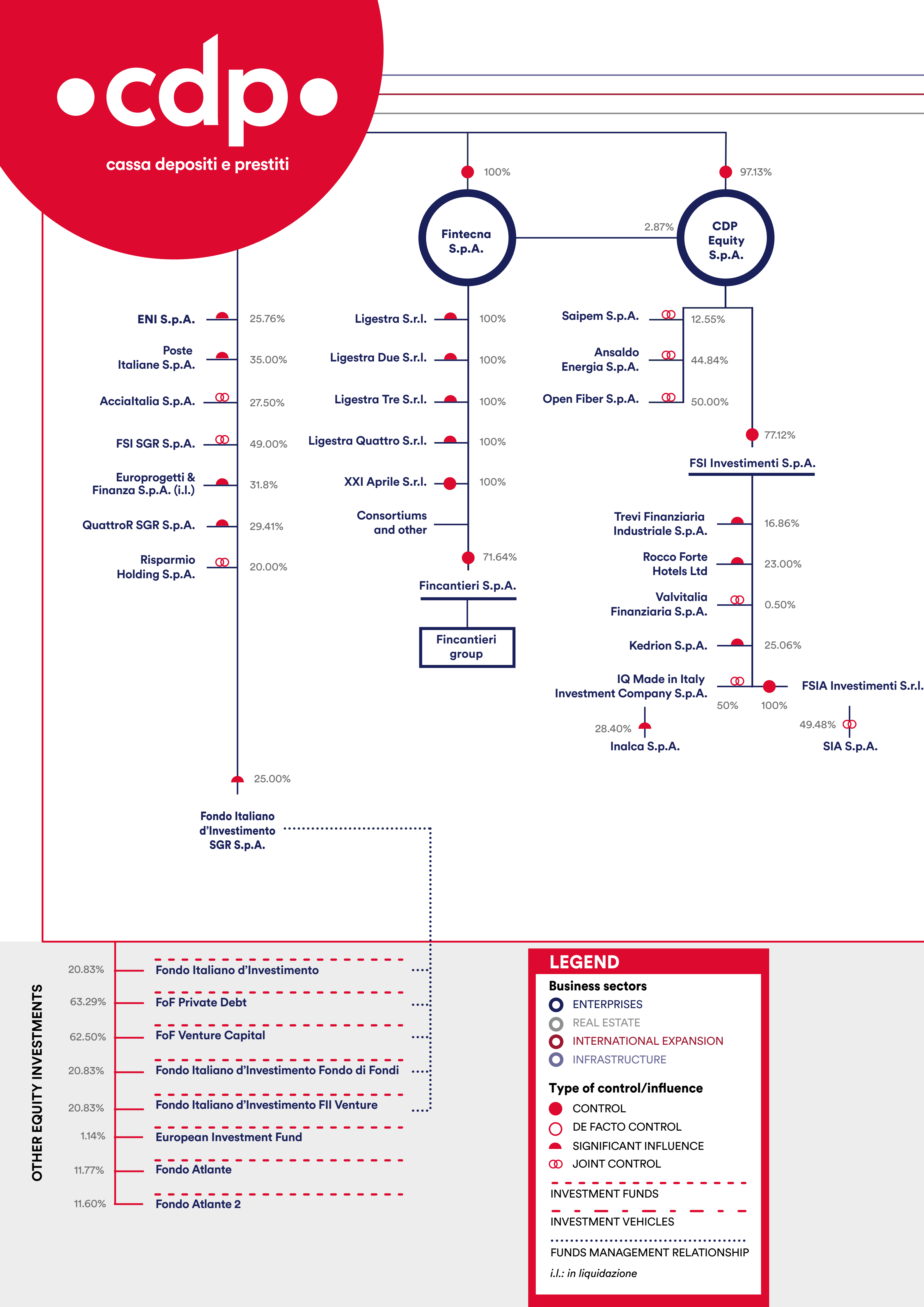
Annual Report

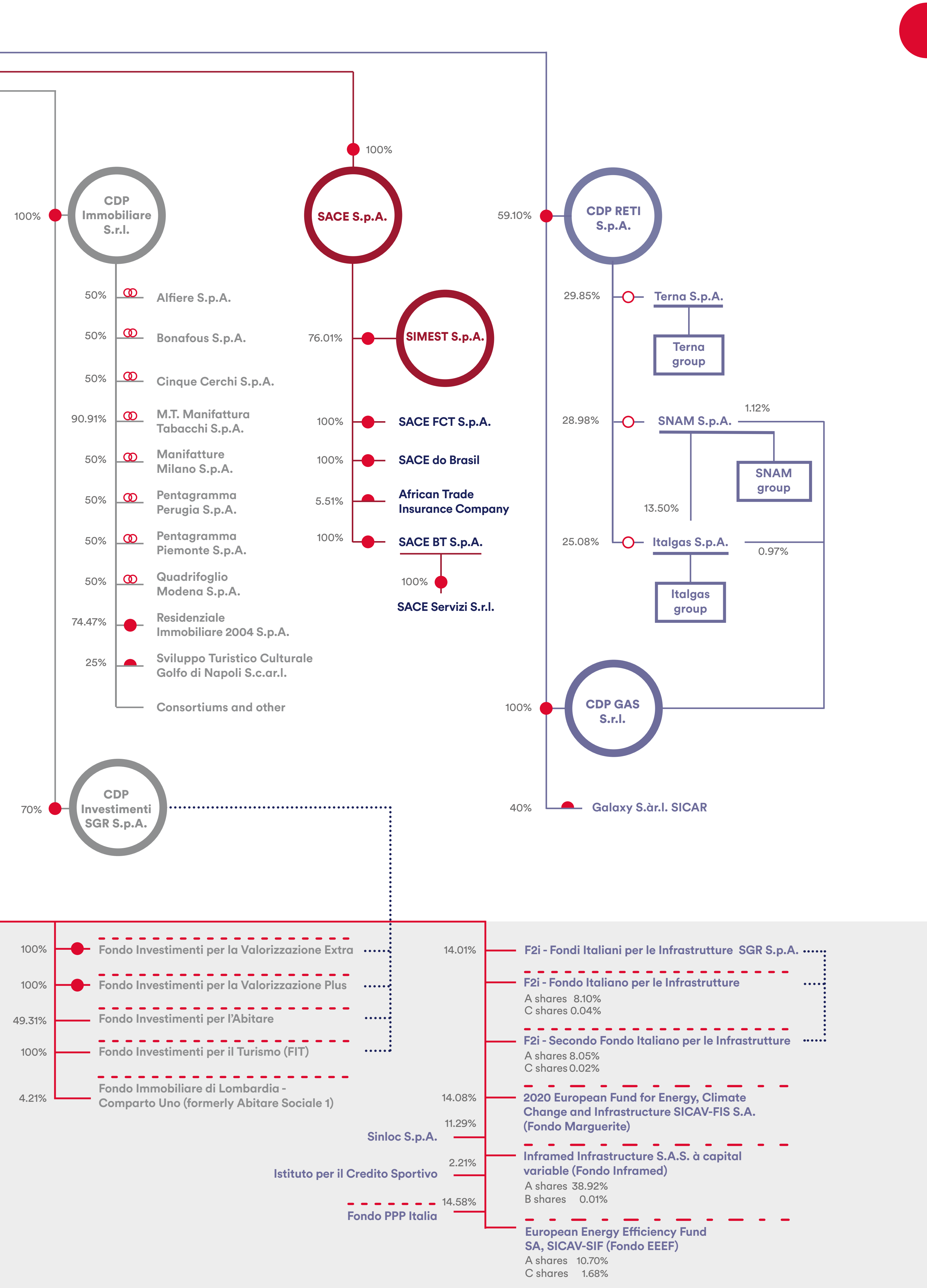
2016

cassa depositi e prestiti

since 1850



cassa depositi e prestiti
100%
97.13%
Fintecna S.p.A.
2.87%
CDP Equity S.p.A.
ENI S.p.A. 25.76%
Poste Italiane S.p.A. 35.00%
Accialtalia S.p.A. 27.50%
FSI SGR S.p.A. 49.00%
Europrogetti & Finanza S.p.A. (i.l.) 31.8%
QuattroR SGR S.p.A. 29.41%
Risparmio Holding S.p.A. 20.00%
25.00%
Fondo Italiano d'Investimento SGR S.p.A.
Ligestra S.r.l. 100%
Ligestra Due S.r.l. 100%
Ligestra Tre S.r.l. 100%
Ligestra Quattro S.r.l. 100%
XXI Aprile S.r.l. 100%
Consortiums and other
71.64%
Fincantieri S.p.A.
Fincantieri group
Saipem S.p.A. 12.55%
Ansaldo Energia S.p.A. 44.84%
Open Fiber S.p.A. 50.00%
77.12%
FSI Investimenti S.p.A.
Trevi Finanziaria Industriale S.p.A. 16.86%
Rocco Forte Hotels Ltd 23.00%
Valvitalia Finanziaria S.p.A. 0.50%
Kedrion S.p.A. 25.06%
IQ Made in Italy Investment Company S.p.A. 50%
FSIA Investimenti S.r.l. 100%
28.40%
Inalca S.p.A.
49.48%
SIA S.p.A.
OTHER EQUITY INVESTMENTS
20.83% Fondo Italiano d'Investimento
63.29% FoF Private Debt
62.50% FoF Venture Capital
20.83% Fondo Italiano d'Investimento Fondo di Fondi
20.83% Fondo Italiano d'Investimento FII Venture
1.14% European Investment Fund
11.77% Fondo Atlante
11.60% Fondo Atlante 2
LEGEND
Business sectors
ENTERPRISES
REAL ESTATE
INTERNATIONAL EXPANSION
INFRASTRUCTURE
Type of control/influence
CONTROL
DE FACTO CONTROL
SIGNIFICANT INFLUENCE
JOINT CONTROL
INVESTMENT FUNDS
INVESTMENT VEHICLES
FUNDS MANAGEMENT RELATIONSHIP
i.l.: in liquidazione


100%
CDP Immobiliare S.r.l.
50% Alfiere S.p.A.
50% Bonafous S.p.A.
50% Cinque Cerchi S.p.A.
90.91% M.T. Manifattura Tabacchi S.p.A.
50% Manifatture Milano S.p.A.
50% Pentagramma Perugia S.p.A.
50% Pentagramma Piemonte S.p.A.
50% Quadrifoglio Modena S.p.A.
74.47% Residenziale Immobiliare 2004 S.p.A.
25% Sviluppo Turistico Culturale Golfo di Napoli S.c.ar.l.
Consortiums and other
70%
CDP Investimenti SGR S.p.A.
100%
SACE S.p.A.
76.01% SIMEST S.p.A.
100% SACE FCT S.p.A.
100% SACE do Brasil
5.51% African Trade Insurance Company
100% SACE BT S.p.A.
100% SACE Servizi S.r.l.
59.10%
CDP RETI S.p.A.
29.85% Terna S.p.A.
Terna group
28.98% SNAM S.p.A.
1.12%
SNAM group
13.50%
25.08% Italgas S.p.A.
0.97%
Italgas group
100%
CDP GAS S.r.l.
40% Galaxy S.àr.l. SICAR
100% Fondo Investimenti per la Valorizzazione Extra
100% Fondo Investimenti per la Valorizzazione Plus
49.31% Fondo Investimenti per l'Abitare
100% Fondo Investimenti per il Turismo (FIT)
4.21% Fondo Immobiliare di Lombardia - Comparto Uno (formerly Abitare Sociale 1)
11.29% Sinloc S.p.A.
2.21% Istituto per il Credito Sportivo
14.58% Fondo PPP Italia
14.01% F2i - Fondi Italiani per le Infrastrutture SGR S.p.A.
F2i - Fondo Italiano per le Infrastrutture
A shares 8.10%
C shares 0.04%
F2i - Secondo Fondo Italiano per le Infrastrutture
A shares 8.05%
C shares 0.02%
14.08% 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS S.A. (Fondo Marguerite)
Inframed Infrastructure S.A.S. à capital variable (Fondo Inframed)
A shares 38.92%
B shares 0.01%
European Energy Efficiency Fund SA, SICAV-SIF (Fondo EEEF)
A shares 10.70%
C shares 1.68%

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

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

Summary

Letter to shareholders

Dear Shareholders,

In 2016, the Italian economy was affected by a number of conflicting factors that made the environment in which the CDP Group operated even more challenging. On the one hand, the recovery stabilized, albeit at a slower pace than other major European countries. GDP grew at a slightly faster rate than in 2015, thanks to domestic demand, which was driven by household consumption and, above all, gross fixed capital formation. The renewed dynamism of the economy was reflected in the business and household confidence indexes, which remained at a high level, although slightly down on the previous year.

By contrast, several problems weighed on the overall performance of the economy. The stock of NPLs has continued to adversely affect bank profitability and the supply of credit, although lending to the private sector has shown signs of expansion. The recapitalization issues of some banks raised fears about triggering systemic tensions in the financial markets. These strains were mitigated by government intervention, including state guarantees on securitizations of bad debts, procedures to accelerate the recovery of impaired exposures and measures to support the capitalization of banks.

In this context, CDP played the role of National Promotional Institution with increased efficiency and effectiveness, contributing to economic development and investing to support the competitiveness of the country, in line with its mandate. One year after the introduction of the ambitious 2016-2020 Business Plan, the Group has achieved its goals, expanding the volume of resources mobilized in support of the economy and introducing innovative financing instruments. The year was marked by a major change of pace in the operations of the Group, with the start of the main business initiatives in the four lines of intervention set out in the Plan (i.e., Government & PA and Infrastructure; Enterprises; Export Finance and Real Estate).

The volume of resources mobilized and managed by the Group in 2016 amounted to about euro 30 billion, with the activation through a multiplier effect of additional euro 20 billion, coming from public and private investors in Italy and abroad, for a total volume of mobilized resources of around euro 50 billion: this represented a powerful financing boost for the development of Italy. Promoting the economy, however, did not undermine our profitability, which rose sharply, or our capital base, which was strengthened considerably. The Group posted net income of euro 1.1 billion after the loss registered in 2015, while the Parent Company's net income of about euro 1.7 billion was about double that recorded in 2015. Consolidated shareholders' equity grew by about euro 1 billion, while that of the Parent Company increased by almost euro 4 billion.

To achieve these results, incisive and coordinated management actions were taken to increase operational efficiency and pursue careful cost discipline, including redefining governance arrangements and renewing the Group identity, strengthening the management team, creating a new IT architecture and expanding our presence across the country. The optimization of funding sources, the improvement of asset and liability management (ALM) and the enhancement of the efficiency of treasury management, in addition to the partial redefinition of the remuneration mechanism for liquidity deposited at the Ministry for the Economy and Finance, all contributed significantly to improving margins, despite a relatively adverse interest rate environment.

In each area of intervention, the Group acted with a long-term perspective, focusing on four key elements, consistent with its DNA: promoting economic activity, taking a systemic and counter-cyclical approach, ensuring complementarity with private initiatives and paying attention to the social and environmental sustainability of interventions. Resources were channelled into initiatives to support the general economic interest with very precise guidelines. Every investment was assessed on the basis of the positive impact it would have on the economy and on its economic and financial sustainability. Such a level of attention is justified by the fact that most of the funds used were raised from the nearly 30 million custom-

(1) Brussels, 1 June 2016.

ers who entrust CDP with their savings through postal bonds and passbook accounts. These savings must be safeguarded, guaranteed and remunerated appropriately.

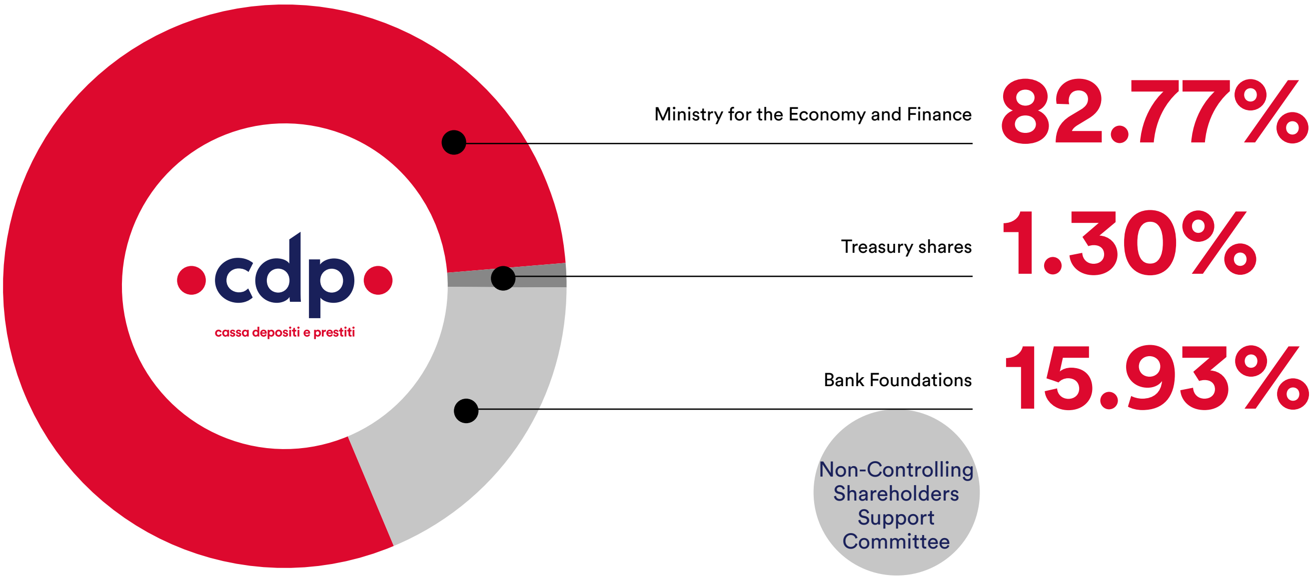
In the various areas of investment, the Group played a proactive role, acting as a leading partner for the country's key strategic projects. As far as the Public Administration and infrastructure are concerned, CDP's historical role of lead partner and lender was confirmed. The objective for enterprises was to support them throughout their life cycle, from technology transfer to turnaround, seeking to become Italy's leading venture capital operator. Exporters benefited from a new export finance model, based on an integrated Group approach. Finally, in the real estate sector, strategy focused on urban transformation, tourism and innovative projects such as social and smart housing.

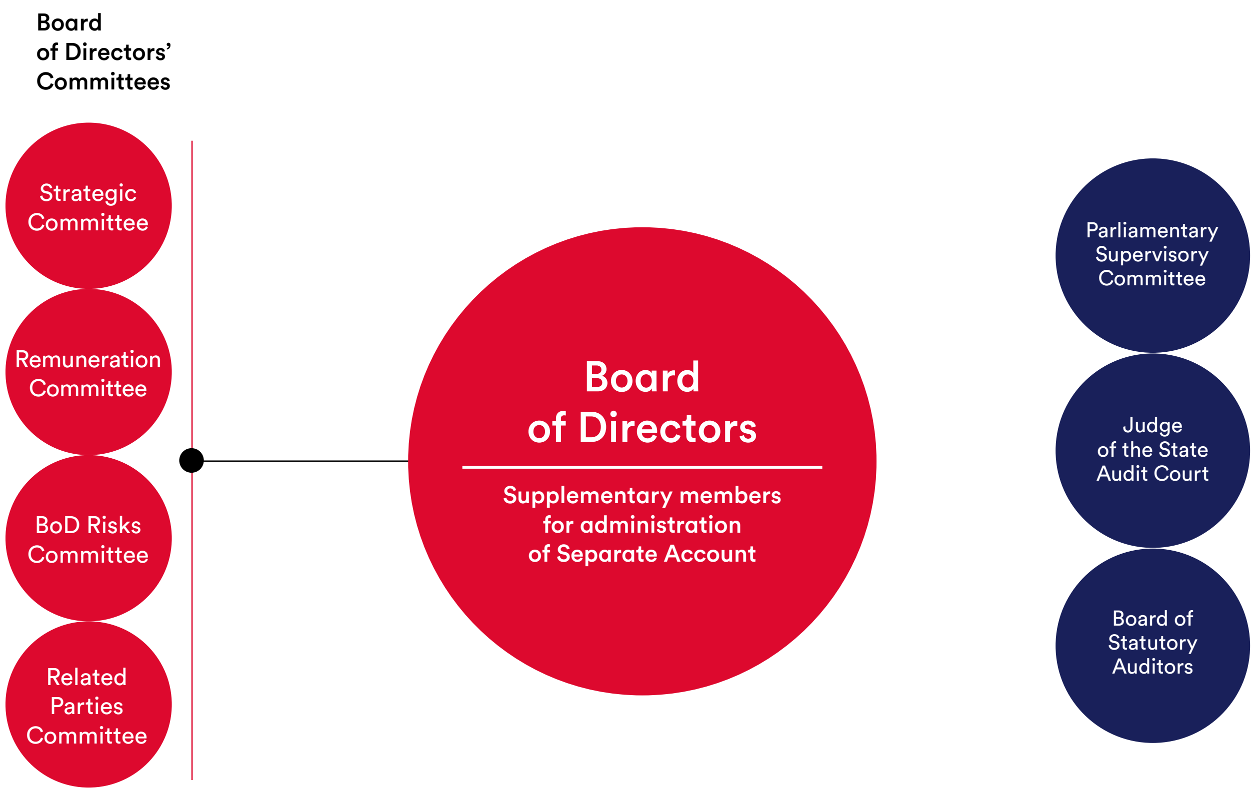
In addition to the activities envisaged in the Plan, CDP was also involved in major strategic initiatives to support the country. The investment in Atlante helped stabilize the Italian banking system at a time of especially severe strains in the financial markets. In addition to strengthening CDP's capital base, the transfer of 35% of Poste Italiane laid the foundations for fully exploiting the synergies between two of Italy's main financial operators. The partial transfer to Poste of the stake in SIA supplemented competencies in e-money, electronic payments and network services. Participation in the ILVA sale underscored the need for a strong presence in the steel sector in a country such as Italy, whose manufacturing industry is largely based on mechanical industries. The investment in Open Fiber was targeted at building a nationwide broadband fibre optic network. The demerger of Italgas, followed by the listing, was intended to separate gas distribution activities from transport and storage services.

These efforts to support the national economy did not weaken CDP's European vocation. Indeed, our presence in Europe was strengthened, thanks to the creation of a single headquarters for European development institutions in Brussels, together with France's CDC and Germany's KfW. CDP has established itself as a leader in promoting initiatives under the Juncker Plan, with five platforms deployed, for a total of about euro 10 billion in resources for the Italian economy. Bearing witness to this extraordinary commitment, the Vice President of the European Commission, Jyrki Katainen, stated that Italy is a Juncker Plan leader thanks to the CDP Group [1].

To conclude, in this first year of implementation of the Plan, we have achieved our objectives with firmness, courage and commitment. The challenges we have faced were successfully overcome thanks to the passion, dedication and skills of our Group's men and women, who now number almost 2,000. To them, as well as to all those who have placed their trust in us, we give our thanks. We will continue to pursue our mandate.

