoveries on intangible assets	(886)						
230.	Other operating income (costs)	15,102						
250.	Gains (losses) on equity investments	(2,117)		(2,117)			(2,117)	
260.	Gains (Losses) on tangible and intangible assets measured at fair value							
280.	Gains (losses) on disposal of investments	16						
300.	Income tax for the year on continuing operations	(1,481)						
320.	Income (loss) after tax on discontinued operations	(13)						
330.	**Net income (loss) for the year**	**1,163**	**1,898**	**(2,091)**	**131**	**487**	**425**	**(5)**
340.	Net income (loss) for the year pertaining to non-controlling interests	1,532						
350.	**Net income (loss) for the year pertaining to shareholders of the Parent Company**	**(369)**						

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
7,953				7,953					7,953
(4,962)				(4,962)					(4,962)
520				520					520
(1,482)				(1,482)					(1,482)
26				26					26
(119)				(119)					(119)
(50)				(50)					(50)
857				857					857
(201)				(201)					(201)
	(191)			(191)					(191)
(12)				(12)					(12)
7				7					7
		(9,882)		(9,882)					(9,882)
	(92)			(92)	(37)				(129)
						(1,793)			(1,793)
						(886)			(886)
			15,102	15,102					15,102
(2,117)				(2,117)					(2,117)
							16		16
								(1,481)	(1,481)
							(13)		(13)
420	**(283)**	**(9,882)**	**15,102**	**5,357**	**(37)**	**(2,679)**	**3**	**(1,481)**	**1,163**
									1,532
									(369)

Independent Auditor's report

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cassa Depositi e Prestiti S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cassa Depositi e Prestiti S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

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 our report. We are independent of Cassa Depositi e Prestiti S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. 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.

Deloitte.

Valuation of the equity investments in jointly controlled subsidiaries and associates	
Description of the key audit matter	The consolidated financial statements as at December 31, 2020 include equity investments amounting to Euro 15,834 million, mainly related to investments in jointly controlled subsidiaries and associates accounted for using the equity method. At each reporting date, the Management assess whether there is any indication that an asset may be impaired (so-called "triggers") provided by IAS 36; this assessment is performed on the basis of information taken from public sources or of any additional information received by the investees. For the purpose of the assessment carried out for the consolidated financial statements as at December 31, 2020, the Management also considered the indications issued by national and international authorities in relation to the impacts of the COVID-19 pandemic. In this regard, the COVID-19 outbreak on a global scale and the consequent impacts on the economic activity have led to an increase in uncertainty which makes the formulation of estimates regarding cash flows deriving from equity investments more complex, also with reference to the greater uncertainty associated with the assumptions and parameters used in the recoverability assessment of the assets. As at December 31, 2020, the Management detected impairment indicators on some of the key equity investments accounted for using the equity method mainly due to the actual results, in combination with the unfavourable performance of market prices for some of them. As indicated in the notes to the consolidated financial statements, the Management, therefore, carried out the impairment test through a comparison between the carrying amount and the recoverable amount of such equity investment, using the most appropriate methodologies, from the outcome of which no impairment losses were recognised. Considering the discretionary and the uncertainty implied in the estimation made in determining the assumptions and parameters of the impairment model, the increased complexity in the formulation of these estimates due to uncertainties arising from the spread of COVID-19 pandemic, as well as the significance of the amount of equity investments in jointly controlled subsidiaries and associates, we considered the valuation of such equity investments was a key audit matter of the consolidated financial statement of Cassa Depositi e Prestiti as at December 31, 2020. Paragraph 5 "Equity investments" of Part A.2 "The main financial statement items" describes the accounting principles used for the valuation of these items. Paragraph 7.1 "Information on equity investment" of Section 7 "Equity investments" Item 70 of Part B "Information on the consolidated balance sheet" includes the disclosure about the valuation of investments in jointly controlled subsidiaries and associates.

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Procedure di revisione svolte	As part of our audits work, we carried out the following procedures also supported, in some cases, by valuation experts from our Network: • meetings and discussions with Management of the Group and, where appropriate, of the equity investments in order to understand the valuation methods, the information used and the assumptions made for the impairment test; • understanding of the processes and relevant controls adopted by the Group for the assessment of the impairment test; • analysis of the valuation methods adopted by Management to determine the recoverable amount of such equity investments; • analysis of the set of information used by Management to support their valuation, including the report issued by the independent expert involved by Management for the estimation of the recoverable amount; • verification of the adequacy of the valuation method and their consistency with the accounting standards and valuation practices, also taking into account the specific context of each equity investments; • analysis of the reasonableness of the main assumption and parameters used to determine the recoverable amount also through the verification of external data and information provided by Management; • assessing the mathematical accuracy of the model used to determine the recoverable amount of the equity investments in jointly controlled subsidiaries and associates; • verification of the adequacy of the disclosure provided by Directors in the consolidated financial statements and its compliance with IAS 36.
Recognition of business combination	
Description of the key audit matter	In the last months of 2019 two business combinations (SIA S.p.A. and Ansaldo Energia S.p.A.) were finalized, which had been accounted for in the consolidated financial statements of the Cassa Depositi e Prestiti as at December 31, 2019 using provisional amounts on the basis of the provisions of IFRS 3. Specifically, with reference to SIA S.p.A., in 2020 the Group completed the process of purchase price allocation, including the fair value of the shares previously held in the company, to the assets and liabilities of the acquired entity in accordance with the provisions of IFRS 3. This process led to the recognition of higher values of Euro 876 million before tax relating to intangible assets (backlog, customer relationships and software) and goodwill of Euro 1,202 million; with reference to Ansaldo Energia S.p.A. have been recognized higher values of Euro 459 million before tax mainly relating