Company bodies, officers and governance





Company bodies		
Board of Directors	Chairman Vice Chairman CEO and General Manager Directors	Claudio Costamagna Mario Nuzzo Fabio Gallia Maria Cannata Carla Patrizia Ferrari Stefano Micossi Alessandro Rivera Alessandra Ruzzu Andrea Sironi [1]
Supplementary members for administration of Separate Account *(Article 5.8, Decree Law 269/2003, ratified with amendments by Law 326/2003)*		Director General of the Treasury [2] State Accountant General [3] Piero Fassino Massimo Garavaglia Achille Variati
Board of Statutory Auditors	Chairman Auditors Alternate Auditors	Carlo Corradini Ines Russo Luciano Barsotti Giusella Finocchiaro Alessandra dal Verme Giandomenico Genta Angela Salvini
Manager in charge with preparing the Company's financial reports		Fabrizio Palermo
Non-Controlling Shareholders Support Committee	Chairman Members	Matteo Melley Ezio Falco Sandro Fioravanti [4] Anna Chiara Invernizzi Michele Iori Luca Iozzelli [5] Arturo Lattanzi Roberto Pinza Umberto Tombari
Parliamentary Supervisory Committee[6]	Chairman Vice Chairmen Members	Cinzia Bonfrisco (Senator) Paolo Naccarato (Senator) Raffaella Mariani (Member of Parliament) Ferdinando Aiello (Member of Parliament) Dore Misuraca (Member of Parliament) Davide Zoggia (Member of Parliament) Bruno Astorre (Senator) Luigi Marino (Senator) Stefano Fantini (Council of State) Pancrazio Savasta (Council of State)
Judge of the State Audit Court [7] *(art. 5, c. 17, D.L. 269/2003)*	Ordinary Alternate	Mauro Orefice Marco Boncompagni
Independent Auditors		PricewaterhouseCoopers S.p.A.

(1) On 14 December 2016 the Board of Directors appointed Mr. Sironi, pursuant to article 2386 of the Italian Civil Code, to replace the resigning Mr. Giuseppe Sala. (2) Vincenzo La Via. (3) Roberto Ferranti, delegate of the State Accountant General. (4) On 24 May 2016 the Non-Controlling Shareholders Support Committee appointed Mr. Sandro Fioravanti to replace the resigning Mr. Paolo Giopp. (5) On 26 January 2016, the Non-Controlling Shareholders Support Committee appointed Mr. Luca Iozzelli to replace the resigning Prof. Ivano Paci. (6) Mr. Claudio Gorelli (State Audit Court) retired on 30 June 2016. (7) Article 5, paragraph 17, of Decree Law 269/03 – attends meetings of the Board of Directors and the Board of Statutory Auditors.

1. Executive summary


CASSA DEPOSITI E PRESTITI
1863

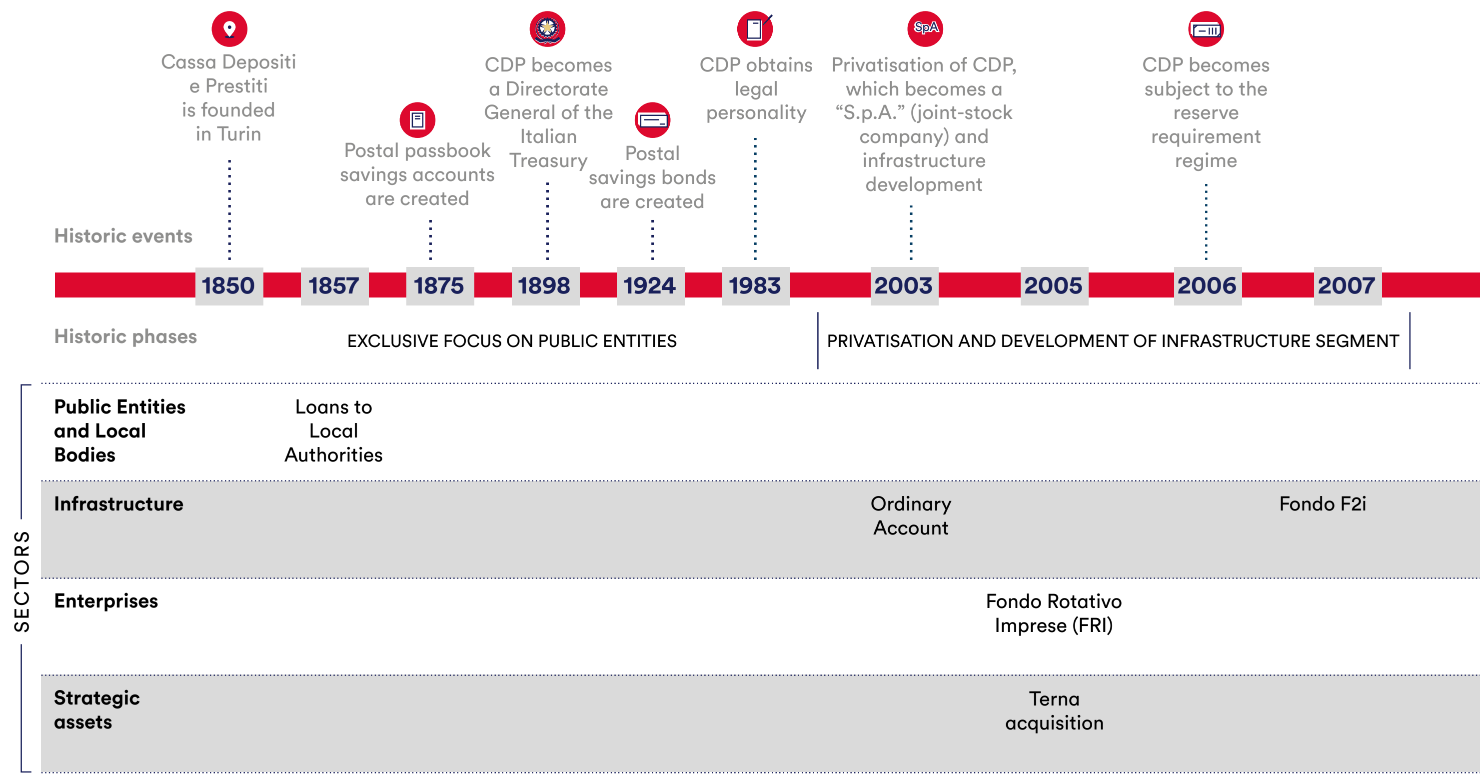
The CDP Group, role and mission

CDP, the National Institute of Promotion, performs the institutional role of supporting the Italian economy, by operating on a sustainable basis in the public interest

Created in 1850 as an institution purposed to receive deposits as a "place of public trust", CDP has seen its role change over the years. During the past decade, it has assumed a key role in the industrial policies of Italy.

From being an institution created to support the public economy in Italy, largely by financing public entities, CDP has expanded its scope of action, to the point of replacing the private sector, while always operating in view of medium-long term development.

CDP can play numerous roles, from that of lender to anchor investor, by focusing on increasingly innovative and flexible instruments to adapt to the needs of investments.



It uses tools ranging from loans for public investments, infrastructure, and support of business – always taking an anti-cyclical approach and medium-long term view – to investments in venture capital and real estate.

In 2012, after the Ministry of Economy and Finance (MEF) acquired SACE, SIMEST, and Fintecna, the CDP Group was created with renewed ambitions to support the internationalisation of Italian enterprises, by operating in synergy with the banking system and supporting international cooperation.

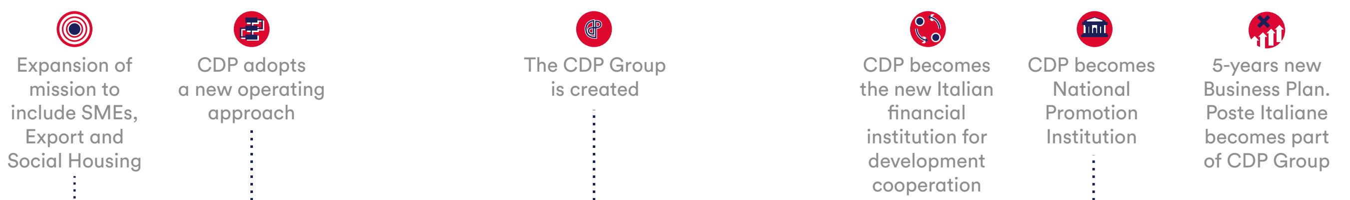
However, CDP has not forgotten its traditional public and social role towards public entities and local constituencies. It develops its property assets by drawing on the resources and expertise of CDP Immobiliare, invests in social housing with the Fondo Investimenti per l'Abitare ("FIA"), developing the real estate owned by public entities through the FIV, and managing cash advances on the payments of debts owed by the Public Administration (PA), are several examples of CDP activities in support of the public sector.

In 2015 the Italian Government and the European Union designated CDP as a National Promotion Institution, thereby becoming:

- the entry point for funding under the Juncker Plan for Italy;
- financial advisor to the Public Administration for a more efficient and effective use of domestic and European funds.

The "Italian Centre for Export and Internationalisation" of the Group was strengthened in 2016 through transfer by CDP of the equity investment in SIMEST to SACE. That transaction confirms a major step forward in implementation of the CDP Group Business Plan 2016-2020, with the creation of a system to support the growth and international competitiveness of the Italian production system. The aim is also to offer Italian firms an integrated system of support, a "one-door" tool to satisfy all needs related to export and internationalisation.

The role of CDP has been expanded, by adding the characteristics of an active promoter of initiatives in support of growth to its typical characteristics of a medium/long-term investor.



2009	2010	2011	2012	2013	2014	2015	2016
EXPANSION OF MISSION TO INCLUDE ENTERPRISES	TRANSFORMATION AND DEVELOPMENT IN GLOBALISATION AND VENTURE CAPITAL						
Fondo Investimento per l'Abitare (FIA)		European Energy Efficiency Fund (EEEF)	Fondo Investimenti per la Valorizzazione (FIV)	Advances on General Government trade payables			Fondo Investimenti per il Turismo (FIT)
Marguerite Fund	Inframed Infrastructure Fund						
Plafond PMI Export Banca Agreement	Fondo Italiano d'Investimento (FII)	Fondo Strategico Italiano Fondo Kyoto	Fintecna, SACE, Simest acquisitions	FSI Investimenti JV Qatar/FSI per il Made in Italy	Funds to support economy FII - Private Debt FII - Venture Capital		Equity investments in OpenFiber, EFSI SMEs platform
	Equity investment in ENI		Fincantieri, Snam acquisitions				Equity investment in Saipem Italgas spin-off

2016 performance and KPI

Euro 30 bn lending provided by the Group in support of the economy. Reinforced Group balance sheet stability and markedly improved CPD's income results with net profits of euro 1.7 bn, compared to the euro 0.9 bn in 2015

Group assets

Euro **410** bn

CDP Ratings

S&P's	Moody's	Fitch
BBB-	Baa2	BBB+

Gross bad debts and unlikely to pay/gross exposure

(CDP S.p.A.)

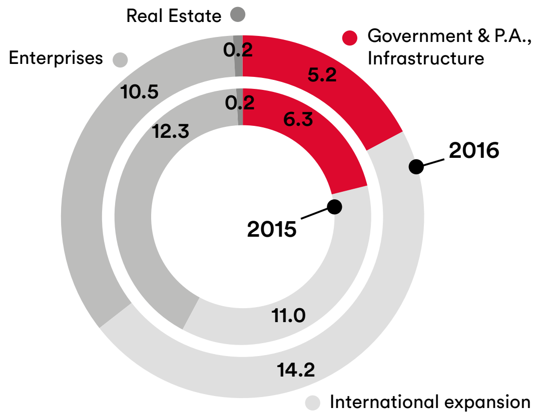
0.3%

Employees in the Group

over **30,000**

2016 Group new lendings

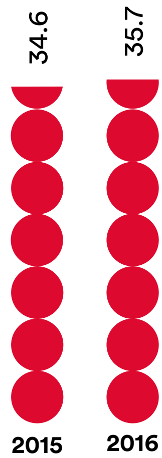
Euro **30** bn



(Euro bn)

Consolidated Group equity

Euro **35.7** bn

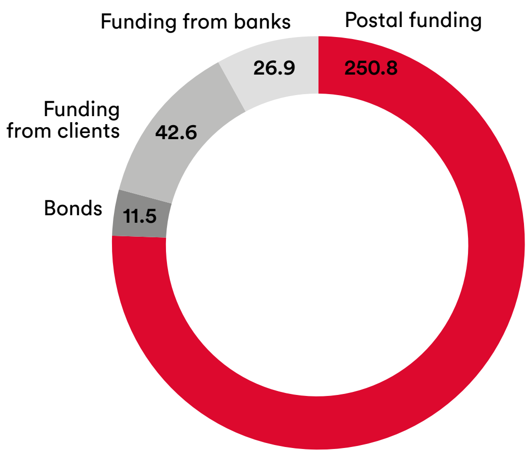


(restated figures - Euro bn)

Cdp S.p.A. funding

Euro **331.8** bn

26.7 million
postal savings clients



(Euro bn)

Main events in 2016

27 JAN

CDP AND THE QATAR INVESTMENT AUTHORITY FOR TOURISM IN ITALY

A new “Growth Capital” fund has been created to develop the tourist sector in Italy, in collaboration with the Qatar Sovereign Fund

05 APR

CDP FOR THE METROPOLITAN CITIES AND PROVINCES

The loans made to metropolitan cities and provinces have been renegotiated to release resources for investment in local development

24 JUN

POSTE ITALIANE, NEW STAKE ACQUIRED BY CDP

The Ministry of Economy and Finance has transferred a 35% equity interest in Poste Italiane to CDP (October 2016). This transfer consolidates the synergy between the two groups

20 JUL

NEW LOCAL OFFICES

The process of extending the local presence of CDP nationwide begins with the opening of its new office in Turin, followed by Venice and Bologna

29 SEP

ONE-DOOR IS BORN

With the transfer of SIMEST to SACE, CDP creates the only centre supporting the exports and international expansion of Italian businesses

23 NOV

NEW FINANCING FOR THE PRODUCTIVE SYSTEM

Through the agreement with the Council of Europe Development Bank, new loans will be made to businesses for the purchase of plant, machinery, and technology

24 NOV

LAUNCH OF FIA2 FUND

With euro 100 mn in invested capital, CDP is launching the FIA2 fund to support the development of smart housing and smart working

16 DEC

EURO 6 BN IN SUPPORT OF SMES

The EFSI platform has been created following an agreement made by CDP, the Ministry of Economy and Finance, and the European Investment Fund. The EFSI aims to provide euro 6 bn for investments in SMES

13 APR

FIT, THE FUND IN SUPPORT OF TOURISM

CDP has set up the "Fondo Investimenti per il Turismo" with euro 100 mn in initial capital. This new tool is designed to develop national tourism infrastructure

20 MAY

EUROPEAN INVESTMENT ADVISORY HUB

CDP has become the Italian entry point for Juncker Plan investment advice. The cooperation with the European Commission and the EIB group will allow to activate up to euro 10 bn

25 MAY

EURO 4.5 BN FOR FAMILIES, BUSINESSES, AND LOCAL AREAS

CDP has approved measures to provide euro 4.5 bn earmarked for Italian families and businesses, to promote long-term growth in Italy

19 OCT

CDP, CDC, AND KFW AGREEMENT

The "shared home" project has been launched, bringing together the three national promotion entities of Italy, France, and Germany together under one roof in Brussels

26 OCT

IN SUPPORT OF THE AREAS STRUCK BY THE 2016 EARTHQUAKES IN ITALY

CDP defers the payment of instalments on loans to be paid by the local entities struck by the earthquakes

07 NOV

LISTING OF ITALGAS SHARE

Closing of the spin-off of SNAM's equity interest in Italgas Reti and public listing of Italgas on Italian Stock Exchange

19 DEC

ITATECH: CDP-EIF INVESTMENT PLATFORM

CDP and EIF announced the creation of ITAtech, the investment platform aimed at transforming research projects and technical/ scientific innovation into new hitech companies

20 DEC

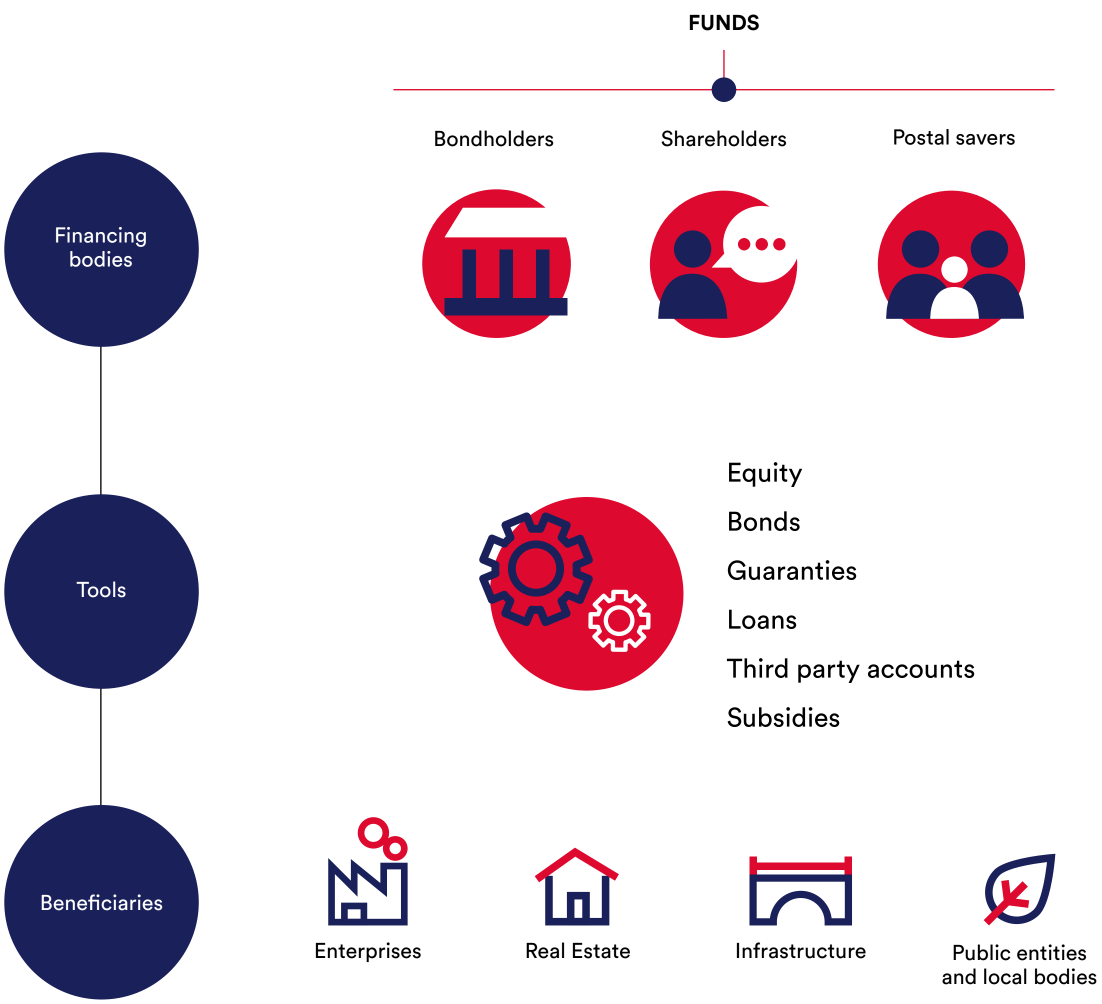
OPEN FIBER IS CREATED

CDP and Enel have created Open Fiber to bring fibre optic cables to 250 Italian cities by 2020

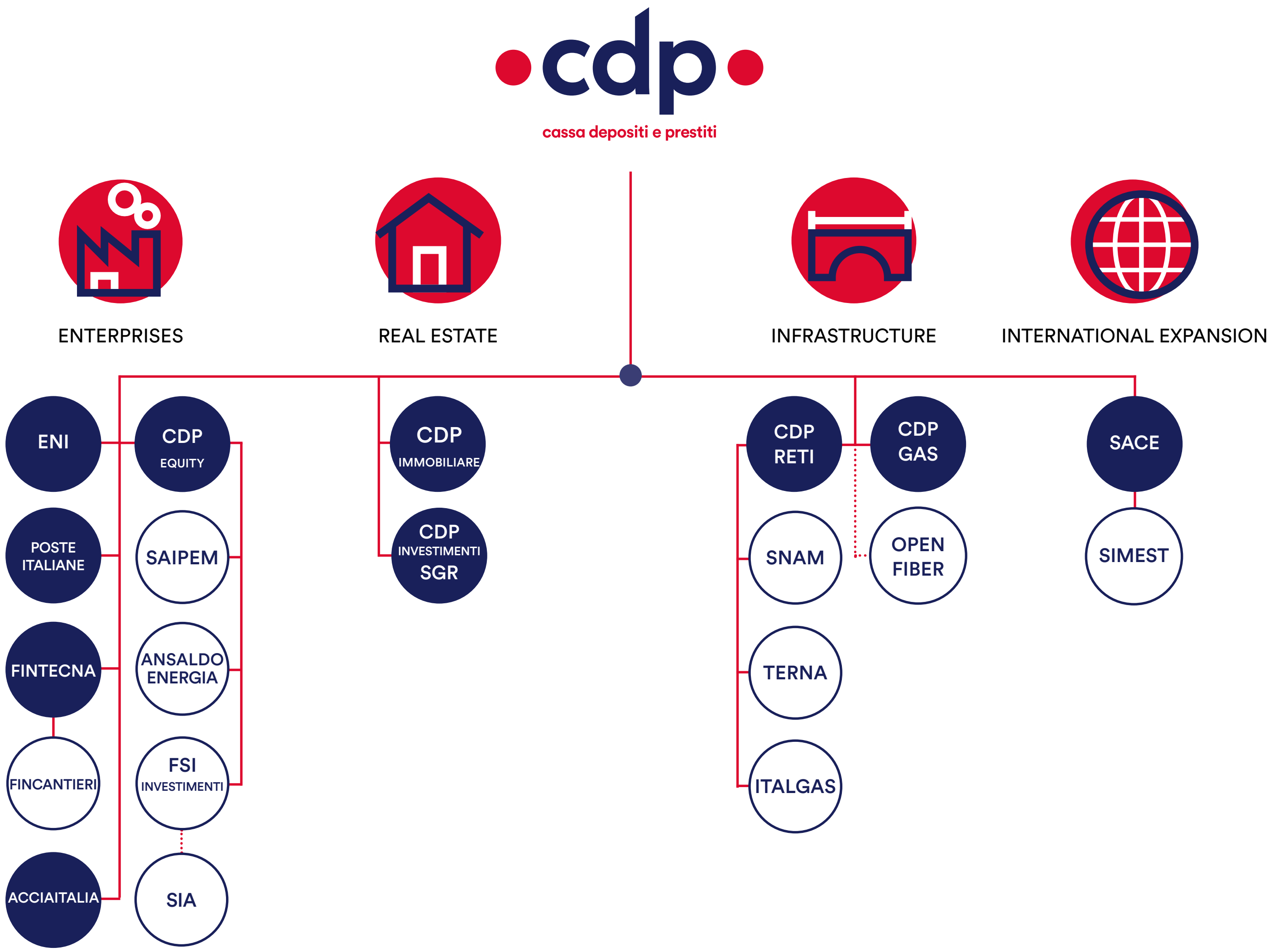
CDP’s business model

The CDP Group works to support Italy’s growth and deploys its resources, mainly funded through postal savings, to support the development of local areas, the country’s strategic infrastructure and domestic companies, to promote their growth and international expansion.

Over the last decade, CDP has played a central role in supporting Italy’s industrial policies, also thanks to the adoption of new operating methods, with traditional debt instruments, such as loans and guarantees, accompanied by new equity instruments. The main investments are in energy, transport networks and real estate, in addition to supporting the growth and international development of SMEs and strategically-important enterprises. These instruments are also accompanied by the management of third-party funds and subsidised instruments to promote the research and international expansion of companies.



Group simplified structure



Other investments

- Fondo Italiano d'Investimento
- Fondo Italiano d'Investimento Fondo di Fondi
- Fondo Italiano d'Investimento FII Venture
- FoF Private Debt
- FoF Venture Capital
- Fondo Atlante
- Fondo Atlante 2
- European Investment Fund

- Fondo Immobiliare di Lombardia - Comparto Uno
- Fondo Investimenti per l'Abitare
- Fondo Investimenti per la Valorizzazione (Extra and Plus sub-funds)
- Fondo Investimenti per il Turismo (FIT)

- F2i - Fondi Italiani per le Infrastrutture SGR
- F2i - Fondo Italiano per le Infrastrutture
- F2i - Secondo Fondo Italiano per le Infrastrutture
- Fondo PPP Italia
- Inframed Infrastructure
- 2020 European Fund for Energy Climate Change and Infrastructure
- Istituto per il Credito Sportivo
- European Energy Efficiency Fund
- S.In.Loc. Sistema Iniziative Locali

2016-2020 Business Plan and 2016 activity

In 2016, the 2016-2020 Business Plan was implemented for the first time, setting ambitious medium and long term objectives in terms of new lending provided and new tools made available. That financial period has therefore marked an important change in CDP's operations, with the launch of major initiatives along the four vectors defined for action. As a National Promotional Institution, CDP plays a key role in the implementation of the Juncker plan. It contributed to the structuring of investment platforms identified as forms of cooperation between the EIB Group and National Promotional Institutions. It launched numerous initiatives to support SMEs, infrastructure and innovation projects within the scope of the "Infrastructure and Innovation" and "Small and medium-sized enterprises" windows of the Plan.
Several measures of an extraordinary and systemic nature were also implemented during the year beyond the scope of the Business Plan, showing the efforts being made to expand CDP's role in supporting the economy.

Government, PA & Infrastructure

Partner of PA, promoter of strategic infrastructure for the country and financial Institution for International Development Cooperation

NEW LENDING
5 euro bn
>
TOTAL INVESTMENTS
10 euro bn

2016 key facts

- Financing of Public Administration
- Renewal of rolling stock
- Consolidation of airport sector and gas distribution
- Large infrastructure platform and Advisory HUB with EIB
- Broadband Project Realization
- Financing water sector operators
- Energy sector multi-utility funding
- Start of International Cooperation operations

Real Estate

New strategy focused on urban development, tourism, social and smart housing and innovative projects

NEW LENDING
0.2 euro bn
>
TOTAL INVESTMENTS
0.3 euro bn

2016 key facts

- Rationalization of public properties: Federal District Fund
- Investment in tourism facilities: Fondo Investimenti per il Turismo
- Group real estate development: disposal and/or co-investment
- Social and smart housing: Fondo Investimenti per l'Abitare 2

International expansion

Record increase of new lending

NEW LENDING

14 euro bn

>

TOTAL INVESTMENTS

17 euro bn

2016 key facts

Major operations finalised in strategic sectors for the country: shipbuilding, electrical, chemical and petrochemical, infrastructure and construction:

- Integrated hub for internationalization with SACE and SIMEST
- Business support capabilities strengthened
- Organizational model simplified

Enterprises

No. 1 in promoting venture capital and innovation in Italy, we support the industry throughout its life cycle, up to the turnaround phase

NEW LENDING

10 euro bn

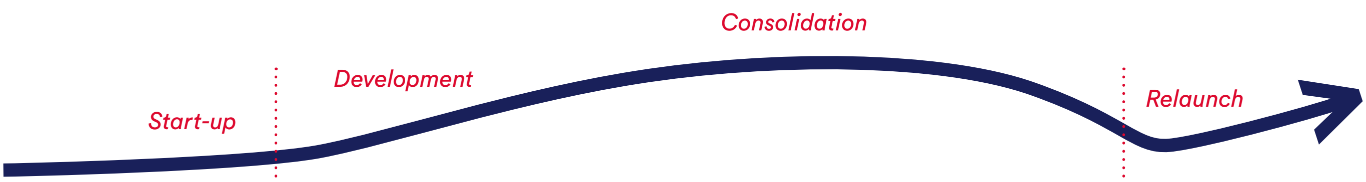
>

TOTAL INVESTMENTS

23 euro bn

2016 key facts

- Support to businesses throughout their life cycle, through liquidity, equity and risk sharing instruments



Venture Capital

- ITAtech (FEI)
- Funds of Fund VC
- Fondo Late Stage VC
- Fondo Italiano d'Investimento

Growth equity

- FSI Growth Fund
- CDP Equity
- Fondo Filiere
- Fondo Italiano d'Investimento

Liquidity

- SME & Mid Cap Plafond
- Natural disasters Plafond

Risk sharing

- SME risk sharing,
- SME loans securitization
- AGRI
- ITA Corporates

Turnaround

- QuattroR SGR

Extraordinary deals in 2016

A particularly high number of extraordinary measures were implemented in 2016. Although not provided for under the Business Plan, the measures contributed to expanding CDP's role in supporting the Italian economy

Contribution of Poste Italiane

Strengthening of CDP's asset structure by approximately euro 3 bn through the transfer by contribution of 35% equity interest in Poste Italiane by the MEF. Besides increasing the resources available to CDP for its support to the economy, the transfer reinforces the relationship between CDP and Poste Italiane.

Offer for the ILVA complexes

Participation to the complex process of selling the business facilities owned by ILVA with presentation in June 2016, by CDP, of a non-binding offer, in partnership with an industrial partner (Arvedi) and a financial partner (Delfin), followed on 6 March 2017 by the binding offer which saw the participation in the partnership also of a leading international operator in the steel sector (JSW Steel).

Investment in Fondo Atlante and Fondo Atlante 2

Investment in Fondo Atlante and Fondo Atlante 2, established to promote the recovery of the Italian banking industry by supporting recapitalisation and the disposal of non-performing loans in the sector, through a total commitment of up to euro 750 mn.

Transfer of SIMEST by contribution into SACE

Realization of a "one-door" Export and Internationalisation Hub, through the transfer (completed in late September 2016), by CDP, of SIMEST to SACE.

QuattroR SGR

Creation of the QuattroR investment fund in order to promote, through one or more funds, operations for the restructuring, support and consolidation of the financial and equity structure of Italian companies which, despite temporary financial or equity imbalances, present good industry and market prospects.

SNAM-Italgas spin-off

Partial and proportional spin-off of SNAM's equity interest in Italgas Reti, in connection with the public listing of Italgas on MTA. The restructuring was designed to separate the retail gas distribution operations in Italy, which are run by the Italgas Group, from its transport, regasification and storage operations, given the specific characteristics and different needs of each segment. CDP, formerly a pivotal and long-term investor in SNAM, has become the pivotal shareholder in Italgas, participating also in the refinancing of the indebtedness of Italgas towards SNAM.

Metroweb -Open Fiber operation

Sale of the Metroweb equity investment held by FSI Investimenti to Open Fiber, a company established in December 2015 for the installation, supply and operation of high-speed fibre optic electronic communication networks across the country. Enel and CDP Equity now hold equal interests in Open Fiber.

Sale of 30% stake in FSIA equity to Poste Italiane

Successful sale to Poste Italiane by FSI Investimenti of a 30% equity interest in FSIA Investimenti, which holds a 49.48% equity interest in SIA, a leader in the electronic banking, payments, and network services business. The closing of the operation was made on February 2017.

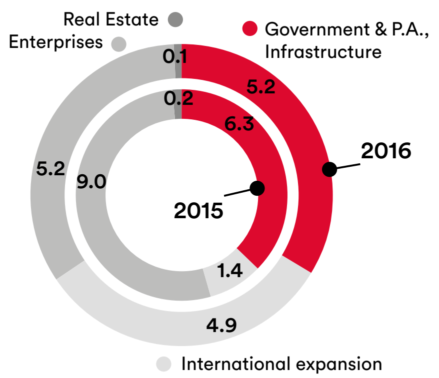
Financial highlights

The Parent Company

Despite the challenging economic scenario, CDP has provided euro 15 bn in new lending, maintaining satisfactory productivity and excellent quality of portfolio loans

New lending (*)

(euro mn)	31/12/2016	31/12/2015	Var.	Var. %
Government & P.A. and Infrastructure	5,230	6,313	(1,082)	-17.1%
International expansion	4,949	1,389	3,560	n.s.
Enterprises	5,182	8,997	(3,815)	-42.4%
Real Estate	93	228	(135)	-59.3%
Total new lending, investment and managed resources	**15,454**	**16,928**	**(1,473)**	**-8.7%**



In 2016, CDP provided over euro 15 bn in new lending, investment and managed resources. Funding was distributed equally between loans to public and infrastructure sector entities and loans to enterprises and for their internationalisation.

Specifically, the volume of new lending, investment and managed resources in 2016 mainly related to:

i) lending to public entities, mainly for investments by the regions for local development and in transport and telecommunication infrastructure (euro 5.2 bn);
ii) lending to support the internationalisation of Italian companies, primarily in the shipbuilding sector (euro 4.9 bn);
iii) funding to enterprises to support economic growth, the reconstruction of areas affected by natural disaster and investment in research, development and innovation (euro 5.2 bn);
iv) investments in the real estate sector, targeting in particular social housing projects (euro 0.1 bn).

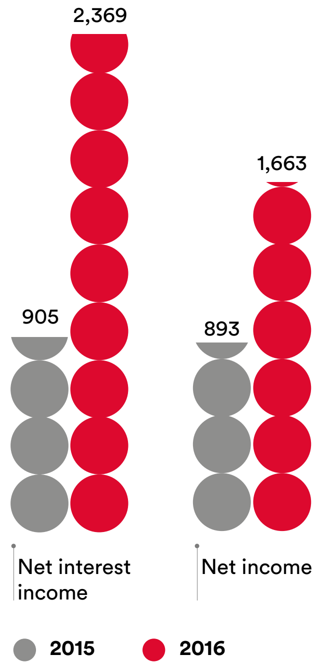
(*) Some figure of this document may be rounded.

Income statement

Reclassified income statement

(euro mn)	2016	2015	Var.	Var. %
Net interest income	2,369	905	1,463	161.7%
Gross income	1,922	1,155	767	66.4%
Net income (loss)	**1,663**	**893**	**770**	**86.2%**
Normalised net income	**1,944**	**1,102**	**842**	**76.4%**

During the year, CDP continued to provide services on behalf of the general economy. Its results rose significantly, notwithstanding the uncertainties surrounding moderate growth prospects and historically low interest rates. In this context, CDP has managed to strengthen its balance sheet and achieve sharply improved earnings results through effective management of its excess liquidity, ALM (asset and liability management), and all forms of funding. Net profit for the year totalled euro 1,663 mn, in spite of the absence of non-recurring revenue and notwithstanding the negative contribution made by certain equity investments, for which a total of euro 564 mn in adjustments were made to the amount of costs carried on the balance sheet. This result was far higher than in 2015, due to the major contribution made by net interest income.
Net of non-recurring profit and loss items[1], net income was euro 1,944 mn in 2016, up sharply from net income of euro 1,102 mn in 2015.



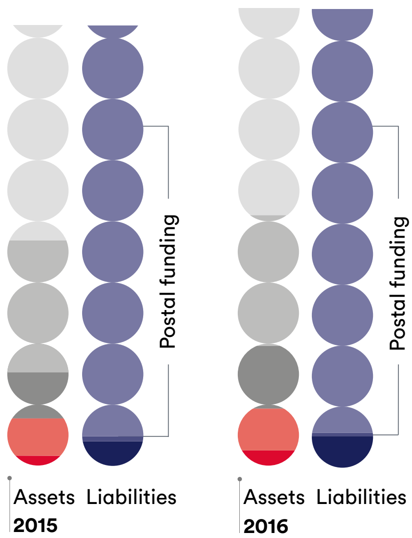
Balance sheet

Reclassified balance sheet

(euro mn)	31/12/2016	31/12/2015	Var.	Var. %
Assets				
Cash and cash equivalents	161,795	168,644	(6,849)	-4.1%
Loans	102,969	103,736	(767)	-0.7%
Debit securities	48,971	35,500	13,471	37.9%
Equity investments, Equity instruments, and units in UCITs	32,551	29,570	2,981	10.1%
Other assets	11,424	7,449	3,975	53.4%
Liabilities and equity				
Funding	331,806	323,046	8,760	2.7%
of which postal funding	*250,800*	*252,097*	*(1,297)*	*-0.5%*
Other liabilities	2,697	2,392	305	12.7%
Equity	23,207	19,461	3,746	19.2%
Total assets and liabilities	**357,710**	**344,899**	**12,811**	**3.7%**

Total assets stood at approximately euro 358 bn, up from 31 December 2015. This performance is mainly related to the greater investments made in short-term debt securities and the transfer of the equity investment in Poste Italiane. The core business, shows a slight reduction in the stock of loans, and growth in equity investments and other investments. The credit quality of the CDP

Balance sheet breakdown



(1) Non-recurring items of income are represented, in 2016, by impairment losses on the equity investments in CDP Immobiliare and Fondo Atlante (and the related tax effect), the ACE benefit and, in 2015, by the adjustments for impairment of the investments in CDP Immobiliare and Fintecna.

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

At 31 December 2016 funding totalled about euro 332 bn, marking an increase from 31 December 2015. Postal deposits remained stable overall, and present a significant share (8%) of personal savings. Equity totalled euro 23.2 bn at 31 December 2016, up from 31 December 2015. This was due mainly to the capital increase and reserves (euro 2.9 bn resulting from the contribution by the Ministry of Economy and Finance of a 35% equity interest in Poste Italiane S.p.A.) and the profit for the period, which more than offset dividends distributed during the year.

Performance highlights

CDP Business performance highlights (reclassified figures)	2016	2015
Spread on interest-bearing assets – liabilities	0.83%	0.36%
Cost/income ratio	8.1%	12.9%
Gross bad debts and unlikely to pay/Gross exposure	0.341%	0.289%

These profit indicators show that there was a reduction in the spread between lending and funding rates, which went from about 36 bps in 2015 to about 83 bps in 2016, mainly due to the reduction in the cost of liabilities (-26 basis points), and the increase in yields on Treasury current account. The improvement in net financial income made a further reduction possible in the cost/income ratio (8.1%). This ratio easily falls within the range of pre-set targets, notwithstanding the increase in overhead costs due to the budgeted plan to boost headcount.

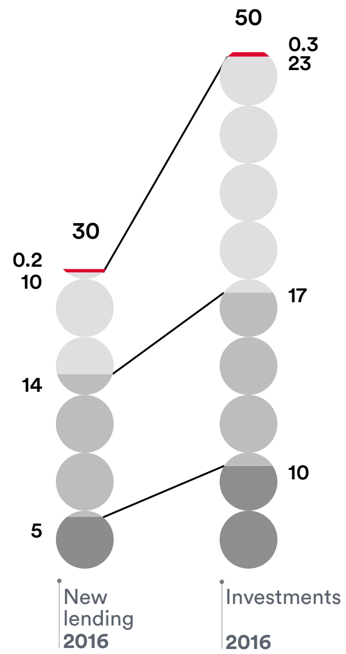
The creditworthiness of the CDP loan portfolio remained very high, with a moderate risk profile, as highlighted by its excellent risk indicators. Overall, the net write-downs on receivables reflect (i) principally, the application of a more prudent approach than in 2015, involving the use of collective write-downs on the Territorial Entities portfolio, (ii) the increase in lump-sum provisions in adjustment of performing loans, consequent to the greater implicit risk in regard to several sectors financed by CDP, and (iii) the increase in adjustments to items classified as doubtful accounts.

The CDP Group

The scope of the CDP Group has expanded in consequence of major capital transactions. Group stability and its balance sheet have been reinforced, with it providing over euro 30 bn in resources serving the Italian economy as a whole

Funding provided by the CDP Group

(euro bn)	2016 New lending	2016 Investments	2016 Multiplier
Government, P.A. & Infrastructure	5	10	1.9x
International expansion	14	17	1.2x
Enterprises	10	23	2.2x
Real Estate	0.2	0.3	1.4x
Total	**30**	**50**	**1.7x**



In 2016, the CDP Group mobilised over euro 30 bn in new lending to the productive fabric of the country and to projects earmarked as strategic, attracting funding also from other investors. Overall, through its operations the CDP Group channelled over euro 50 bn into the economy, in line with 2016–2020 Business Plan targets. These concrete results were achieved in all four of the key driver areas targeted.

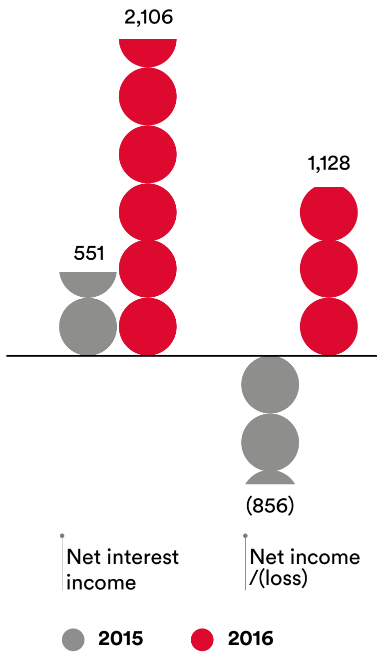
Income statement

Reclassified consolidated income statement

(euro mn)	2016	2015 (*)	Var.	Var. %
Net interest income	**2,106**	**551**	**1,555**	**282.2%**
Gross income	**16**	**(2,118)**	**2,134**	**100.8%**
Net income/(expense)	**1,128**	**(857)**	**1,985**	**231.6%**
Net income (loss) for the year pertaining to non-controlling interests	975	1,389	(414)	-29.8%
Net income (loss) for the year pertaining to shareholders of the Parent Company	**153**	**(2,246)**	**2,399**	**106.8%**

(*) Restated

The Group had net profit of euro 1,128 mn in 2016, up substantially from 2015. This result was significantly influenced by the positive change in net interest income, the stable contribution made by the companies not subject to management and coordination by the Group in terms of other net operating income, and the lower negative contribution made by the investments carried at equity. Net interest income relates mainly to the Parent Company, whose contribution was partly eroded by the expenses connected with the debt of SNAM, Terna, and Fincantieri. Gross income is composed by the net commissions and profits and losses from equity investments. The latter stem from the recognition of equity investments over which the Group has a significant influence or which are subject to joint control. Although this result is a negative euro 652 mn, it shows a trend of improvement over 2015. Positive contributions were made by the recognised value of SIA, of Ansaldo Energia, of the SNAM group investment portfolio. Negative contributions were made by the recognised value of ENI, Saipem and, for the applicable period, Poste Italiane.



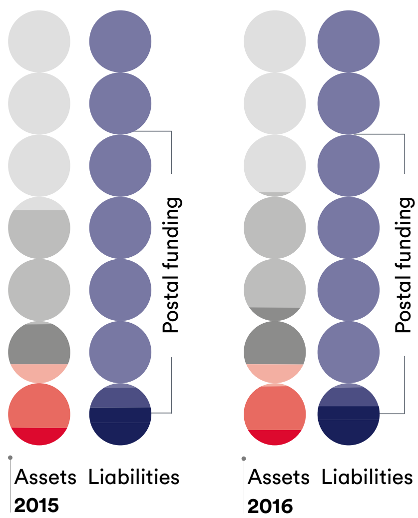
Balance sheet

Reclassified consolidated balance sheet

(euro mn)	31/12/2016	31/12/2015 (*)	Var.	Var. %
Assets				
Cash and cash equivalents	165,452	172,523	(7,071)	-4.1%
Loans	112,380	110,540	1,840	1.7%
Debt and equity securities and units in UCITs	55,144	40,417	14,727	36.4%
Equity investments	20,910	18,172	2,738	15.1%
Property, plant and equipment and intangible assets	43,094	42,561	533	1.3%
Other assets	13,445	14,657	(1,212)	-8.3%
Liabilities and equity				
Funding	355,990	345,409	10,581	3.1%
of which postal funding	*250,800*	*252,097*	*(1,297)*	*-0.5%*
Other liabilities	18,756	18,908	(152)	-0.8%
Equity	35,679	34,553	1,126	3.3%
of which pertaining to the Group	*22,528*	*20,199*	*2,329*	*11.5%*
Total assets and liabilities	**410,425**	**398,870**	**11,555**	**2.9%**

(*) Restated

Balance sheet breakdown



Group assets totalled over euro 410 bn, marking a 2.9% increase over the previous year. The Parent Company made a substantial contribution to equity, with other major contributions from SACE as regards loans, securities and technical provisions, and SNAM, Terna and Fincantieri for property, plant and equipment and intangible assets.
The Group expanded its scope of consolidation through the addition of Poste Italiane, Saipem, Open Fiber. That raised the total value of its equity investments, although this effect has been mitigated by the effects of equity accounting.
Total funding rose by 3.1%, reaching nearly euro 356 bn, in contrast with postal funding, which remained substantially stable.

Equity at 31 December 2016 totalled euro 35.7 bn. This result was bolstered by the capital increase and the share premium reserve resulting from the transfer by the Ministry of Economy and Finance of the equity stake in Poste Italiane and the comprehensive income for the year. These items more than offset the distribution of dividends and advances on dividends and the change in equity interests.

Figures aggregated by industry

The CDP Group consolidates companies and groups operating in different industrial sectors. In particular, the companies not subject to the management and coordination of the CDP Group include subsidiaries (consolidated on a line-by-line basis) and companies subject to significant influence or joint control (consolidated at equity).

These companies generate cash flows, capital flows, and financial flows in numerous areas by operating through their respective groups inside and outside Italy. Some aggregate figures of the groups of these companies are shown as follows, broken down by industry and pertaining to 2016.

Figures aggregated by industry

(euro mn)	Industrial	Infrastructure	Oil & Gas	Service	Total
2016 aggregated income statement figures					
Revenues	6,167	4,878	66,703	33,583	**111,331**
Operating costs	(5,742)	(1,283)	(56,553)	(9,339)	**(72,917)**
Amortisation, depreciation and impairment	(210)	(1,237)	(9,492)	(602)	**(11,541)**
Financial income (expense)	(118)	(734)	(1,039)	(22,488)	**(24,379)**
Income (expense) on equity investments	(11)	117	(362)	6	**(250)**
Discontinued operations	-	270	(413)	-	**(143)**
Net income (loss)	83	1,417	(3,537)	692	**(1,345)**
Group result	94	1,422	(3,551)	692	**(1,343)**
Aggregated balance sheet figures at 31/12/2016					
Property, plant and equipment	1,481	28,176	75,985	2,125	**107,767**
Inventories	1,386	524	8,063	140	**10,113**
Group Equity	2,359	11,095	57,903	8,374	**79,731**
2016 average headcount	23,277	10,211	73,369	142,897	**249,754**

The data included in the table refer to aggregate data (consequently, they do not reflect any intercompany relationships) for the companies/groups not subject to management and coordination in 2016 and which are publicly available. This does not reflect any interest that the CDP Group might have held or any acquisition date, if that occurred during the year. Only the financial data of the companies that prepare their own financial statements (separate or consolidated) in accordance with IFRSs are included in the above table.

Main equity investments

SACE (100%)

SACE is an insurance and finance group operating in the areas of export credit, credit insurance, investment protection, financial guarantees, sureties and factoring to protect Italian companies, their subsidiaries and associates (including foreign companies) from risks relating to political events and natural catastrophes, economic, trade and exchange-rate risk, as well as associated risks, in their dealings with foreign countries and in relation to internationalisation.
It operates in 198 countries, ensuring more stable cash flows and transforming the insolvency risks of 25,000 customer enterprises into development opportunities.

(mn euro)	2016 (1)	2015 (1)
Net income	482	310
Net equity	5,262	4,770
Net equity (Group)	5,185	4,770
New lending (2)	15,602	14,177
Headcount (no.)	892	723

2016 key facts

- launch of the one-door model for export and internationalisation with the transfer, on 30 September 2016, of SIMEST to SACE. The transaction made it possible to complete the group's offer of products with *quasi* entity, subsidised loans and interest grants;
- reopening of ties with Argentina and Cuba;
- use of the reinsurance agreement in place with the Ministry of the Economy and Finance in order to decrease risks that can determine high level of concentration.

(1) SACE group consolidated figures including SIMEST from 30 September 2016.
(2) Total SACE Group, including SACE FCT and SIMEST.

CDP Immobiliare (100%)

CDP Immobiliare operates in urban redevelopment and the sale of real-estate assets, including through partnerships with private investors.
Its role begins when the industrial sector leaves spaces suitable to be converted, renovated, transformed and/or privatised.
CDP Immobiliare has extensive experience in urban transformation and development, including property portfolios owned by the State and national and local authorities, expanding this throughout the entire supply chain by developing its management, construction and sale activities.
The company is now one of the main players in Italian real estate, capable of developing and managing the entire chain of real-estate activities and services both for individual assets and complex portfolios.