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	to tangible and intangible assets (backlog, customer relationships and brand) and goodwill of Euro 360 million. Considering the discretionary and the complexity of the valuation matters implied in the process of determining the fair value of the net assets acquired, as well as the significance of the effects of these transactions, we considered the recognition of the business combinations of SIA S.p.A. and Ansaldo Energia S.p.A. was a key audit matter of the consolidated financial statement of Cassa Depositi e Prestiti as at December 31, 2020. Paragraph 16 "Other information" – "Business combination" of Part A.2 "The main financial statement items" describes the accounting principles used for the recognition of these operations. Section 3 "Retrospective adjustment" of Part G "Business combations" of the consolidated financial statemens includes the disclosure about this matter.
Audit procedures performed	As part of our audits work, we carried out the following procedures also supported by valuation experts from our Network: • analysis of the business combination agreements; • understanding of the processes and relevant controls adopted by the Company for the recognition of business combinations in accordance with the provisions of IFRS 3; • understanding and valuation of the criteria used by Management for the recognition of operations on the basis of the acquisition method in accordance with the provisions of IFRS 3 "Business combination"; • examination of the reports issued by the independent experts appointed by Management with reference to the process of allocation of the acquisition cost; • analysis of the reasonableness of the main assumption used by the Company to determine the fair value of the acquired assets and liabilities, as well as the goodwill, also through collecting the information provided by the Company and in-depth discussions with its independent expert; • examination of the accuracy of the journal entries; • verification of the adequacy of the disclosure provided by Directors in the consolidated financial statements and its compliance with IFRS 3.

Other Matter

The consolidated financial statements of the Cassa Depositi e Prestiti Group for the period ended as of December 31, 2019 were audited by other auditor that on April 20, 2020 expressed an unmodified opinion on those consolidated financial statements.

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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 and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established 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 these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.

- Obtain 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's 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

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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.

- Evaluate 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.

- Obtain 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.

We communicate 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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate 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 determine 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 describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa Depositi e Prestiti S.p.A. has appointed us on March 19, 2019 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the 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 role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Cassa Depositi e Prestiti S.p.A. are responsible for the preparation of the report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the the report on corporate governance and the ownership structure of Cassa Depositi e Prestiti Group as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the law.

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We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the specific section related to the report on corporate governance and the ownership structure set forth in art. 123-bis, paragraph 4, of Legislative Decree 58/98, with the consolidated financial statements of Cassa Depositi e Prestiti Group as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Cassa Depositi e Prestiti Group as at December 31, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Cassa Depositi e Prestiti S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Motta
Partner

Rome, Italy
April 20, 2021

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

Certification of the Consolidated financial statements

pursuant to Art. 154-*bis* of Legislative Decree no. 58/1998

1. The undersigned Fabrizio Palermo, in his capacity as Chief Executive Officer, and Pier Francesco Ragni, 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 Art. 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 2020.

2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the consolidated financial statements at 31 December 2020 was based on a process developed by Cassa Depositi e Prestiti S.p.A in line with the CoSO model and CoBIT model (for the IT component), which make up the generally-accepted internal control framework at international level.

3. In addition, it is hereby certified that:
   3.1 the consolidated financial statements at 31 December 2020:
      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, 20 April 2021

The Chief Executive Officer

Fabrizio Palermo

Manager in charge with preparing the company's financial reports

Pier Francesco Ragni

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Shareholders’ resolution

Shareholders' resolution

After hearing the Chairman's brief, approving the proposed allocation of profit formulated by the Ministry for the Economy and Finance, the Shareholder's Meeting, unanimously and by show of hands

resolves

to approve the following allocation of the profit for the year, equal to euro 2,774,522,485.00:
- euro 2,220,526,970.64 as a dividend for shareholders, payable by within 30 days of the date of the Shareholders' Meeting;
- euro 553,995,514.36 as retained earnings.

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

Summary table of the allocation of net income for the year

(euro)	
Profit for the year	2,774,522,485.00
Dividend	2,220,526,970.64
Retained earnings	553,995,514.36
Dividend per share*	6.57

* Excluding treasury shares.

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The greenhouse gas emissions deriving from the printing of the 2020 financial and non-financial reports (Integrated Report, Annual Financial Report and Annual Review) and their distribution will be compensated, with Arbolia's support, through the planting of 150 trees in Italy.
The analysis of absorbed emissions was conducted following the principles and methodology proposed by the UNI EN ISO 14064-1: 2019 standard with reference to the development of greenhouse gas (GHG) inventories for organisations and by UNI EN ISO 14067: 2018 regarding the carbon footprint of products.

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Investing in tomorrow

Since 1850
we have been investing
in tomorrow