(mn euro)	2016 (3)	2015 (3)
Net loss	(170)	(60)
Net equity	445	524
Real estate assets	1,277	1,493
Headcount (no.)	123	129

2016 key facts

- with CDP and CDP Investimenti SGR, CDP Immobiliare has launched a project to restructure its real estate activity, focused on consolidating and reinforcing the role played by the Group in the real estate sector, as institutional operator;
- individual buildings and property units were also sold for a total of euro 26 mn, in addition to pre-contracts and binding offers for another euro 61 mn.

(3) According to Italian GAAP.

CDP Investimenti SGR (70%)

CDPI operates in the real-estate investment sector, engaged specifically in the promotion, establishment and management of closed-end funds reserved to qualified investors in four specific segments: property development for real estate owned by central government and public entities; social housing, tourism, and smart housing and smart working. CDPI SGR today manages four real estate funds: FIA Fondo Investimenti per l'Abitare (institutional aim of increasing the supply of public housing in Italy), FIT Fondo Investimenti per il Turismo (operating from July 2016 - investments in the hospitality real estate sector), FIV Fondo Investimenti per la Valorizzazione (with the Plus and Extra sub-funds - promotes and facilitates the privatisation of real estate owned by the State and public entities through direct investments), and FIA 2 Fondo (launch of activities in 2016, urban transformation of 14 major Italian cities into "smart cities"). The asset management activity aims to actively manage properties and successively dispose assets.

(mn euro)	2016	2015
Net income/(loss)	3	(1)
Net equity	15	13
New lending	161	149
Headcount (no.)	47	40

2016 key facts

- launch of FIT with the aim of encouraging investments in Italian tourism - hotel structures and preparations for the launch of FIA 2;
- launch of restructuring the Group real estate unit.

CDP Equity (100%)

An equity investment holding company, CDPE acquires mainly minority stakes in companies of "major national interest" with stable finances, adequate earnings prospects and significant growth opportunities that operate in "strategic sectors", such as tourism and accommodation, agri-food, distribution and management of heritage and artistic assets. The aim is to create value for shareholders through growth, improvement of operating efficiency, consolidation, and strengthening competitive positions.
CDPE is part of a 50-50 joint venture with Qatar Holding LLC for investments in "Made in Italy" sectors. FSI Investimenti was founded in 2014 (77% CDPE, 23% Kuwait Investment Authority – KIA).

(mn euro)	2016	2015
Net income/(loss)	(186)	110
Net equity	3,318	4,572
New lending	1.,009	90
Headcount (no.)	40	41

2016 key facts

- acquisition of 12.5% of Saipem S.p.A., a top Italian and global player in the offshore engineering and construction sector;
- 50-50 investment with Enel in the equity of OpenFiber for active participation in the realisation of a strategic infrastructure for the Nation;
- under the Group Business Plan, a project has been launched for the comprehensive rationalisation of the company's equity investments portfolio.

Fintecna (100%)

Fintecna was formed in 1993 for the specific purpose of restructuring the businesses connected with the liquidation of Iritecna. With effect from 1 December 2002, Fintecna and its residual assets were merged into IRI, which was in liquidation. In November 2012, CDP acquired the entire share capital of Fintecna from Ministry for the Economy and Finance. Today, the main equity investment held by Fintecna is its 71.64% controlling interest in Fincantieri. Following Fincantieri's stock market listing, Fintecna no longer exercises management and coordination of the company.
Fintecna's activities are geared towards: the management of equity investments through policy-setting, coordination and control activities, the management of liquidation processes, management of disputes of companies subject to control, and supporting the populations affected by the earthquakes that struck Emilia in 2012 and central Italy in 2016.

(mn euro)	2016 (4)	2015 (4)
Net income	48	92
Net equity	1,794	1,771
Headcount (no.)	134	141

2016 key facts

- liquidation activities and the monitoring and management of various types of proceedings (civil, administrative, tax and labour) continued;
- sale of the minority stake in Ansaldo STS allowing a significant capital gain.

(4) According to Italian GAAP.

ENI (25.76%)

ENI is Italy's biggest energy group – and the sixth-largest in the world – operating in the exploration, development and extraction of oil and natural gas in 44 countries. It is listed on the Milan stock exchange. Through refineries and chemical plants, it processes crude oil and other oil-based feedstock to produce fuels, lubricants and chemical products that are supplied to wholesalers. ENI is active in the production, sale and distribution (through retail networks and distributors) and trading in oil, natural gas, LNG and electricity.

(mn euro)	2016 (5)	2015 (5)(*)
Revenues	56,693	73,538
Operating result	2,157	(3,076)
Net loss	(1,457)	(9,373)
Net loss, Group	(1,464)	(8,778)
Net equity	53,086	57,409
Net equity, Group	53,037	55,493
Net fin. position	14,776	16,871
Headcount (no.)	33,536	34,196

2016 key facts

- euro 7,770 mn invested on major projects for the development and maintenance of production plateaus;
- E&P sector: euro 62 mn invested on R&D, unit operating costs felt to 6.2 \$/boe vs 7.2 \$/boe in 2015. Significant growth in both exploration reserves and proven reserves;
- leverage of 0.28 at 2016 end thanks to excellent operating cash flow, containment of capex, and disposal plan.
- sale to CDP Equity of 12.5% of Saipem;
- interruption of negotiations for the sale of 70% of Versalis S.p.A.

(*) 2015 figures restated.
(5) Consolidated figures publicly available.

Terna (29.85%)

Terna Group is a large energy transmission grid operator listed on the Milan stock exchange. Through Terna Rete Italia, it safely operates the National Transmission Grid with over 72,844 km of high voltage lines.
Through Terna Plus it manages new business opportunities and untraditional activities, both inside and outside Italy.

(mn euro)	2016 (5)	2015 (5)
Revenues	2,103	2,082
Operating result	1,036	1,022
Net income	628	595
Net income, Group	633	596
Net equity	3,555	3,346
Net equity, Group	3,535	3,321
Net fin. position	7,959	8,003
Headcount (no.)	3,869	3,767

2016 key facts

- new 2016- 2019 strategic plan;
- operating activation of the "Villanova - Gissi" power line, with the aim of upgrading safety in central and southern Italy and boosting the integration of renewable energy output;
- activation of the 380 kV Sorgente-Rizziconi power line, world's longest offshore electric power line;
- collaboration agreement signed with Tesla for the development of avant-garde projects and better integration between e-mobility, electric power grid, and intelligent consumption;
- euro 750 mn bond issue and EMTN bond programme renewed;
- cooperation agreement signed between ENI and Terna for the development of sustainable and innovative energy systems.

(5) Consolidated figures publicly available.

Poste italiane (35.00%)

Poste Italiane is the largest service infrastructure in Italy. Thanks to its nationwide presence, heavy investments in technology and in the wealth of knowledge represented by its 137,000 employees, Poste Italiane has taken on a central role in the country's growth and modernisation process. It provides logistics-postal services, postal savings, payment, insurance and digital communications services to more than 32 million customers. The major investments in research and development and training its own employees have also allowed Poste Italiane to create advanced services designed around customer needs and responding to the social transformations occurring in Italy. Its focus on innovation and people and its close local proximity to customers underlie the strong results achieved, especially in the financial sector and even more in the insurance sector, where Poste Vita has become the 2nd largest insurance company operating in Italy.

(mn euro)	2016 (5)	2015 (5)
Revenues	33,112	30,739
Net income	622	552
Net income, Group	622	552
Net equity	8,134	9,658
Net equity, Group	8,134	9,658
Net fin. position	6,225	8,659
Headcount (no.)	136,739	142,798

2016 key facts

- agreement for transfer of the entire equity capital of Banca del Mezzogiorno-Medio Credito Centrale to Invitalia;
- purchase from FSI Investimenti of an 14.85% indirect interest in SIA.

Fincantieri (71.64%)

Fincantieri is one of the world's largest shipbuilding groups and no. 1 by diversification and innovation. It is the leader in cruise ship design and construction and a key player in all hi-tech shipbuilding industry sectors, from naval to offshore vessels, from high-complexity special vessels and ferries to mega-yachts, ship repairs and conversions, systems and components production and after-sales services. Headquartered in Trieste, Italy, the Group has built more than 7,000 vessels in over 230 years of maritime history. With over 19,000 employees (about 7,900 in Italy), 20 shipyards on four continents, today Fincantieri is the leading Western shipbuilder. Its customers include major cruise operators, the Italian and the United States Navy, in addition to several foreign navies. Fincantieri is involved within supranational programmes.

(mn euro)	2016 (5)	2015 (5)
Revenues	4,429	4,183
EBITDA	267	(26)
Net income/(loss)	14	(289)
Net income/(loss), Group	25	(175)
Net equity	1,241	1,266
Net equity, Group	1,086	1,138
Net fin. position	(615)	(438)
Headcount (no.)	19,181	20,019

2016 key facts

- agreement with the Qatar Armed Forces for the construction of seven surface ships;
- agreement with China State Shipbuilding Corp., China's biggest ship builder to set up a joint venture to develop Chinese cruise ship market;
- euro ~24 bn production backlog, corresponding at about 5.4 years at 2016 revenues.

SNAM (30.10%)(*)

SNAM is an integrated group that oversees regulated activities in the gas sector. With more than 3,000 employees it follows a sustainable growth model designed to create value for all stakeholders. SNAM has the strategic aim of increasing the security and flexibility of the system and to satisfy requirements linked to the development of gas demand.
With the separation from Italgas and launch of the new organisation (leading to the creation of three business units in charge of development activities, management of Italian subsidiaries, and coordination of foreign subsidiaries, respectively) SNAM has embarked on the path to become a "One company" with the role of an integrated player on the gas market.

(mn euro)	2016 (5)	2015 (5)
Revenues	2,501	2,554
Operating result	1,293	1,427
Net income	861	1,238
Net income, Group	861	1,238
Net equity	6,497	7,586
Net equity, Group	6,497	7,585
Net fin. position	11,056	13,779
Headcount (no.)	2,883	3,005

Key facts2016
- separation of Italgas Reti S.p.A. from SNAM S.p.A. completed;
- streamlining of the debt structure;
- 49% of Gas Connect Austria (GCA) acquired in partnership with Allianz;
- MoU for the use of natural gas (CNG - Compressed Natural Gas) as vehicle fuel signed with FCA e IVECO for sustainable mobility;
- EMTN programme renewed.

(*) 28.98% held through CDP RETI (controlled at 59.10%) and 1.12% held through CDP Gas (controlled at 100%).
(5) Consolidated figures publicly available.

Italgas (26.05%)(*)

Italgas is the most important natural gas distribution operator in Italy and the third largest in Europe. Directly or through its own subsidiaries, it manages a distribution network having a total length of about 65,000 kilometres. During the last year, it distributed about 8.0 bn cubic metres of gas to 7.4 million users. The company has been listed on the Italian stock market since November 2016, in the FTSE MIB index of Borsa Italiana.

(mn euro)	2016 (5)(**)
Revenues	274
Operating result	29
Net loss	(72)
Net loss, Group	(72)
Net equity	1,064
Net equity, Group	1,063
Net fin. position (***)	3,618
Headcount (no.)	3,570

2016 key facts
- spin-off of Italgas Reti from SNAM and simultaneous listing of Italgas at Borsa Italiana;
- subscription of a package of loans totalling euro 4.3 bn to set up an independent financial structure;
- a new euro 300 mn loan from EIB was acquired (EIB Italgas Gas Smart Metering), with the aim of rendering the gas distribution system even more efficient and improve the quality of information available to consumers;
- completion of the first programme for issuance of medium-long term notes (EMTN Programme) by the company, for a total of euro 2.8 bn.

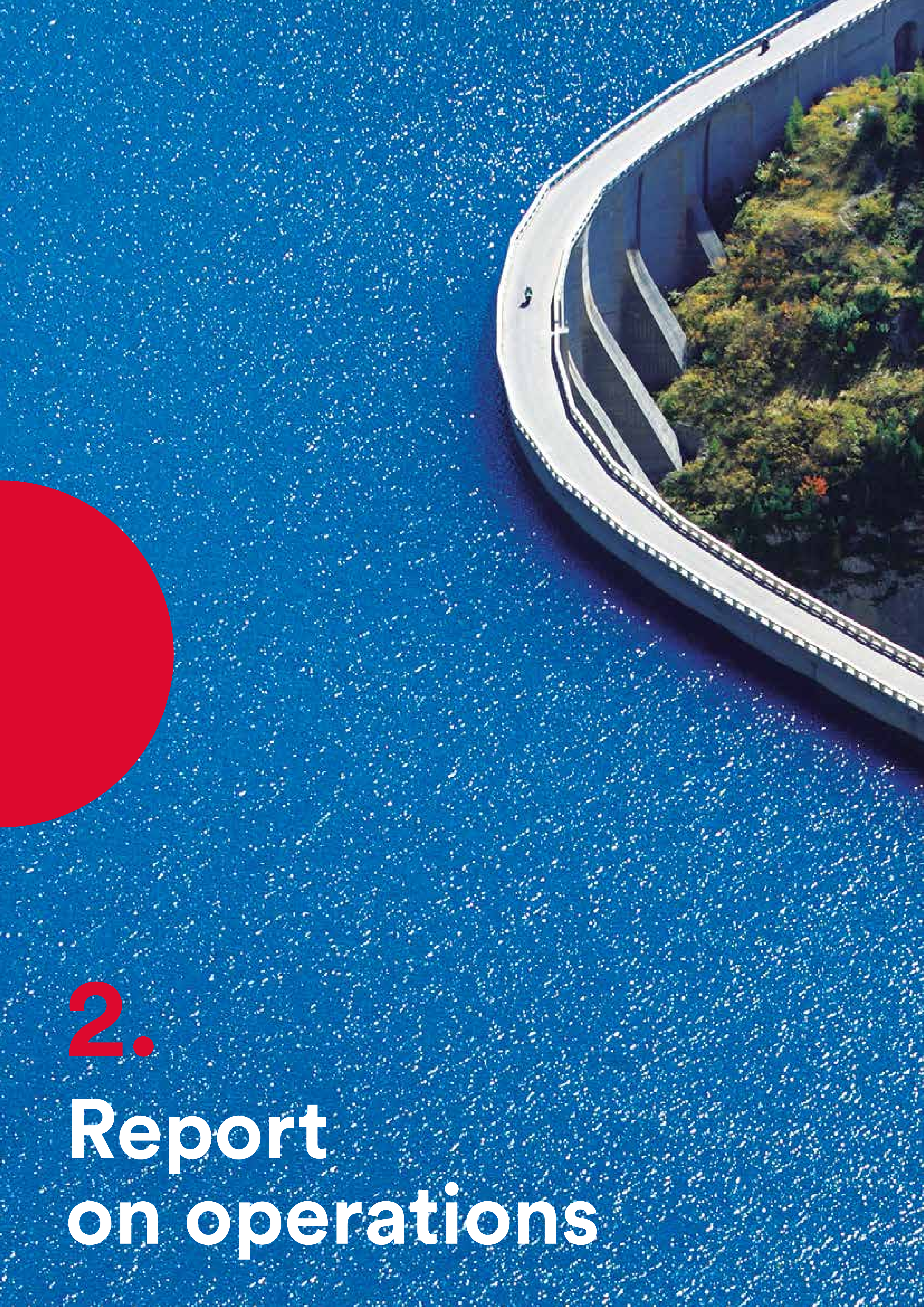
(*) 25.08% held through CDP RETI and 0.97% held through by CDP Gas.
(**) Italgas S.p.A. incorporated on 01/06/2016 and Italgas Group incorporated on 07/11/2016.
(***) Proforma consolidated figure.

Saipem (12.55%)

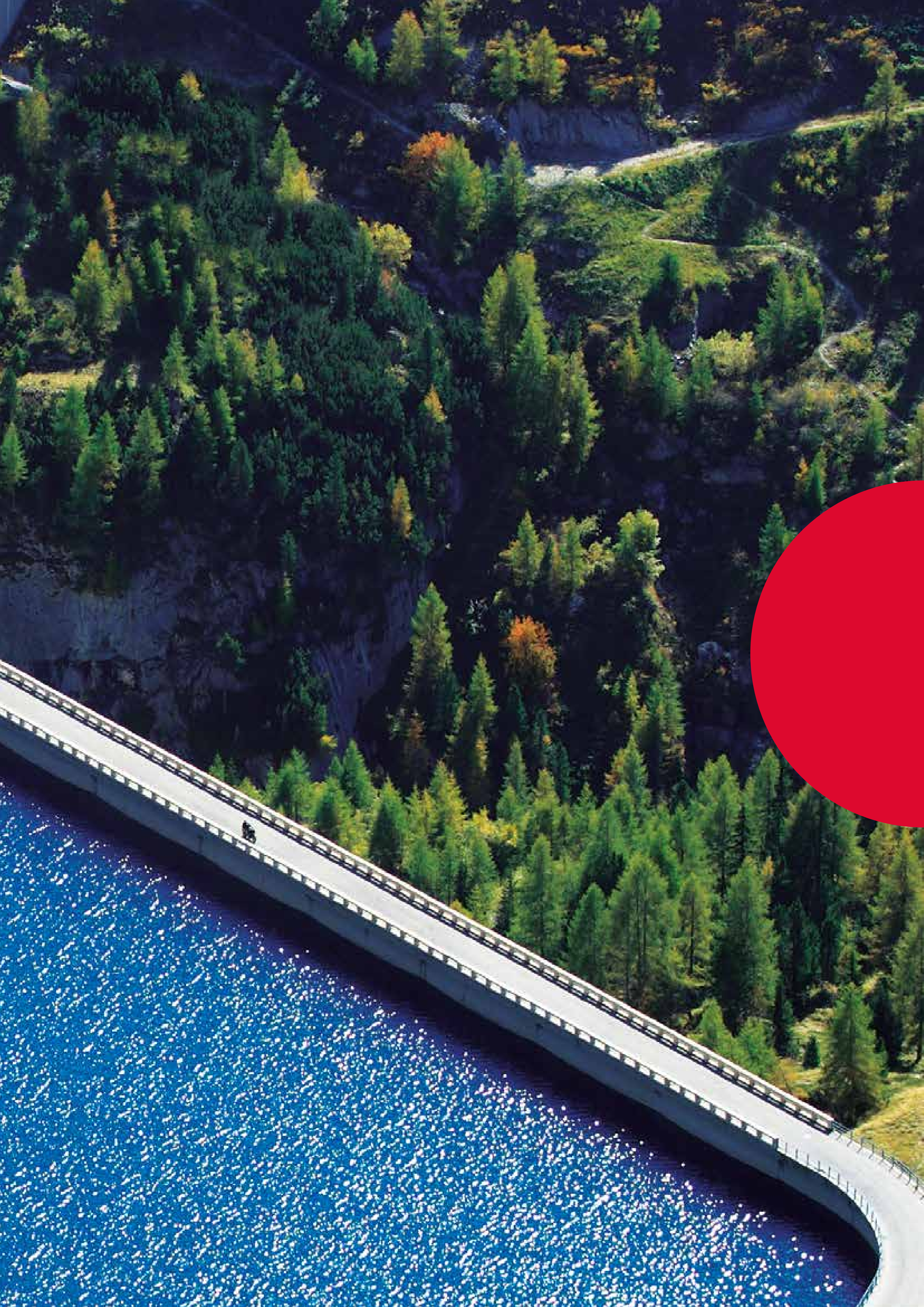
Saipem is a global leader in the onshore and offshore oil industry services sector. The company started operations in the 1950's as a division of ENI and then on a stand-alone basis. Saipem began offering services outside the ENI group in the early 1960's, becoming independent in 1969. At the end of the 90's, the focus shifted to deepwater projects and developing countries, starting a capex programme to develop its own ships for drilling and deepwater oil fields, laying pipelines, leased FPSO (Floating Production Storage and Offloading), and underwater robotics). Saipem recently completed its challenging capital expenditure programme, undertaken in 2006, to upgrade and expand its drilling and offshore construction assets, in addition to the assets need as part of its projects to use more local content. These include avant-garde ships designed to meet the challenges posed by the production and transport of oil in very deep waters and frontier environments. Saipem customer base includes nearly all the biggest private and state-owned oil companies worldwide.

(mn euro)	2016 (5)	2015 (5)
Revenues	10,010	11,520
Operating result	(1,499)	(452)
Net loss	(2,080)	(789)
Net loss, Group	(2,087)	(806)
Net equity	4,885	3,519
Net equity, Group	4,866	3,474
Net fin. position	1,450	5,391
Headcount (no.)	40,305	46,346

2016 key facts
- new 2017-2020 Strategic Plan;
- acquisition of new orders (euro 8,349 mn vs euro 6,515 mn in 2015).



2. Report on operations



1. Composition of the CDP Group

1. Parent Company

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

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

Over the course of its history, CDP's sphere of action has widened significantly, with the focus shifted from local authorities and postal savings (1850-2003) to infrastructure development (2003-2009), and then to the development of the business sector, exports, internationalisation and equity instruments (2009-2016).

CDP's privatisation in 2003 marked the start of a rapid transformation that would lead it to become the Group that it is today – a major player that invests, through debt and equity capital, in infrastructure, in the growth and international expansion of business, and in the acquisition of equity investments in Italian companies of national and international importance

- in 2003, with its transformation into a joint-stock company, bank foundations became shareholders of CDP. The Ministry of the Economy and Finance ("MEF"), however, remains the main shareholder of CDP, with an equity interest of 80.1% of the share capital;
- in 2006, CDP became subject to a reserve requirement by the Bank of Italy;
- from 2009, CDP was authorised to finance initiatives of public interest, also in partnership with private-sector entities, without drawing on public finances, and to provide support for SMEs in the form of targeted funding through the banking industry;
- in 2011, CDP's operations were broadened further with the establishment of Fondo Strategico Italiano (FSI), of which CDP is the pivotal investor;
- in 2012, the CDP Group was established, comprising Cassa depositi e prestiti S.p.A. and the companies subject to its management and coordination;
- in 2014, CDP's remit was extended again to encompass international cooperation, infrastructure financing and investments in research, drawing on both government-backed funding and unsecured funding (Decree Law 133/2014 – the "Sblocca Italia" decree – and Law 125/2014). In particular, since 2014 CDP has been authorised to:
  - finance international development cooperation projects directed by public or private-sector entities;
  - draw on government-backed funding (postal savings funds) to finance initiatives in favour of private entities in sectors of "general interest", as identified by decree of the Minister of the Economy and Finance;
  - draw on non-government-backed funding to finance works, facilities, networks and equipment not only for the provision of public services and reclamation works, but as part of wider initiatives of public utility;
  - draw on non-government-backed funding to finance investments in research, development, innovation, the protection and development of cultural heritage assets, the promotion of tourism, the environment, energy efficiency and the green economy;
- in 2015, with the approval of the 2016 Stability Law, CDP was assigned the role of "national promotional institution" (Article 1, paragraph 826, of Law 208 of 28 December 2015). CDP's designation as national promotional institution for the intents and purposes of the EU regulation concerning strategic investments and as an eligible implementer of the financial instruments receiving structural funds, authorises it to engage in the activities contemplated by the regulation, also by drawing on Separate Account funds. As such, CDP has become:
  - the entry point for funding under the Juncker Plan for Italy;
  - financial advisor to government entities for a more efficient and effective use of domestic and European funds;
- in 2016, the CDP Group's "Italian Export and Internationalisation Hub" was expanded with the transfer of the equity investment held by CDP in SIMEST to SACE. The transaction marks a major step forward in the implementation of the CDP Group's 2016-2020 Business Plan by creating a system to support the growth and international competitiveness of Italian

industry. The objective is to offer Italian businesses "one-door" access to all they need to meet their export and internationalisation requirements. In this way, CDP's core role of medium/long-term investor has been expanded to include the active promotion of growth initiatives.

On 20 October 2016, CDP increased its share capital through a rights issue reserved to the MEF, which was subscribed by the MEF through the contribution of a 35% equity interest in Poste Italiane S.p.A. As a result of the transaction, the MEF's equity interest in CDP rose from 80.1% to 82.8% of the share capital.

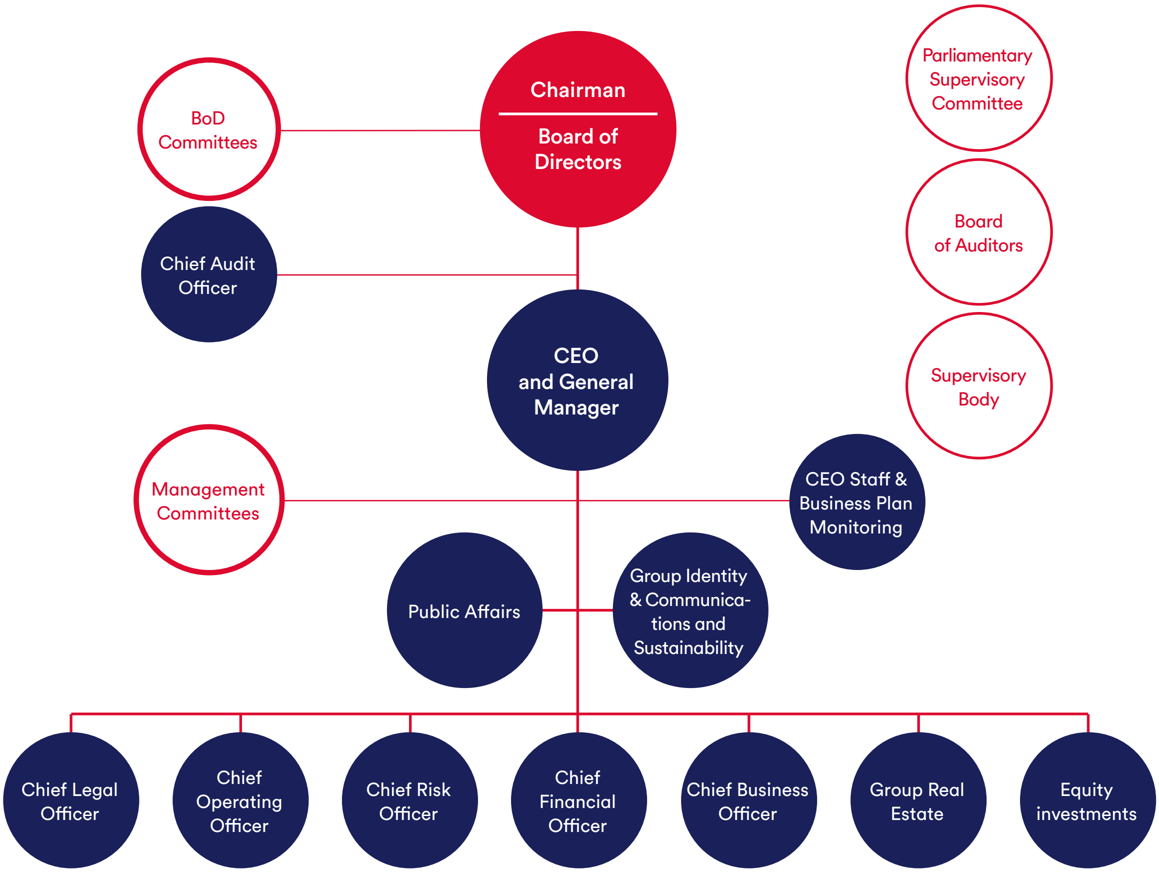
CDP's operations are carried on within a framework that ensures the organisational and accounting separation of organisational units and respects the distinction between Separate Account and Ordinary Account assets, thereby ensuring long-term economic and financial equilibrium while ensuring returns for shareholders at the same time.

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 the oversight of a Parliamentary Supervisory Committee and the State Audit Court.

At the date of this report, CDP is structured as follows:
- The Chief Executive Officer and General Manager and the Chief Audit Officer report directly to the Board of Directors;
- Public Affairs, Group Identity & Communications and Sustainability, CEO Staff & Business Plan Monitoring, the Chief Legal Officer, the Chief Operating Officer, the Chief Risk Officer, the Chief Financial Officer, the Chief Business Officer, Group Real Estate and Equity Investments report directly to the Chief Executive Officer and General Manager.

The CDP organisational chart at 31 December 2016 is as follows:



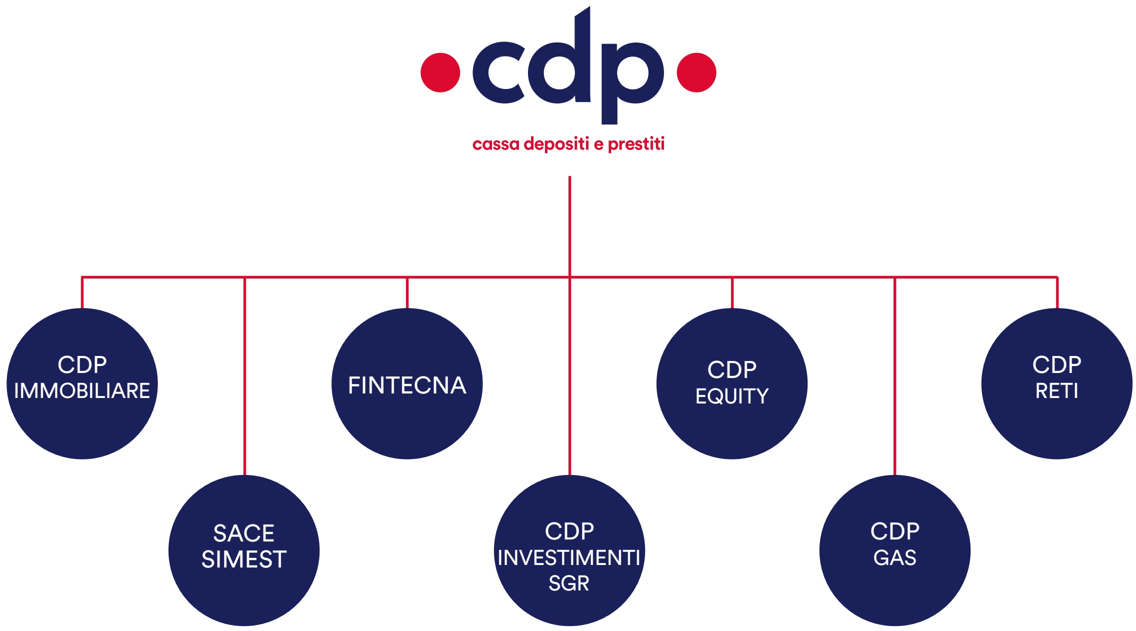
At 31 December 2016, CDP employed 695 people, including 68 senior managers, 312 middle managers, 296 office workers, 16 people engaged under other contractual arrangements (contractors and interns) and 3 people seconded and employed by another organisation.

In 2016 CDP personnel grew both in number and quality, with 108 new hires taken on and 51 people leaving the organisation.

Compared to last year, the average age of employees fell from 45 to 44 years, while the proportion of employees with a tertiary education (bachelor's or master's degree, doctorate or other post-graduate qualification) remained stable at 65%.

The company subject to management and coordination by CDP employed 1,923 people at 31 December 2016, an increase of 2%, or 46 people, on the figure at 31 December 2015.

1.2 Companies subject to management and coordination by CDP



SACE Group

Brief description and shareholding structure

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

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

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

The SACE Group consists of SACE S.p.A. and the following companies:
- SACE BT, established in 2004, engaged in the insurance of short-term credit;
- SACE FCT, established in 2010, engaged in trade receivable financing, specifically for receivables from government agencies;
- SACE SRV, established in 2007 and a subsidiary of SACE BT, specialised in business information solutions and debt recovery;
- SACE Do Brasil, established in 2012.

As of 30 September 2016, following the transfer by CDP of its equity investment in SIMEST, the Group's scope of operations was extended to include the acquisition of equity investments in companies, the financing of Italian business operations abroad and the provision of technical assistance and advisory services to Italian companies that choose to internationalise their operations.

Organisation and personnel

At 31 December 2016, the SACE Group employed 892 people, including 57 senior managers, 386 officials and 449 office workers. Compared to 31 December 2015, Group personnel showed an increase of 169 people, mainly due to the entry of 162 SIMEST employees into the scope of SACE.

CDP Equity

Brief description and shareholding structure

CDP Equity is the new name adopted, as of 31 March 2016, by Fondo Strategico Italiano, a company established on 2 August 2011.

In December 2016, the Bank of Italy withdrew from its 20% equity investment in the share capital of the company; as a result, 97.1% of the share capital is held by CDP and the remainder by Fintecna.

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

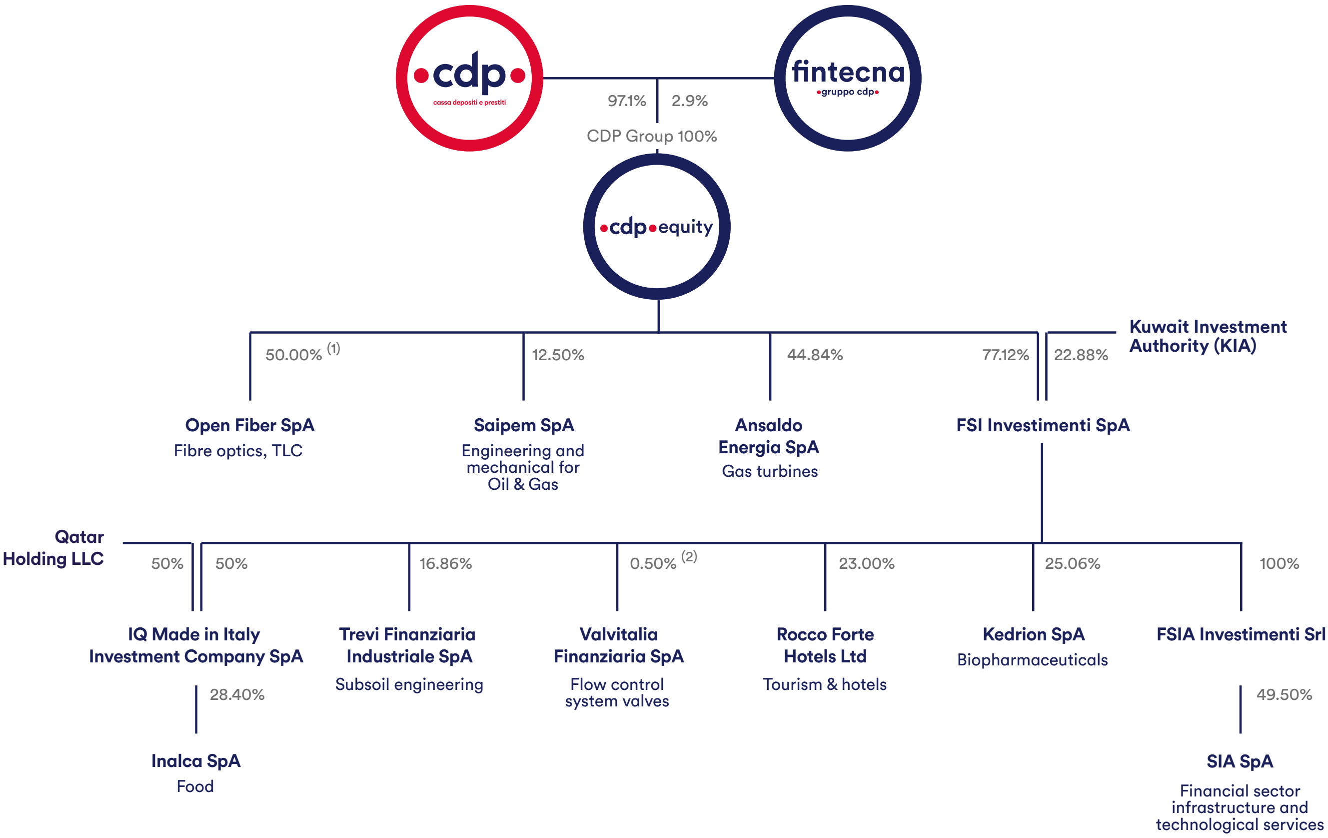
On 2 July 2014, the MEF broadened the investment scope of CDP Equity via Ministerial Decree, identifying: (i) the tourism, hotel, agrifood, distribution, cultural and artistic heritage asset management segments among its "strategic segments"; and (ii) companies which – though not incorporated in Italy – operate in some of the aforementioned segments and have subsidiaries (or permanent establishments) in Italy with a total turnover of no less than euro 50 million and an average number of employees of no less than 250 in the last financial year among the companies of "major national interest".

Under the articles of association, the share capital of CDP Equity is open to other Italian and foreign institutional investors. In view of this, and as part of a fund-raising campaign promoted by CDP Equity based on principles of transparency and non-discrimination, in 2013 IQ Made in Italy Investment Company (IQMIIC) was established as a joint venture with Qatar Holding LLC for investments in "Made in Italy" sectors, while in 2014 a new investment company was established under the name FSI Investimenti, in which CDP Equity holds about 77% of the share capital, while the remaining 23% circa is held by the Kuwait Investment Authority.

Under the Group's new Business Plan, a project has been initiated for the comprehensive rationalisation of the company's portfolio of equity investments.

Specifically, the rationalisation plan envisages two areas of focus: (i) investments identified as "stable", i.e., in companies of "systemic" interest for the national economy and with a long-term investment horizon, which will be undertaken by CDP Equity in strict coordination with CDP; and (ii) investments "promoting growth" in mid-sized companies, with a view to supporting business growth plans (geared towards public listing), drawing on a reserved, closed-end fund managed by an asset management company initially established by CDP and named FSI SGR, but subsequently opened to external investors, with CDP retaining a minority interest.

As a result of rationalisation initiatives, the corporate structure of CDP Equity today is as follows:



(1) If F2i fails to exercise option.
(2) 49.5% proforma after conversion of convertible bond.

Organisation and personnel

At 31 December 2016, CDP Equity employed 40 people, compared to 41 at the end of 2015.

Fintecna

Brief description and shareholding structure

Fintecna was established in 1993 for the specific purpose of restructuring recoverable businesses and performing transitional management activities connected with the liquidation of Iritecna, preparing the way for its privatisation. In December 2002, the absorption into Fintecna of IRI, in liquidation, and its residual assets became effective.

Today, the main equity investment held by Fintecna is its 71.64% controlling interest in Fincantieri. Following the listing of Fincantieri on the stock market, Fintecna is no longer responsible for the management and coordination of the company.

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

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

Organisation and personnel

At 31 December 2016, Fintecna employed 134 people, including 15 senior managers, 7 less than at the end of 2015.

CDP Immobiliare

Brief description and shareholding structure

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

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

At 31 December 2016, the company held real estate assets totalling approximately euro 1,277 million, including own assets valued at euro 383 million and assets held through 14 investment vehicles in partnership with leading Italian and international companies worth euro 894 million.

Organisation and personnel

At 31 December 2016, CDP Immobiliare employed 123 people, including 20 senior managers, 42 middle managers and 61 office workers. Compared to 31 December 2015, personnel posted a drop of 6 employees, partly offset by the hiring of a new employee.

CDP Investimenti SGR

Brief description and shareholding structure

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

CDPI SGR is a company that operates in the real-estate investment sector, engaged specifically in the promotion, establishment and management of closed-end funds reserved to qualified investors in four specific real estate market segments: property development for real estate owned by central government and public entities; social housing, tourism; and "smart housing & smart working".

CDPI SGR today manages four real estate funds: Fondo Investimento per l'Abitare (FIA), Fondo Investimenti per il Turismo (FIT), Fondo Investimenti per la Valorizzazione (FIV, consisting of the Plus and Extra segments), and Fondo Smart housing, working, education & innovation (FIA 2).

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

FIT began operating in July 2016 as a fund of funds for investments in the hospitality real estate sector. Through the establishment of real estate investment vehicles open to third-party investors, the purpose of FIT is to promote the development of tourist facilities in the country by acquiring real estate for hotel, hospitality, tourist-recreational, commercial and service industry use or redevelopment for those uses, consisting of rental property which is held as a long-term investment.

FIV is an umbrella real estate investment fund whose main objective is to promote and foster the privatisation of real estate owned by central government and public entities. FIV operates by purchasing, directly or through auctions or other competitive procedures, real estate with unexpressed potential value that can be leveraged through a change in use, upgrading or rental. Unlike FIA and FIT, which are funds of funds, FIV invests directly in real estate and its asset management operations are aimed at increasing the value of the purchased real estate through its active management and subsequent disposal, also in the light of market trends.

Lastly, in 2016, efforts were focused on the launch of FIA 2 to invest in the urban transformation of 14 major Italian cities into "smart cities". The fund began operating at the beginning of 2017 and is managed by CDPI SGR. The purpose of FIA 2 is to redevelop and convert buildings and real estate complexes that are no longer in use in metropolitan cities and provincial capitals into "smart housing" and "smart working" facilities, to support deployment of training and new technologies, without employing new land.

Organisation and personnel

At 31 December 2016, the company employed 47 people (9 senior managers, 22 middle managers and 16 office workers), an increase of 9 employees compared to the end of 2015.

Other companies subject to management and coordination by CDP

CDP RETI

Brief description and shareholding structure

CDP RETI is an investment vehicle established in October 2012. After the share capital was opened to outside investors in November 2014, the shareholders of the company are: CDP, with a 59.1% equity interest, State Grid Europe Limited, with a 35.0% interest, and other Italian institutional investors, with a collective interest of 5.9%.

The company manages equity investments held in SNAM (28.98%), Terna (29.85%) and Italgas (25.08%). The Italgas investment was acquired after the partial and proportional demerger of SNAM's equity investment in Italgas and the admission of Italgas shares to trading on the Italian equities market (MTA) on 7 November 2016.

CDP RETI acts as a long-term investor with the objective of supporting the development of transport, dispatching, regasification, storage and distribution infrastructures for natural gas, as well as electricity transmission.

Organisation and personnel

At 31 December 2016, CDP RETI employed 4 people. The company relies on the operational support of the parent company CDP, provided under contractual arrangements made at arm's length.

CDP GAS

Brief description and shareholding structure

CDP GAS is an investment vehicle established in November 2011 and wholly owned by CDP. On 22 December 2011, an 89% interest in TAG, the exclusive operator for the transport of gas in the Austrian segment of the gas pipeline linking Russia to Italy, was acquired from ENI International B.V.

Subsequently, as part of plans for the rationalisation of gas transport network operators, CDP GAS transferred the equity investment held in TAG to SNAM as contribution against a new rights issue reserved to it. As a result of the programme, at 31 December 2015, CDP GAS now holds an equity investment in SNAM of 3.4%.

In 2015, in line with policy instructions received from the Parent Company, CDP GAS sold a 2.3% interest in SNAM on the market, thereby reducing its equity investment in the company to 1.1%.

As of 7 November 2016, with the partial and proportional demerger of the equity investment held by SNAM in Italgas, CDP GAS holds an equity investment in Italgas of 0.97%.

In December 2016, CDP initiated a plan for the rationalisation of the equity investment portfolio of the CDP Group. As part of the plan, CDP approved the decision to merge CDP GAS into CDP by incorporation (effective in 2017). The decision enables the group to eliminate a vehicle that no longer serves the purpose for which it was established and to reduce overall operating costs.

Organisation and personnel

At 31 December 2016, CDP GAS did not have any employees in its workforce and used the parent company CDP for administration support through a service agreement entered into under market conditions.

2. Financial aggregates and performance indicators

CDP S.p.A. - Financial aggregates and performance indicators (millions of euros; %)

	31/12/2016	31/12/2015	Changes Overall	Changes %
Total assets	357,710	344,899	12,811	3.7%
Cash and cash equivalents	161,795	168,644	-6,849	-4.1%
Loans	102,969	103,736	-767	-0.7%
Equity investments	32,551	29,570	2,981	10.1%
Funding	331,806	323,046	8,761	2.7%
Equity	23,207	19,461	3,746	19.2%
Net interest income	2,369	905	1,463	161.7%
Gross income	1,922	1,155	767	66.4%
Operating income	1,627	910	716	78.7%
Net income	1,663	893	770	86.2%
Net normalised income (*)	1,944	1,102	842	76.4%
Net interest income spread	0.8%	0.4%		
Cost/income ratio	8.1%	12.9%		
ROE	8.5%	4.6%		
Gross bad debts loans and unlikely to pay/Gross exposure vs customers and banks (**)	0.3%	0.3%		

(*) Normalised net income is net of the non-recurring items relating (i) for the year 2016, to the impairment loss on the equity investments in CDP Immobiliare and Fondo Atlante (totalling euro 564 million) and to the ACE benefit (totalling euro 188 million) and (ii) for the year 2015, to the impairment loss on the equity investments in CDP Immobiliare and Fintecna (totalling euro 209 million).

(**) Net exposure is calculated net of the provision for impaired loans and includes loans to banks and customers and commitments to disburse funds.

CDP Group - Financial aggregates[1] and performance indicators (millions of euros; %)

	31/12/2016	31/12/2015 restated	Changes Overall	Changes %
Total assets	410,425	398,870	11,555	2.9%
Cash and cash equivalents	165,452	172,523	7,071	-4.1%
Loans	112,380	110,540	1,840	1.7%
Equity investments	20,910	18,172	2,738	15.1%
Funding	355,990	345,409	10,581	3.1%
Equity	35,679	34,553	1,126	3.3%
of which pertaining to shareholders of the Parent Company	22,528	20,199	2,329	11.5%
Net interest income	2,106	551	1,555	282.2%
Gross income	16	-2,118	2,134	n.s.
Operating income	3,861	1,623	2,238	137.9%
Net income (loss)	1,128	-857	1,985	n.s.

1 Reclassified (see par. 4.4.2).

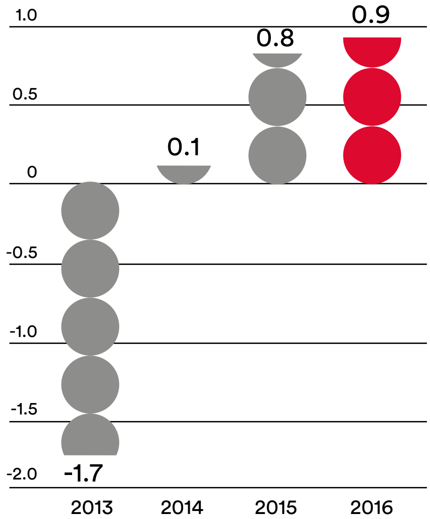
3. Macroeconomic scenario and the market

3.1 Macroeconomic scenario

The global economy ended 2016 with a GDP growth ratio essentially in line with that recorded in 2015 (3.2% and 3.1% for 2015 and 2016 respectively), according to the latest forecasts of the International Monetary Fund (IMF). In the Eurozone the monetary and financial conditions remained accommodative, though recording, in the final phase of the year, a widening of the yields of governmental securities, in particular Italian bonds with a long maturity compared to their German counterparts. In 2016, the Eurozone recorded a moderately reduced growth rate, equalling 1.7%, compared to 2.0% recorded in 2015. Affecting the Eurozone's slowdown was the political uncertainty that accompanied Europe and the United States in the second part of the year, beginning with June's referendum concerning the UK's decision to abandon the European Union, and peaking in November with the US elections. In the USA, according to the latest forecasts, a drop in the growth rate of GDP was recorded, between 2015 and 2016, going from 2.6% to 1.6%, respectively, in the two years.

In this environment, the Italian economy strengthened its growth rate in 2016, standing at 0.9% and improving from the 0.8% in 2015. In particular, a positive trend has been recorded in almost all the GDP components. Household consumption increased by 1.3%, according to Bank of Italy estimates, while gross fixed capital formation grew by 2.1% (0.6% in 2015). The performance of GDP was encouraged by a more accommodative fiscal policy, growing 0.8% in the past year.

Growth rate and real GDP
(% change year-on-year)

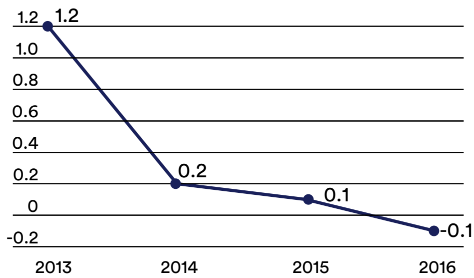


Data source: IMF.

In the labour market, 2016 showed some progress, thanks to the consolidation of the economy's growth rate and the extension, though to a lower extent, of the tax relief launched by the Government for 2015. In particular, employment grew by 1% against a moderate decline in the unemployment rate (from 11.9% in 2015 to 11.5% in 2016), due to the increase in the rate of participation in the labour market. However, critical issues remain: youth unemployment, for example, is still stable at very high levels, standing at an average of 40% in 2016[2].

Inflation remained steady, on average, and was very low. During the year, the national general consumer price index recorded a negative change, on average equal to 0.1%. In particular, in 2016 the very low inflation rate was again essentially attributable to a level of prices for energy goods that remained low.

Inflation rate
(% annual change NIC index)



Data source: IMF.

In 2016, industrial output recorded a rise of 1.6% compared to 2015. This trend was favoured by strong growth in the production of capital goods and intermediate goods (+3.7% and +2.3% respectively compared to the previous year), while the industrial output of consumer goods remained steady. Specifically, manufacturing recorded an increase of 1.9%, driven by the production of means of transport (+5.1%) and equipment (+3.6%); whereas mining continues its negative performance (-6.2%), which is affected by the weak energy segment.

For the third quarter of 2016, household disposable income, valued at current prices, increased by 2.3% compared to 2015. Considering the zero growth rate in consumer prices, the increase in disposable income fully translated into an increase in household purchasing power, increasing by 2.3%. At the same time, household final monetary consumption expenditure, at current prices, rose by 1.6%. As a consequence, household propensity to save recorded a slight increase, standing at a rate of 9.3%[3].

3.2 The credit sector

3.2.1 Monetary policies and interest rates

During 2016, in view of the uncertainties regarding the recovery of inflation in the medium term, the ECB continued its monetary easing policy. The Governing Council decided to cut the interest rate on deposits, bringing it to -0.4%, and the main and marginal refinancing rates, taking them to 0.0% and 0.25% respectively. At the same, the ECB decided to extend the asset purchase programme (APP) also to debt securities of non-financial companies, extending its duration to the end of 2017.

The liquidity situation of banking institutions was under pressure again in 2016, with a significant increase in funds requested from the ECB, placing the Italian banking sector in the spotlight. At the end of the year, the total amounts requested from the ECB came to about euro 204 billion, up by euro 46 billion on December 2015. In particular, the use of LTROs was around euro

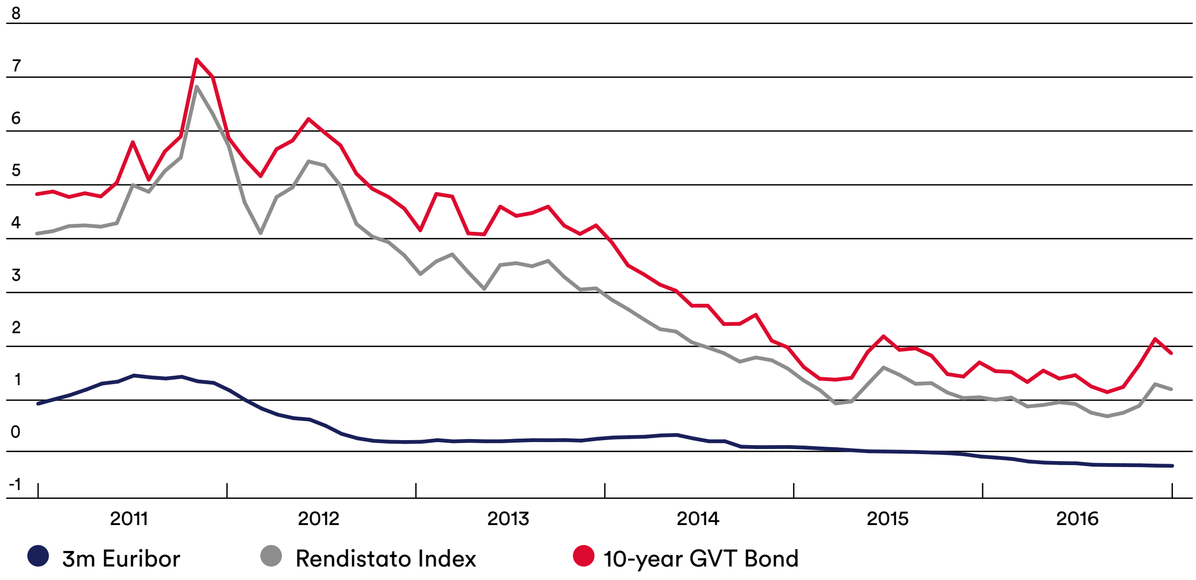
2 Istat, Employed and unemployed people. February 2017.
3 Istat, Household income and savings and companies' profits. Third quarter 2016, 5 January 2017.

48 billion, taking the total amounts to euro 188 billion, while the funds requested for Main Refinancing Operations (MRO) stood at euro 16 billion at the end of 2016, down 2 billion compared to the previous year.

The ECB monetary easing policy favoured a steady reduction in market interest rates during the year. The 3-month Euribor fell to -0.33% in December, from -0.16% at the beginning of the year while the Eonia rate went from -0.23% to -0.35%.

Tensions on sovereign debt markets fell in the first few months of 2016, thanks partly to the effects of quantitative easing and partly to the other policies put in place by the ECB, but also to the first signs of a modest recovery in the economic cycle. After the low reached in mid-March, the spread on 10-year Italian government bonds compared to their German equivalent started to widen again due to the worsening of the political risks in Europe, reaching around 160 bps at year-end[4]. At the same time, the Rendistato general index - which in August had reached its lowest of 1.05%, gradually increased, standing at 1.2% in December 2016, down around 15 bps compared to the figures for the previous year[5].

Main interest rates (%)



Data source: Based on Reuters figures.

Despite the improvement in the liquidity situation of Italian banks, lending to the private sector and General Government Entities continues to fall (-1.6% year-on-year at November). The decline in loans, extending to almost all the sectors, was partially eased by the positive performance of loans to households, which in November recorded an increase of 0.7% year-on-year. The performance of loans to businesses was still negative (-2.3%), in contrast with the Eurozone, where an especially notable increase was seen in France (+4.4%) and in Germany (+2.3%).

With regard to the main bank interest rates, the average rate on funding from resident customers fell steadily during the year until 0.97% in December 2016 (1.2% at the end of 2015). In particular, average rates fell both on deposits (0.4%, -10 bps year-on-year) and on bank bonds (2.75%, -15 bps year-on-year). During 2016, this was accompanied by an even greater fall in interest rates on loans to households and to non-financial businesses, reaching 2.85% in December (-40 bps compared to the same month the previous year)[6].

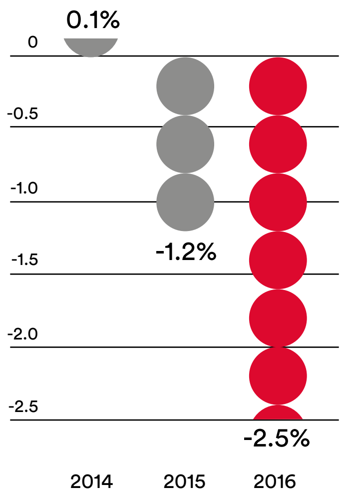
4 Based on Thomson Reuters - Datastream figures.
5 Based on Thomson Reuters - Datastream figures.
6 See ABI Monthly Outlook, January 2017.

3.2.2 Lending and funding in CDP's reference market

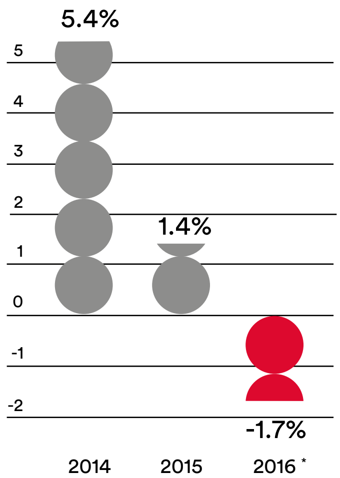
The reference market of the CDP's lending operations continued to tighten during 2016. The volume of loans to General Government Entities and non-financial businesses recorded an overall decline of 2.5%, with a drop in both loans to non-financial businesses (-2.2%) and loans to the General Government Entities (-3.4%). With regard to loans to the General Government Entities, the loans to Central Government and to local authorities recorded similar trends in December 2016, the former recording a decrease of 4.0% compared to the previous year, while the latter was down by 1.7%, reaching about euro 68.5 billion.[7]

Bad debts of banks slightly decreased during the year, thanks to the economic recovery. At year-end, gross bad debts recorded a reduction of 1.0%, at about euro 199 billion; despite this performance, the ratio of bad debts to total loans remained stable at 12.2%[8], due to the decline of loans.

Banks loans to General Government Entities and enterprises
(% change in stock)



Household financial assets
(% change in stock)



* Figures for the third quarter of 2016.

Data source: Bank of Italy.

With regard to the reference market for CDP's funding, in the third quarter of 2016, the growth in the stock of household financial assets was negative once again[9]. In particular, total amounts decreased by 1.7%, interrupting the positive series beginning in 2014. The turnaround was mainly attributable to the negative performance of the fixed-income and equity components of household portfolios.

In an environment characterised by low yields and relative uncertainty over future income growth prospects, households have continued to prefer more liquid instruments against those with longer maturities. The asset management and the life insurance segment posted significant changes year-on-year, partly due to the strong performance of share prices in the first half of the year. At the same time, the amount of government securities in household portfolios fell significantly, as a result of the reduction in yields offered by the Treasury.

During the year, the stock of bank bonds continued to fall also due to the lower offering on the market, partly due to the increased perception of riskiness of these instruments among the customers, particularly in the retail segment.

7 Based on Bank of Italy figures.
8 Based on Bank of Italy figures.
9 Household financial assets comprise bank funding (current accounts, deposits and bonds), investments in mutual funds (asset management), government securities and life insurance policies. Growth rate measured at Q3 q/q.

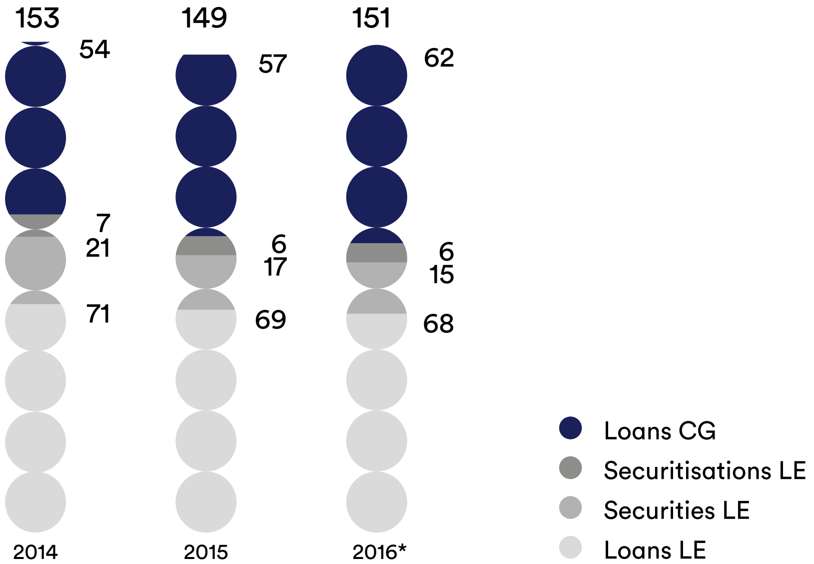
3.3 Public finance context

Public finance improved slightly in 2016 compared with 2015, due to the extension of the tax easing policy. General Government net borrowing was equal to -2.5% of GDP, compared to -2.6% in the previous year, while the primary balance fell by 0.1%, from 1.4% to 1.3%[10].

The improvement in net debt was due to the reduction in total General Government expenses (49.7% of GDP, down 0.7% on the previous year), offsetting the decrease in revenues (47.3% of GDP, down 0.6% on 2015). Lastly, public sector debt increased slightly in 2016 by 0.5% compared with 2015, from 132.7% to 133.2% of GDP.

Looking at CDP's target market, consisting of the loans to local entities (Municipalities, Provinces, Regions and Other Local Authorities) and loans to Central Government Entities, in December 2016 the amount of outstanding loans to Local Entities stood at euro 68 billion, down about euro 1 billion compared with the same period of the previous year. On the same date, the volume of bonds issued by Local Entities was euro 15 billion, down about euro 2 billion compared with the end of 2015. Securitisations and other forms of borrowing stood at euro 6 billion, in line with the figure of the last two years.

Stock of debt held by Local Entities and loans to Central Government Entities
(billions of euros)



* Figures relating to November 2016.

Data source: Bank of Italy.

The debt of Local Entities reduced by about euro 3 billion during 2016, reaching euro 89 billion at year-end. The largest share of the debt is held by Regional and Municipal local authorities, with debt amounting to about euro 72 billion (81% of the total debt of the Local Entities), against debt of Provinces of about euro 7.5 billion (8% of the total) and debt of Other Local Authorities of about euro 9.5 billion (11%).

Interest-bearing loans owed by Central Government Entities increased by about euro 5 billion year-on-year during the year, rising from euro 57 billion to euro 62 billion, in the opposite direction to Local Entities. In the same period, CDP's overall reference market slightly increased, reaching a level of euro 151 billion, bucking the decreasing trend recorded in the previous years.

[10] IMF.

3.4 The real estate sector

During 2016, though in a context that was marked again by a high level of uncertainty, the Italian real estate market showed signs of a modest turnaround, at least in terms of volumes, although with continued significant weakness in prices. Having overcome the worst years of crisis, a new season began, featuring the typical contradictions of the cyclical inversion phases.

The main recovery driver is the increase in demand for direct real estate investments which, despite the precarious prospects and the fragility in earnings, in our country remains a fundamental pillar in the allocation choices of households. In this context new components are gaining ground, which are able to support the market; in particular, the redevelopment of the existing assets, especially with reference to energy efficiency, and the demand for leasing, which was boosted by the changes underway from a social and demographic standpoint (which resulted in a substantial decrease in resources allocated by households to this kind of expenditure).

With reference to the economic data, in the third quarter 2016 real estate sales exceeded 265 thousand units, accounting for a 17.8% increase year-on-year. All the segments showed a particularly strong performance, especially the services (+31.1%) and manufacturing sectors (+24.5%). Also the sales of residential property recorded a notable improvement (+17.4% year-on-year), though with a marked difference in the main urban areas (from +2.4% in Naples to +25% in Genoa), thus confirming the overall situation generated by the crisis, which has had a structural impact on the economy, particularly in the less developed areas (Southern vs. Northern Italy).

In this context, the possibility of resorting to debt represents the factor able to give real strength to what otherwise risks remaining a unrealistic intention. This circumstance inevitably exposes the sector to the typical fluctuations of more financialised contexts, reducing its actual anti-cyclical potential. In our country this phenomenon risks being even more marked than elsewhere, due to the precariousness of the general economic outlook, as well as to the high amounts of non-performing loans among the assets of the banking system.

The central role of lending in the market's growth is reflected in the increasing incidence of debt-financed purchases over the total, passing from 44% in 2014 to the current 59.8%. A continuous rise that confirms how much the recovery underway depends on the disbursement of mortgages and the exposure of the real estate market to the performance of the Italian banking system. Therefore, it is hardly surprising that, despite the recovery of deals (+23.8% since the end of 2013), no inversion of the trend has been recorded for prices, which instead continued to decline, though with a progressively decreasing trend (-1.4% year-on-year in the second quarter of 2016). In this environment, the recovery in interest rates, which is considered highly likely, could have a negative impact that may further delay the long-awaited recovery in the sector (particularly residential purchases), essentially confirming the advisability of focusing future capital value enhancement on investments held for lease.

With reference to the non-residential segments, the persisting crisis led to the progressive polarisation of the market with an ever clearer distinction between high quality real estate in prime locations and obsolete properties no longer in line with the new requirements in terms of efficiency and space rationalisation.

In addition, a gradual diversification of investments is taking place. Indeed, they are moving towards asset classes that were deemed of little interest until recently, such as student housing, properties linked to healthcare or hotels.

3.5 The private equity sector

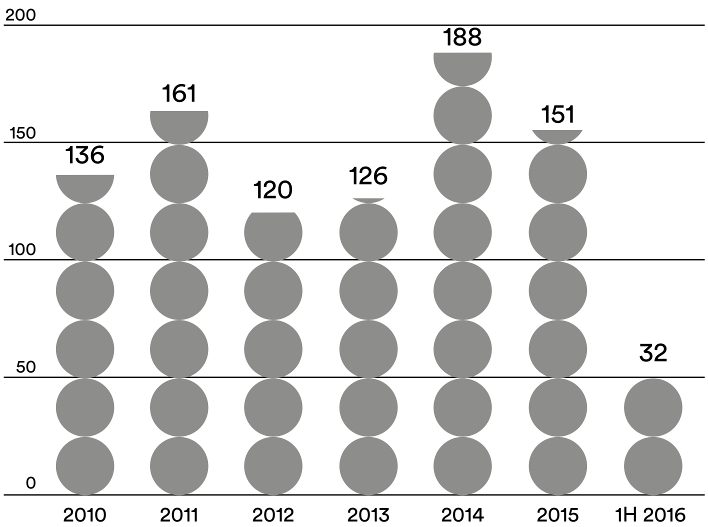
Industrial production plays a leading role in the Italian economic system. With an added value exceeding euro 230 billion produced by the manufacturing industry in 2015, Italy is the second manufacturing economy in Europe, with global leaders in more than 900 categories of goods.

In Italy the stock market is still rather limited, though showing interesting signs of growth in the last two years. At the end of December 2016 Borsa Italiana officially reported 387 listed companies in our country (310 in the main Italian Equities Market, of which 71 in the STAR segment), compared to more than one thousand in France. However, there are encouraging signs relating to listings exceeding euro 100 million: in 2015 and 2016 at the Milan stock exchange there were a total of 11 IPOs on the main equity market, 8 in 2015 and 3 in 2016. This figure marks an increase compared to the previous two-year period, which counted 2 listings in 2013 and 5 in 2014, against 8 listings in 2015 and 3 in 2016. In 2016 the total funding in IPOs on the main equity market equalled euro 3.0 billion, down compared to euro 5.7 billion in 2015. In the second half of 2016, 1 new IPO was recorded exceeding euro 100 million on the main equity market.

Finally, in Italy the penetration of the private equity market is still limited. In 2015 the private equity market represented just 0.16% of GDP, compared to 0.48% in the UK, 0.38% in France and against a European average of 0.30%. In 2015, private equity funds invested euro 4.6 billion in Italy in 342 transactions. Despite recording a growth rate of 13% since 2010, investments in Italy account for only about 5% of the total of private equity investments in the 28 countries of the European Union, against a national GDP that represents more than 10% of the total GDP of the EU countries.

In terms of CDP EQUITY's reference scope in Europe, in the first half of 2016 64 transactions were carried out, with a value of USD 32 billion, down both in terms of number and value compared to the transactions performed in the first half of 2015 (79 transactions for USD 44 billion).

Private Equity Reference value in EMEA
(billions of USD)

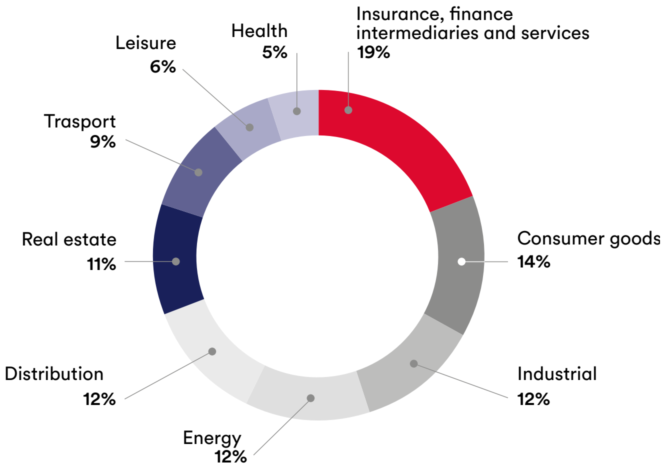


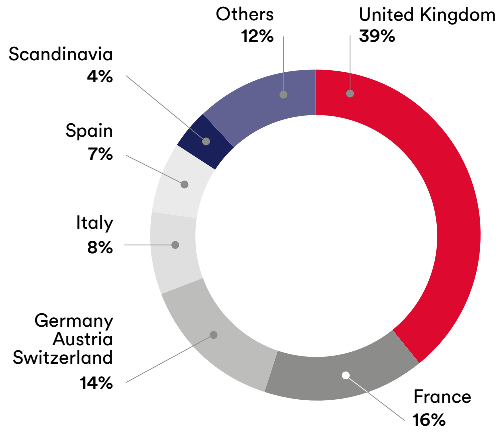
Data source: Dealogic.

It includes investments worth more than USD 100 million, also outside the scope of operations.

The investments performed in the first half of 2016 mainly concerned insurance, financial intermediation and services (19%), and consumer goods (14%).

Breakdown of Private Equity investments in EMEA - 1st half 2016 (%)





Data source: Dealogic.

In geographical terms, the transactions were mostly carried out in the United Kingdom (39%) and France (16%). Transactions completed in Italy accounted for 8% of the European total.

The limited development of the private equity market in Italy is not coherent with the country's economy, which, as mentioned, is Europe's second largest manufacturer, with established companies operating in premium niche areas and has a high percentage of family businesses with debt and succession issues.

3.6 The export support and credit insurance sectors

In 2016 the volumes of international trade in goods and services increased between 1.5% and 2%, a rate far from pre-crisis growth (on average +7.3% in the 2000-2007 period). The increase in trade in 2016 was essentially balanced in the advanced and emerging economies. The former almost halved their growth rate compared to the previous year, while trade in emerging countries resumed growth at a low pace following the drop recorded in 2015. The Italian trade surplus reached almost euro 46 billion in the first 11 months of the year, with an increase of euro 9.6 billion compared to the same period of the previous year. Exports of goods grew by 0.7%, sustained by EU demand (+2.7%), while the demand from outside the EU fell (-1.7%). The most dynamic countries included Japan (+9.8%), the Czech Republic (+6.5%), Spain (+5.9%), China (+5.0%) and Germany (+3.3%); on the contrary, sales to Russia (-6.5%), Turkey (-4.6%), India (-3.4%) and the Mercosur area (-16.4%) were down. As regards the main sectors, the increase in exports is mainly attributable to the growth in sales of electricity and gas (+17.9%), pharmaceutical products (+7.3%), vehicles (+5.9%) and food products (+4.1%); mechanical machinery - which is the main driver for the demand of insurance policies against risks of failed payment - was down, along with refined products, metal products and mining products.

4. 2016-2020 Business Plan

4.1 Overview of Business Plan guidelines

The credit crunch of recent years now seems to have largely eased, with Italy showing what appear to be consolidated signs of recovery. In this framework, efforts need to be focused on growth and reforms.

CDP is committed to supporting nationwide initiatives with a systemic and anti-cyclical approach, working with a long-term view towards sustainable goals, as a market player would. As a proactive player and promotional institution, CDP aims to overcome the limitations of the market and act alongside existing market players. The CDP Group's ambition is to play a key role in driving growth by acting on all the key levers for economic growth. Over 2016-2020, the CDP Group can potentially release around euro 160 billion in new funding for the country, through a strategy focused on four key business drivers: (1) Government & PA and Infrastructure; (2) Internationalisation; (3) Businesses; (4) Real Estate.

Government & P.A. and Infrastrutture (euro 39 billion)

For the Government & PA sector, the objective is to mobilise around euro 15 billion to target: the expansion of public finance; the development of public assets; a new role for international cooperation and direct action to optimise the management of European structural funds and fast-track access to those funds for entities by leveraging the CDP's designation as national promotional institution.

As regards Infrastructure, the objective is to help fasten the pace of infrastructure work by facilitating new major infrastructure projects and identifying new strategies for the development of smaller-scale infrastructure (approximately euro 24 billion mobilised).

International Expansion (euro 63 billion)

The CDP Group's goal is to boost support for exports and internationalisation by creating a single system with one-door access to Group services and reviewing the range of services to optimise support.

Enterprises (euro 54 billion)

CDP Group is committed to supporting Italian businesses throughout their life cycle through initiatives to promote the start-up, innovation and growth of companies and sectors and facilitated access to credit. The Group has reaffirmed its role in the development of key national assets through the long-term perspective taken in the management of equity investments of systemic importance and the capital provided to support business growth.

Real Estate (euro 4 billion)

The ambition is to contribute to the development of real estate assets through initiatives targeted at: enhancing the value of buildings used by the PA; developing a new model to promote affordable housing and the creation of public spaces for social integration; implementing urban redevelopment and growth projects for strategic areas of the country; and the development of accommodation facilities, also focusing on ancillary assets, to promote the tourism industry.

The funds mobilised by CDP will act as a catalyst for investments by the private sector, local institutions, supranational organisations and international investors, enabling an additional euro 105 billion circa to be channelled into the sector. The approximately euro 265 billion earmarked overall will be used to support a major part of the Italian economy.

2020 Plan strategic guidelines

Plan period 2016-2020 (euro billion)

Aspiration

Euro 160 bn of CDP Group resources to support the country and around Euro 105 bn of additional resources activated through the economy

265 bn euro

1. Government & PA and Infrastructure

Supporting Public Administration capex, international cooperation and a "change of pace" in the construction of infrastructure

2. International expansion

Creating a single dedicated hub to support the export sector and the international expansion

3. Enterprises

Supporting Italian companies throughout their life-cycle

4. Real Estate

Enhancing publicly owned real estate, social housing and tourism

International Investors, Europe and territory	Attract resources from institutional investors and the EU and strengthen connections with the country
Governance, competencies and culture	Improve group governance, increase expertise and foster a “proactive culture”
Economic and financial balance	Optimise capital structure to guarantee economic sustainability

	Government & PA and Infrastructure	International expansion	Enterprises	Real Estate	**Total**
CDP Group resources	39	63	54	4	160
Other resources from system	48	8	38	11	105
Total resourses	87	71	92	15	265
Multiplier	2.3x	1.1x	1.7x	3.8x	1.7x

4.2 Group operations in 2016

2016 was the first under the new 2016–2020 Business Plan. The Plan sets ambitious medium/long-term objectives, both in terms of new lending to the economy and in terms of the new tools actioned, which go far beyond those traditionally used.

With expectations raised so considerably, the year therefore marked an important change of pace in CDP operations, with key business initiatives started up targeting all four of the key drivers identified by the Plan (Government & PA and Infrastructure; International Expansion; Enterprises; Real Estate).

Moreover, under the 2016 Stability Law, CDP was designated a national promotional institution, which assigns it a key role in the implementation of the Juncker Plan. Accordingly, CDP contributed to the structuring of investment platforms identified as forms of cooperation between the EIB Group and national promotional institutions and launched a large number of initiatives during the year to support both SMEs and infrastructure and innovation projects, identified within the implementation windows of the Plan ("Infrastructure & Innovation" and "Small and Medium Enterprises").

Numerous extraordinary and systemic transactions were also implemented during the year beyond the scope of the Business Plan, showing the efforts being made to expand CDP's role in supporting the economy.

4.2.1 Key business initiatives started in 2016

Government & P.A. and infrastructure

2016 marked the start of a number of important projects initiated by the Group to support government spending at all levels and major infrastructure works, despite demand for funding by public entities being at its lowest in years.

In particular, a commitment was subscribed to the Large Infrastructure Platform, launched in the first quarter of 2017 with the signing of a first investment deal for the motorways sector. The platform is promoted by CDP in cooperation with the European Investment Bank (EIB). Its purpose is to finance major infrastructure projects in Italy, with specific focus on strategic networks and social infrastructure.

Other major infrastructure initiatives included a financing agreement with Enel Open Fiber to fund the company's ambitious plan in pursuit of the objectives identified by the European Digital Agenda and Italy's High Speed Broadband Strategy.

In line with the 2016–2020 Business Plan, CDP also funded investments in other infrastructure sectors with structural deficiencies, in particular the rail transport sector. Efforts to support the national and regional railway networks, which are used by millions of Italians, are aimed at improving service levels through the purchase of new trains to upgrade rolling stock.

Other initiatives pursued in 2016 in accordance with Business Plan guidelines focused on the groundwork for the promotion of new investment vehicles, at both the national and international levels, for the infrastructure sector, targeting in particular the greenfield segment.

CDP took part in the placement of the first project bond ever issued for an Italian infrastructure project in the motorways sector, guaranteed by the EIB under the Europe 2020 Project Bond Initiative.

Air transport is another strategic infrastructure sector for the country, in which CDP financed part of the investments planned by Aeroporti di Roma to raise capacity at Fiumicino Airport. The investments will enable improvements in the service levels offered by the facilities, which currently operate above maximum capacity.

CDP also continued to support public administration in assessing the feasibility of major strategic infrastructure projects in Italy and structuring their financing, with a view to ensuring the start-up, or in some cases the continuation, of works.

For these purposes, in May 2016 the CDP Group launched a cooperation initiative with the EIB to provide technical assistance in structuring projects through the European Investment Advisory Hub (EIAH) established under the Juncker Plan.

The strategic aim of the accord is to contribute to the development and structuring on a European scale (and hence in Italy as well) of technically sustainable projects that can be financed, by building on the highly qualified contribution of the 18 national promotional institutions in Europe that have signed accords.

Initiatives to support public entities included measures for areas affected by earthquakes in 2016 in the regions of Abruzzo, Lazio, Marche and Umbria. The measures deferred payment of loan instalments falling due in December 2016 and 2017. Payments terms were also deferred for loan instalments due in 2016 for public entities in the regions of Emilia-Romagna, Lombardy and Veneto, affected by the earthquake of May 2012.

A loan renegotiation programme was instead offered to assist provinces and metropolitan cities in the transfer of tasks to other local entities, also in accordance with the provision of Law 56/2014. A total of 60 entities took up the programme, with approximately euro 3 billion in loans renegotiated.

2016 also marked the start of Development Cooperation, as provided by Law 125/2014. Under the provisions of this law, CDP will act as national promotional institution to offer financial products to developing countries, both through the management of third-party funds, such as the Revolving Fund for Cooperation and Development, and through lending arrangements drawing on CDP funds.

International Expansion

In 2016, the CDP Group implemented one of the key pillars of its Business Plan with the creation of the “one-door” Export and Internationalisation Hub, realised through the transfer by contribution of SIMEST from CDP to SACE. The transaction was concluded in the third quarter of the year.

In December, the SACE Group, in concert with the Parent Company and in line with the strategic priorities identified by the CDP Group Business Plan, approved its own business plan. The plan is premised on the objective of maximising support for the country’s growth, in partnership with the banking industry, by:
- significantly raising target volumes of export credit and internationalisation;
- extending insurance operations, including the expansion of state reinsurance for specific sectors and strategic transactions, in line with other ECAs;
- developing Group commercial rules and processes to guarantee “one-door” access for Italian companies to export and internationalisation services.

At CDP Group level, operations in 2016 showed an overall 35% growth in approved lending volumes compared to 2015, with major transactions in strategic sectors for the country. Financing for export and business internationalisation initiatives by the Parent Company more than tripled in the year.

Enterprises

In 2016, the Group expanded its range of solutions to support enterprises throughout their life cycle, providing both equity capital (directly or through funds) and facilitations to access credit.

During the year, direct equity capital investment operations previously managed by Fondo Strategico Italiano (“FSI”), now CDP Equity, were reorganised, and a new asset management company, FSI SGR, was established. More specifically, CDP Equity works with the parent company in the management of equity investments in mid-size and large companies of systemic importance (e.g. Metroweb/Open Fiber, Ansaldo Energia and Saipem). Instead, FSI SGR will support the growth plans of companies with significant growth prospects from a private equity point of view, through the launch of funds to attract international and private growth capital.

In relation to equity investments made in 2016, initiatives included:
- the launch of ITAtech, an investment platform conceived by CDP in cooperation with the European Investment Fund (“EIF”). The mission of ITAtech is to finance funds involved in the technological transfer process from universities and research centres to the market. It is the first platform of its kind set up with the use of EU funding under the Juncker Plan;

- the establishment of the company QuattroR SGR to promote, via the management of one or more investment funds, the restructuring, support and consolidation of the financial and equity structure of Italian companies which, despite temporary financial or equity imbalances, present good industry and market prospects;
- a commitment to invest up to euro 200 million in a new private equity fund promoted by FII SGR, with an investment strategy focused on supply chains. The purpose of the fund is to boost competitiveness and growth in specific Italian industry segments of excellence, while facilitating vertical integration processes and/or horizontal consolidation;
- commitments by CDP to two additional managed funds promoted by FII SGR, dedicated to the start-up and development of new Italian companies.

As part of its efforts to support access to credit for SMEs, CDP launched Europe's first and biggest investment platform, in cooperation with the European Investment Fund, in support of small and medium enterprises. The platform issues counter-guarantees to financial intermediaries for SMEs to access credit, with a first deal arranged in favour of the SME Guarantee Fund ("SME Fund"), the main economic policy tool in support of enterprises. By releasing capital from the SME Fund, the measure will enable new lending to SMEs of over euro 3 billion.

Through the measure, CDP was able to activate EU funding through the EFSI Thematic Investment Platform for Italian SMEs under the Juncker Plan.

The measure was part of efforts made in 2016 to expand the Group's offering through the introduction of a range of risk mitigation tools to support financial institutions in optimising their use of capital and encourage new lending to businesses.

Other initiatives to facilitate access to credit for small and medium enterprises saw the contribution of CDP to the structuring of the European-wide EIF-NPIs Securitisation Initiative (ENSI), a cooperation platform between the EIF and major national promotional institutions. CDP subscribed the mezzanine tranche of notes under the transaction securitising performing SME loans. The platform involves the EIF in guaranteeing the transactions and KfW as co-investor.

CDP also acted to step up refinancing to the banking industry by increasing the funds available through the Businesses Platform Fund and for the residential sector and through the creation of a fund for loans to households and businesses affected by earthquakes in central Italy. Another fund was also established for lending in relation to the natural disasters that have struck the country since 2013.

Finally, in relation to subsidised loans to businesses, CDP, together with the ABI and the Ministry of Economic Development, identified terms and conditions of access to subsidised loans through the Sustainable Growth Fund, under the Revolving Fund supporting enterprises and investment in research (Revolving Fund to support enterprises and research investment, FRI), and launched the "Italian Digital Agenda" and "Sustainable Industry" measures.

Real Estate

In 2016 a reorganization of the real estate area of the Group was started, and the process involved a streamlining of the overall model and the centralisation of the management of development and income generation capacity of our real estate assets by setting up dedicated funds in line with the intended use of the buildings.

The Board of Directors of CDP, in a meeting held on 3 August 2016, approved the guidelines of the new real estate business operating model ("RE Business ") as described above. There followed an implementation phase aimed at analysing in greater depth the main economic –financial, legal, tax, accounting and organisational themes. This was finalised by means of a resolution of the Board of Directors of CDP, which approved the reorganization project of the real estate business of the Group, based on the following guidelines:

1) the centralisation of asset management operations under a specialised entity (CDP Investimenti SGR S.p.A. - CDPI SGR), tasked with managing:
   - Factory Funds (such as the existing FIV), subscribed exclusively by CDP, with the objective of developing and raising the value of real estate assets correlated with CDP's real estate sector investment strategies, and subsequently overseeing their sale to the pertinent Product Fund (or to the market);

– Product Funds (rentals) specialised on a sector basis, which will invest in assets for rental and will be open to investors external to the CDP Group;

2) the progressive market disposal of directly owned real estate assets a) that are not correlated with the CDP Group's investment strategies, or b) for which disposal agreements are currently being negotiated, or c) are subject to litigation (and therefore cannot be transferred to Factory Funds), and the ongoing management of real estate assets owned indirectly through joint ventures involving CDP Immobiliare S.r.l. (CDP Immobiliare) for which an independent development strategy with development prospects not correlated with the Funds can be pursued.

The proposed model is designed to resolve critical issues with the portfolio effectively and respond to the specific need to:

1) improve the management, through its development, of the significant portfolio of some 280 directly and indirectly held assets, with a total value of approximately euro 2 billion, which currently generates no income, is a source of high and recurring costs and which in its current state, without major investment, has no market;
2) identify suitable solutions for the management of the bank debt – in all totalling around euro 750 billion at 31 December 2016 and largely past due – associated with 14 joint ventures that were established under rather different market conditions, between CDP Immobiliare and investment partners that have since changed their portfolio strategy or today are no longer able to cover the financial requirements;
3) make more effective use of existing internal professionals and their expertise, through the creation of a specialist real estate services hub with the goal of satisfying internal demand for services and potentially market demand (including the public sector);
4) adapt to a changing market by seizing the opportunities it offers and anticipating future developments;
5) open the business to potential new investors, by making real estate assets more attractive and effectively managed, through suitable investment instruments (i.e. Product Funds).

The year also saw the launch of Fondo Investimenti per il Turismo (FIT), with the objective of promoting investment in Italian tourist and hotel facilities. FIT has a funding target of euro 1 billion (equity and debt), of which CDP has subscribed a commitment of euro 100 million. FIT will invest in target funds, also with a regional/local focus, which will be managed by CDPI SGR or external asset management companies.

In 2016, efforts were focused on the creation of Fondo Investimenti per l'Abitare 2 (FIA 2) to invest in the urban transformation of Italian cities into "smart cities". The fund began operating in the first quarter of 2017 and is managed by CDPI SGR. The purpose of FIA 2 is to redevelop and convert buildings and real estate complexes that are no longer in use in metropolitan cities and provincial capitals into "smart housing" and "smart working" facilities, to support deployment of training and new technologies, without employing new land. The fund aims to raise up to euro 1 billion in capital from international institutional investors. CDP is an investor in the fund and has subscribed a commitment of euro 100 million.

4.2.2 Extraordinary and systemic transactions

A particularly high number of extraordinary transactions were implemented in 2016. Although not expressly provided for under the Business Plan, these transactions contributed to expanding CDP's role in supporting the Italian economy.

During the year, CDP's asset structure was reinforced by approximately euro 3 billion through the transfer by contribution of a 35% equity investment in Poste Italiane by the MEF. Besides increasing the resources available to CDP to support the economy, the transfer enables the relationship between CDP and Poste Italiane to be tightened considerably, creating the bases for industrial synergies between the country's two biggest financial players to be explored and taken advantage of.

Other extraordinary transactions of strategic importance in promoting the long-term growth of the country that involved the CDP Group in 2016 included:

- investment in the Fondo Atlante and Fondo Atlante 2 funds, established to promote the recovery of the Italian banking industry by supporting recapitalisation and the disposal of bad loans in the sector, through a potential commitment of up to euro 750 million;
- involvement in the sale of industrial complexes owned by ILVA S.p.A. and other companies belonging to the same group. Given the complexity of the issues involved and the highly structured bidding requirements set forth by the Official Recei-

vers, CDP management were involved in the procedure for the entire year. In June 2016, CDP made a non-binding bid in partnership with an industrial partner (Arvedi) and a financial partner (Delfin). A binding bid was submitted on 6 March 2017 together with another partner, a leading international steel manufacturer (JSW Steel);
- the potential acquisition from the Unicredit Group of the Pioneer Group, a leading asset management group with over euro 220 billion in assets under management at the end of 2015. The sale procedure lasted over three months, in which a bid was made by CDP, jointly with Poste Italiane and Anima. In December 2016, Unicredit notified CDP, Poste Italiane and Anima that it had signed a binding agreement with Amundi for the sale of the Pioneer Group. Nevertheless, the bid helped initiate the progressive integration of Poste Italiane's and Anima's asset management operations, which will enable a major Italian player to be established and developed in what is a highly strategic sector;
- the sale to Poste Italiane of an equity investment in FSIA, the holding company of SIA, a leader in the electronic banking, payments, and network services business, by FSI Investimenti, a subsidiary of CDP Equity;
- the sale of the Metroweb equity investment held by FSI Investimenti to Open Fiber, a company established in December 2015 for the installation, supply and operation of high-speed fibre optic electronic communication networks across the country. Enel S.p.A. and CDP Equity now hold equal interests in Open Fiber;
- the partial and proportional demerger of SNAM's equity investment in Italgas Reti, in connection with the public listing of Italgas. The industrial and corporate restructuring of SNAM is designed to separate its retail gas distribution operations in Italy, run by the Italgas Group, from its transport, regasification and storage operations in Italy and abroad, given the specific characteristics and different needs of each segment. As a result of the demerger, CDP, formerly a pivotal and long-term investor in SNAM, has become the pivotal shareholder in Italgas. As part of the deal, CDP contributed to the refinancing of existing debt owed to SNAM by Italgas.

4.2.3 New lending and Group operations by segment

In 2016, the CDP Group mobilised over euro 30 billion in new lending to the economic fabric of the country and to projects earmarked as strategic, attracting funding also from other investors. Overall, through its operations the CDP Group channelled over euro 50 billion into the economy, in line with 2016-2020 Business Plan targets.

(billions of euros)	**2016**		
CDP Group	**New Lending**	**Investments**	**Multiplier**
Government, P.A. and Infrastructure	5	10	1.9x
International Expansion	14	17	1.2x
Enterprises	10	23	2.2x
Real Estate	0.2	0.3	1.4x
Total	**30**	**50**	**1.7x**

These concrete results were achieved in all four of the key driver areas targeted.

Efforts to support economic growth through lending to public entities – the Parent Company's historic focus – and support for nationwide infrastructure development enabled around euro 10 billion in new investments. CDP's initiative in this sector is fundamental for the development of major infrastructure projects, as private investors would otherwise not be able to cover the entire financial costs of such works.

The creation of the Export and Internalisation Hub – a pillar of the CDP Group's Business Plan and a key contributor to the country's balance of trade – enabled approximately euro 17 billion in new investment. These funds were channelled to Italian enterprises with the dual aim of promoting export growth and expanding business operations beyond Italian borders. The CDP Group's financial support also promoted the development of leading Italian companies in strategic sectors such as shipbuilding and the oil industry.

Supporting enterprises, with over euro 23 billion invested, is the key area in which the CDP Group's efforts have delivered the greatest results. This was achieved through core operations focused on supporting the investment/liquidity needs of Italian companies (direct lending, bank funds and factoring) as well as through extraordinary measures activated to support Italian companies in times of trouble (Fondo Atlante).

Major results were also delivered in the Real Estate segment thanks to around euro 0.3 billion in investments to enhance the value of Italian real estate assets and to develop social housing projects.

4.3 Business performance

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

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

In 2016, CDP began operating as a "financial institution for international development cooperation", playing a complementary role alongside other cooperation players. CDP's activities focused primarily on the management of the "Law 277/77 Revolving Fund" for development loans to the governments of partner developing countries and for loans to Italian companies that set up joint ventures in such countries.

In 2016, new lending, investment and resources managed by the Group totalled over euro 30 billion, a slight increase compared to 2015. Funds were allocated to each of the key driver areas in the following proportions: 47% of the total to "International Expansion", 35% to "Enterprises", 17% to "Government & PA and Infrastructure", and 1% to "Real Estate".

New lending, investment and managed resources by business line – CDP Group

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Government & P.A. and Infrastructure	**5,230**	**6,313**	**(1,082)**	**-17.1%**
CDP S.p.A.	5,230	6,313	(1,082)	-17.1%
International Expansion	**14,170**	**10,960**	**3,211**	**29.3%**
CDP S.p.A.	4,949	1,389	3,560	n.s.
SACE Group	11,124	10,960	164	1.5%
Intercompany transactions	(1,903)	(1,389)	(514)	37.0%
Enterprises	**10,479**	**12,305**	**(1,826)**	**-14.8%**
CDP S.p.A.	5,182	8,997	(3,815)	-42.4%
SACE Group	4,479	3,218	1,261	39.2%
CDP Equity	1,009	90	919	n.s.
Intercompany transactions	(190)		(190)	n.s.
Real Estate	**183**	**260**	**(77)**	**-29.8%**
CDP S.p.A.	93	228	(135)	-59.3%
CDPI SGR	161	149	12	8.0%
Intercompany transactions	(71)	(117)	46	-39.3%
Total new lending, investment and managed resources	**30,063**	**29,838**	**225**	**0.8%**

4.3.1 CDP S.p.A.

4.3.1.1 Lending

In 2016, CDP mobilised over euro 15 billion in new lending, investment and managed resources. Funding was distributed equally between loans to public and infrastructure sector entities and loans to enterprises and for their international expansion.

New lending, investment and managed resources - CDP

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Government & P.A. and Infrastructure	**5,230**	**6,313**	**(1,082)**	**-17.1%**
Public Entities	3,099	4,249	(1,149)	-27.1%
Public Interest Lending	143		143	n.s.
Infrastructure	1,966	2,088	(122)	-5.8%
Equity Investments and funds	22	(24)	46	n.s.
International Expansion	**4,949**	**1,389**	**3,560**	**n.s.**
Enterprises - Export Bank	4,949	1,389	3,560	n.s.
Enterprises	**5,182**	**8,997**	**(3,815)**	**-42.4%**
Enterprises - Industrial	369	759	(389)	-51.3%
Financial Institutions	4,478	8,231	(3,753)	-45.6%
Equity Investments and funds	335	8	327	n.s.
Real Estate	**93**	**228**	**(135)**	**-59.3%**
Equity Investments and funds	93	228	(135)	-59.3%
Total new lending, investment and managed resources	**15,454**	**16,928**	**(1,473)**	**-8.7%**

Specifically, the volume of new lending, investment and managed resources in 2016 mainly related to:

i) lending to public entities, mainly for investments by the Regions for local development and in transport and telecommunication infrastructure (euro 5.2 billion, or 34% of the total);
ii) lending to support the international expansion of Italian companies, primarily in the shipbuilding sector (euro 4.9 billion, or 32% of the total);
iii) funding to enterprises to support economic growth, the reconstruction of areas affected by natural disaster and investment in research, development and innovation (euro 5.2 billion, or 34% of the total);
iv) investments in the real estate sector, targeting in particular social housing projects (euro 0.1 billion, or 1% of the total).

New lending, investment and managed resources in 2016 posted a 7% increase in volume, when excluding certain major transactions in 2015, including the euro 1.7 billion guarantee provided to the National Resolution Fund and euro 0.8 billion in advances on General Government payables.

Public Entities

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

Initiatives promoted during 2016 included:

- aid to the local authorities of the Emilia-Romagna, Lombardy and Veneto Regions, affected by the May 2012 earthquake, for the deferred payment of loan instalments falling due in 2016, without additional interest charges;
- aid to local authorities in the Abruzzo, Lazio, Marche and Umbria Regions, affected by earthquakes that began on 24 August 2016, for the deferred payment of loan instalments falling due in December 2016 and in 2017, without additional interest charges;

- loan renegotiation programmes targeted at provinces and metropolitan areas, with the initiative taken up by over 60 entities for a total of approximately euro 3.0 billion in loans renegotiated (73% of all loans eligible for renegotiation);
- the opening of a new window for applications for subsidised loans for energy efficiency measures in school and university buildings, as per the Ministry of the Environment decree of 22 February 2016 ("Kyoto 3 and 4 Fund") and the execution of the first loan agreement s to draw on the Fund.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2016, reclassified by business, are shown in the table below, together with key performance indicators.

Public Entities - Highlights

(millions of euros; %)	31/12/2016
Balance sheet	
Loans	78,188
Amounts to distribute	5,012
Commitments	5,105
Reclassified income statement	
Net interest income	293
Gross income	297
Indicators	
Gross bad debts and unlikely to pay/Gross exposure	0.1%
Net writedowns of loans/Net exposure	0.1%
Spread interest - bearing assets - liabilities	0.4%

At 31 December 2016, the stock of loans totalled euro 78.2 billion, including IAS/IFRS adjustments, showing a drop compared with the end-2015 figure (euro 79.3 billion). Over the year, the amount of debt repayments and early extinguishments was higher than disbursements of loans granted without a pre-repayment grace period and of loans granted that began their repayment plans.

The total stock of amounts disbursed or in repayment and of commitments amounted to euro 82.2 billion, a 7% drop from 2015 (euro 88.7 billion). The change was attributable to lower volumes of new lending compared to principal repayments due in 2016 plus the cancellation of existing commitments.

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

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Local authorities	29,548	30,348	(800)	-2.6%
Regions and autonomous provinces	14,355	13,037	1,319	10.1%
Other public entities and public - law bodies	2,169	2,150	19	0.9%
Government	31,021	32,477	(1,456)	-4.5%
Total amounts disbursed or in repayment	**77,094**	**78,012**	**(918)**	**-1.2%**
IAS/IFRS adjustments	1,094	1,245	(151)	-12.1%
Total loans	**78,188**	**79,256**	**(1,069)**	**-1.3%**
Total amounts disbursed or in repayment	**77,094**	**78,012**	**(918)**	**-1.2%**
Commitments	5,105	10,726	(5,620)	-52.4%
Total loans (including commitments)	**82,199**	**88,737**	**(6,538)**	**-7.4%**

The stock of amounts to disburse on loans, including commitments, showed a drop of 37%, due entirely to the closing of the loan to the City of Rome Special Commissioner.

Public Entities - Stock of amounts to disburse

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Amounts to disburse	5,012	5,408	(396)	-7.3%
Commitments	5,105	10,726	(5,620)	-52.4%
Total amounts to disburse (including commitments)	**10,117**	**16,133**	**(6,016)**	**-37.3%**

In 2016, a total of euro 3.1 billion in new loans was granted. The drop compared to 2015 was essentially due to lower volumes, by approximately euro 0.9 billion, of loans with repayment costs charged to the government budget, which in 2015 were driven up by loans for school building works by the Regions and by measures for the repayment of General Government payables (euro 0.8 billion). These lower volumes were partially offset by the significant increase in loans granted to the Regions (+euro 0.7 billion versus 2015).

Public Entities - New loan agreements

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Local authorities	495	691	(195)	-28.2%
Regions	2,303	1,604	699	43.6%
Non - local public entities	221	114	107	94.1%
Loans with repayment costs charged to the government budget	54	1,003	(949)	-94.6%
Cash advances for the payment of General Government payables (MEF Funds)		838	(838)	n.s.
Kyoto Fund	26		26	n.s.
Total Public Entities	**3,099**	**4,249**	**(1,149)**	**-27.1%**

New lending was targeted at various types of works, as detailed below:

Public Entities - New loans by purpose

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Public and social building	65	61	4	6.4%
School and university building	168	1,020	(852)	-83.6%
Sports, recreational and accommodation facilities	21	34	(13)	-39.1%
Healthcare sector building		0.5	(0.5)	n.s.
Roads and transport	116	272	(156)	-57.3%
Water projects	47	40	7	16.8%
Sanitation projects	5	11	(6)	-54.8%
Energy projects	7	16	(9)	-56.3%
Loans for sundry projects (*)	2,656	1,921	735	38.3%
Total investments	**3,085**	**3,376**	**(291)**	**-8.6%**
Recognised off-balance-sheet liabilities and other liabilities	15	36	(21)	-58.3%
Advances on General Government payables		838	(838)	n.s.
Total Public Entities	**3,099**	**4,249**	**(1,149)**	**-27.1%**

(*) Includes loans for major public works and diversified investment programmes.

Disbursements amounted to euro 3.5 billion, rising slightly on the 2015 figure (+5%). Higher loans to Regions (+euro 0.9 billion) more than offset the drop in cash advances to local authorities for the payment of General Government payables (-euro 0.8 billion).

Public Entities - Flow of new disbursements

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Local authorities	918	955	(37)	-3.9%
Regions	1,717	802	915	n.s.
Non - local public entities	266	140	126	89.9%
Loans with repayment costs charged to the government budget	591	582	9	1.5%
Cash advances for the payment of General Government payables (MEF Funds)		838	(838)	n.s.
Kyoto Fund	0.4		0.4	n.s.
Total Public Entities	**3,492**	**3,318**	**174**	**5.3%**

Lending to Public Entities contributed euro 293 million in interest income to CDP's earnings for 2016, with a 0.4% spread between interest-bearing assets and liabilities. That contribution, plus commission income, brought gross income to euro 297 million.

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

International Cooperation

The "International Cooperation" Business Area supports international cooperation initiatives through the Separate Account. It manages financial products earmarked for partner developing countries (PDC) through third-party fund management and the lending of CDP funds, in accordance with the provisions of Law 125/2014.

In 2016, legislative reforms introduced by Law 125/2014 were implemented through the application of the organisational measures required at company level and the development and monitoring of connected operations. Activities, reported below, were carried out in line with the organisational set-up in place and existing service agreements with the relevant government authorities (MEF - Treasury Department, the Ministry of Foreign Affairs and International Cooperation, the Agency for Development Cooperation and the Ministry of the Environment and Protection of the Land and Sea).

With regard to CDP funds, in 2016 efforts focused on covering the activities necessary to ensure the start-up of the new business line. Specifically:
- two guarantee funds were established to cover cooperation lending drawing on CDP funds;
- operating criteria and procedures were identified;
- a Convention between the Ministry of the Economy and Finance and CDP was developed and signed on 23 December 2016, in accordance with Law 125/2014.

With regard to the management of third-party funds, special mention should be made of the Revolving Fund for Development Cooperation established under Article 26 of Law 227/77, and managed by CDP under a specific convention with the Ministry of the Economy and Finance (generating revenues of euro 1 million per year). As of 1 January 2016, CDP ensured the migration of all administrative, financial and account management activities for the fund. At the reporting date, the balance of the fund amounted to euro 4.9 billion, of which euro 2.1 billion in outstanding loans and euro 2.8 billion in available funds.

Following the signing of relative intergovernmental agreements, in 2016 CDP entered into 9 finance agreements with the beneficiary countries of the Italian government cooperation programme, governing sovereign development loans totalling euro 143 million.

International cooperation - Flow of new loan agreements

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Revolving Fund management	143		143	n.s.
Total International Cooperation	**143**		**143**	**n.s.**

As it is a revolving fund, in 2016 CDP managed all transactions connected with outstanding development loans (approximately 350), overseeing the disbursement of around euro 67 million in funds and ensuring the collection of loans granted in the past, for a total of around euro 55 million.

International cooperation - Flow of new disbursements

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Revolving Fund management	67		67	n.s.
Total International Cooperation	**67**		**67**	**n.s.**

In 2016, in implementation of bilateral debt restructuring agreements between the Italian government and the governments of beneficiary partner developing countries, CDP organised debt swaps to convert over euro 17 million of existing debt in new development cooperation projects. The mechanism enables borrower countries entitled under authorising agreements to convert debt owed to the fund into direct investments in their countries.

Technical assistance was also provided to the Ministry of the Economy and Finance to ensure its ongoing participation in Paris Club meetings.

In addition, CDP and the Ministry of the Environment and Protection of the Land and Sea entered into a service agreement for the management of a fund (amounting to approximately euro 54 million, of which euro 23.3 million has been paid into a dedicated CDP account) to finance green cooperation projects that the Ministry has initiated with partner developing countries.

Infrastructure

The "Infrastructure" Business Area is responsible for granting loans, under the Ordinary Account and the Separate Account depending on the provisions of relative laws, to counterparties (both public and private sector) operating in Italy in the construction, water, waste, social infrastructure, transport, energy/utility and telecommunications sectors.

The Infrastructure Area was established under the business reorganisation plan implemented in 2016. Certain responsibilities formerly tasked to other organisational units, in particular as concerns the financing, through the Ordinary Account, of initiatives of public utility pursued by private-sector counterparties, are now tasked to the new organisational unit.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2016, reclassified by business, are shown in the table below, together with key performance indicators.

Infrastructure - Highlights

(millions of euros; %)	31/12/2016
Balance sheet	
Loans	6,903
Commitments	4,912
Reclassified income statement	
Net interest income	84
Gross income	109
Indicators	
Gross bad debts and unlikely to pay/Gross exposure	1.2%
Net writedowns of loans/Net exposure	0.2%
Spread interest - bearing assets - liabilities	1.3%

The stock of loans at 31 December 2016, including IFRS adjustments, amounted to euro 6.9 billion, showing an increase on the end-2015 figure driven by new disbursements and the subscription of bonds, which more than offset principal repayments and terminations of outstanding loans. As of the same date, loans, including commitments to lend, totalled euro 12 billion, up by approximately 7% from the end of 2015.

Infrastructure - Stock of loans to customers and banks

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Corporate/project finance	6,322	6,170	152	2.5%
Securities	792	180	612	n.s.
Total amounts disbursed or in repayment	**7,114**	**6,350**	**764**	**12.0%**
IFRS adjustments	(211)	(182)	(28)	15.6%
Total loans	**6,903**	**6,168**	**736**	**11.9%**
Total amounts disbursed or in repayment	**7,114**	**6,350**	**764**	**12.0%**
Commitments	4,912	4,926	(14)	-0.3%
Total loans (including commitments)	**12,026**	**11,276**	**750**	**6.7%**

In 2016, new loan agreements were made for a total of around euro 2 billion, showing substantially no change on new volumes in 2015. Lending mainly targeted the Transport (motorways, railways and airports) and telecommunications sectors. During the reporting period, CDP continued its work in assessing the feasibility and structuring the financing of strategic infrastructure projects of major national interest.

Infrastructure - Flow of new loan agreements

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Corporate/project finance	1,076	1,449	(373)	-25.7%
Guarantees	265	639	(374)	-58.5%
Securities	625		625	n.s.
Total Infrastructure	**1,966**	**2,088**	**(122)**	**-5.8%**

Disbursements in 2016 in relation to new loans and those from previous years totalled euro 1.6 billion, showing an increase over the previous year, primarily due to transactions for the Transport sector.

Infrastructure - Flow of new disbursements

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Corporate/project finance	998	1,010	(12)	-1.2%
Securities	625		625	n.s.
Total Infrastructure	**1,623**	**1,010**	**613**	**60.7%**

The area contributed euro 84 million in net interest income to CDP earnings, with a 1.3% spread between interest-bearing assets and liabilities. That contribution, plus commission income, generated primarily by the high number of commitments to lend and unsecured commitments granted, brought gross income to approximately euro 109 million.

Enterprises

Enterprises - Export Bank

CDP finances the internationalisation plans of Italian companies through its "Export Bank" system. The system involves the financial support of CDP and guarantees or other risk hedging instruments issued by SACE or other export credit agencies (ECAs), national development banks or financial institutions established under international agreements.

The system also involves SIMEST and the cooperation of the banking system, in a complementary role, in the organisation of financing arrangements.

In 2016, Export Bank operations grew considerably thanks to lending to the cruise sector, enabled by the reinsurance operations of the Ministry of the Economy and Finance under CIPE Resolution no. 51 of 9 November 2016 ("Operations and risks insurable by SACE S.p.A. - Foreign Trade Insurance Services for the shipbuilding sector").

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2016, reclassified by business, are shown in the table below, together with key performance indicators.

Export Bank - Highlights

(millions of euros; %)	31/12/2016
Balance sheet	
Loans	1,522
Commitments	5,542
Reclassified income statement	
Net interest income	1
Gross income	32
Indicators	
Gross bad debts and unlikely to pay/Gross exposure	
Net writedowns of loans/Net exposure	
Spread interest - bearing assets - liabilities	0.1%

The stock of loans in the Enterprises Area – Export Bank portfolio at 31 December 2016 amounted to euro 1.5 billion. The 12% increase on the end-2015 figure was driven by higher disbursements over the year than principal repayments and early loan terminations.

The total stock of loans and commitments amounted to euro 7.1 billion, showing an increase on the end-2015 figure due to higher volumes of new loan agreements compared to principal repayments over the year.

Export Bank - Stock of loans

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Financing	1,522	1,363	159	11.7%
Total amounts disbursed or in repayment	**1,522**	**1,363**	**159**	**11.7%**
Commitments	5,542	3,744	1,798	48.0%
Total loans (including commitments)	**7,064**	**5,107**	**1,957**	**38.3%**

Total volumes of new lending, investments and managed resources for the internationalisation of enterprises in 2016 amounted to approximately euro 5 billion, showing sharp growth compared to 2015, driven primarily by the signing of new loan agreements for the shipbuilding sector.

Export Bank - Flow of new loans by purpose

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Cruise sector	4,779	1,013	3,766	n.s.
Construction sector	152	22	129	n.s.
Oil & Gas sector	18	174	(156)	-89.8%
Other sectors		180	(180)	n.s.
Total Export Bank	**4,949**	**1,389**	**3,560**	**n.s.**

Disbursements in 2016 in respect of new loans amounted to euro 0.3 billion, showing a decrease on the corresponding period of the previous year (-59%) mainly due to a major disbursement made to the shipbuilding sector during the previous financial year.

Export Bank - Flow of new disbursements

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Financing	273	658	(385)	-58.5%
Total Export Bank	273	**658**	**(385)**	**-58.5%**

Net interest income contributed euro 1 million to CDP's earnings for 2016, with a 0.1% spread between interest-bearing assets and liabilities. That contribution, plus commission income connected with new loan agreements and the high number of commitments to disburse, brought gross income to approximately euro 32 million.

Enterprises - Industrial

The "Industrial" Business Area was established in 2016 with the reorganisation of the business. Its mission is to finance initiatives promoted by counterparties in any industrial sector (including the agrifood, automotive, chemical and pharmaceutical, manufacturing, mechanical, commercial, defence and services sectors), excluding sectors reserved to other Business Areas, through loan products of any kind, under the Ordinary Account or the Separate Account depending on the provisions of relative laws.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2016, reclassified by business, are shown in the table below, together with key performance indicators.

Industrial - Highlights

(millions of euros; %)	31/12/2016
Balance sheet	
Loans	1,100
Commitments	243
Reclassified income statement	
Net interest income	19
Gross income	21
Indicators	
Gross bad debts and unlikely to pay/Gross exposure	1.9%
Net writedowns of loans/Net exposure	0.1%
Spread interest - bearing assets - liabilities	1.9%

At 31 December 2016, the stock of loans totalled euro 1.1 billion, including IFRS adjustments, recording an increase of 26% over the stock at the end of 2015 (euro 0.9 billion). Growth in the stock of loans was driven mainly by the subscription of securities over the year.

Without IFRS adjustments, the stock of loans and commitments amounted to euro 1.4 billion, an increase of 27% compared to 2015 (euro 1.1 billion). The change was attributable to higher volumes of new loan agreements compared to principal repayments falling due, which, considering the recent start-up of the area's operations, were low.

Industrial - Stock of loans to customers and banks

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Corporate/project finance	609	596	14	2.3%
Securities	511	300	211	70.4%
Total amounts disbursement or in repayment	**1,121**	**896**	**225**	**25.1%**
IFRs adjustments	(21)	(20)	(1)	3.8%
Total loans	**1,100**	**876**	**224**	**25.6%**
Total amounts disbursement or in repayment	**1,121**	**896**	**225**	**25.1%**
Commitments	243	174	68	39.2%
Total loans (including commitments)	**1,364**	**1,070**	**293**	**27.4%**

In 2016, 6 transactions were processed, showing no change on 2015. New loan agreements and guarantees provided over the year totalled euro 0.4 billion. The drop compared to 2015 was mainly due to the lower average size of individual transactions (euro 62 million compared to euro 127 million in 2015). New loan agreements in 2016 were focused mainly on enterprises in the energy efficiency, shipbuilding and research, development & innovation sectors.

Industrial - Flow of new loan agreements

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Financing	126	430	(304)	-70.7%
Guarantees	42	29	13	46.1%
Securities	202	300	(98)	-32.8%
Total Industrial	**369**	**759**	**(389)**	**-51.3%**

Disbursements in 2016 in respect of new loans amounted to euro 0.3 billion, showing a decrease on the corresponding period of the previous year that was in line with the drop in new loan volumes.

Industrial - Flow of new disbursements

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Financing	52	330	(278)	-84.4%
Securities	202	300	(98)	-32.8%
Total Industrial	**253**	**630**	**(377)**	**-59.8%**

Net interest income contributed euro 19 million to CDP's earnings in 2016, with a 1.9% spread between interest-bearing assets and liabilities. Commission income brought gross income to euro 21 million.

Financial institutions

Measures pursued by CDP in support of the domestic economy are predominantly implemented through the "Financial Institutions" Business Area. Alongside consolidated operations – management of subsidised credit instruments introduced by specific laws and regulations and liquidity instruments for banks, primarily to facilitate access to credit for enterprises and support reconstruction in the wake of natural disasters –2016 saw the introduction of a range of instruments designed to support financial institutions in optimising their use of capital, so as to encourage lending to enterprises.

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

Funds were also earmarked for the banking industry i) for loans to Enterprises (SME, MIDCAP, and Networks & Supply Chain funds), ii) to assist in the reconstruction and economic recovery of areas hit by natural disasters (Abruzzo Reconstruction, 2012 Earthquake, Sardinia Moratorium, Natural Disasters and Central Italy Earthquake funds) and, since the end of 2013, iii) to support the residential real estate market (Housing and Covered Bonds/RMBS funds).

In terms of optimising the use of bank capital and to reduce capital requirements, new guarantee and counter-guarantee instruments were introduced for portfolios of exposures (loans and guarantees) originated by financial institutions in respect of Italian enterprises. Thanks to CDP's designation as national promotional institution by the 2016 Stability Law, CDP was able to leverage Juncker Plan funding to significantly boost the efficiency of the measures, both in terms of funding available and in terms of the price of the guarantee for financial institutions.

As a result of the organisational changes introduced in 2016, the Business Area can now lend to financial institutions directly, through loans and the subscription of bonds, to meet the funding needs of specialised banks and non-bank financial intermediaries.

In terms of initiatives promoted in 2016, in relation to the FRI, on 17 February 2016, a framework agreement was signed with the Ministry of Economic Development and the Italian Banking Association, governing access to subsidised loans under Sustainable Growth Fund measures. Two addendum agreements were subsequently signed on 28 July by CDP, ABI and the Ministry of Economic Development for the disbursement of a total of euro 450 million in subsidised loans drawing on the FRI under the "Italian Digital Agenda" and "Sustainable Industry" measures.

In relation to the Capital Goods Fund, on 17 March 2016 an agreement was signed in addendum to the CDP-ABI-MiSE Agreement of 14 February 2014. The addendum incorporated provisions for the deregulation of funding sources introduced by Article 8 of Law Decree 3/2015 and introduced a new "zero-weighted" line, thereby strengthening synergies with the SME Guarantee Fund. Again in relation to the Capital Goods Fund, on 4 November 2016 a loan agreement was signed with the Council of Europe Development Bank (CEB) for euro 150 million, which is earmarked to support the instrument.

As regards the Housing Fund, on 7 April 2016 an agreement was made in addendum to the CDP-ABI Agreement of 20 November 2013, which raised allocated funding from euro 2 billion to euro 3 billion and introduced measures to simplify the notary requirements connected with the pledging of loans. In addition, on 25 May 2015, CDP approved the refinancing of the Covered Bank Bond/RMBS Purchase Programme, raising funding from euro 3 billion to euro 5 billion.

On 31 March 2016, CDP increased funding allocated to the SME Fund from euro 2 billion to approximately euro 6 billion (of which euro 1 billion from the transfer to the instrument of the residual assets of the Export Fund, the operations of which were closed) and to the MIDCAP Fund from euro 2 billion to euro 3.5 billion. As a result, the Enterprises Platform now has a total of euro 10 billion in funding. Subsequently, on 17 May 2016, an addendum to the CDP–ABI Agreement of 5 August 2014 extended the ordinary duration of the SME and MIDCAP Funds to 12 years and expanded the scope of the SME Network Fund (now renamed Networks and Supply Chains Fund) to include new entities and purposes. Specifically, lending under the fund was extended to MIDCAP Enterprises and companies (both SME and MIDCAP) that are part of supply chains. The Fund has access to a specific line of funding from the European Investment Bank.

In another effort to facilitate access to credit for SMEs, while at the same time lowering capital requirements for originator banks, on 25 May 2016, CDP approved a specific euro 1 billion purchase programme of securitised loans to the segment.

At the same time, CDP joined the EIF-NPIs Securitisation Initiative (ENSI), a cooperation platform between the EIF and national promotional institutions, such as CDP, to encourage lending to SMEs through securitisations.

Following the introduction of reforms to Title V of the Consolidated Law on Banking, under which non-bank financial intermediaries are now subject to the same supervisory requirements as credit institutions, on 30 May 2016 CDP approved amendments to its Articles of Association to include such entities among those eligible to draw on its funding under economic support programmes – defined as "planfond".

As part of measures to support areas affected by earthquakes, with reference to loans provided under the 2012 Earthquake Moratorium Fund, Article 6 of Decree Law 113/2016 provided for the rescheduling to 31 October 2016 of loan instalments due at 30 June 2016 and the subsequent restructuring of the relative repayment plans into seven half-yearly instalments falling due between 30 June 2017 and 30 June 2020. The provisions were implemented through a series of addendum agreements signed on 19 September 2016 to existing agreements in place with the Italian Banking Association.

In implementation of the provisions of Article 1, paragraphs 422–428, of the 2016 Stability Law, on 25 May 2016 CDP approved the establishment of a new euro 1.5 billion fund ("Natural Disasters Fund"), to finance repairs to private property and businesses that have suffered damage due to natural disasters that have occurred across the country since 2013. The guidelines and application rules for the use of the Natural Disasters Fund were set forth in a specific agreement with the ABI, signed on 17 November 2016.

Finally, in response to the repeat earthquakes that struck central Italy starting from 24 August 2016, Article 5 of Decree Law 189 of 17 October 2016, converted with amendments by Law 229 of 15 December 2016, required that funding earmarked for private reconstruction work is to be provided in the form of subsidised loans backed by State guarantee, granted by banks operating in the earthquake-affected areas and drawing on funding provided under loan agreements, backed by State guarantee, with CDP, drawn from a specific special-purpose fund ("Central Italy Earthquake Fund"), within the relative spending limits set forth by the 2017 Budget Law. The guidelines and application rules for the use of the Central Italy Earthquake Fund were set forth in a specific agreement with ABI, signed on 18 November 2016.

Measures to help optimise the use of capital by financial institutions included a cooperation initiative, begun in the second half of 2016, with the European Investment Fund for the creation of the "EFSI Thematic Investment Platform for Italian SMEs", aimed at facilitating access to credit for SMEs through the issue of guarantees. Subscribed on 15 December 2016, the cooperation platform obtained Juncker Plan approval on 23 September 2016 and enables CDP to guarantee 80% of new SME loan or guarantee portfolios originated by financial intermediaries, within a maximum limit of euro 3.1 billion and a cap on losses of 9% of the total amount guaranteed.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2016, reclassified by business, are shown in the table below, together with key performance indicators.

Financial Institutions - Highlights

(millions of euros; %)	31/12/2016
Balance sheet	
Loans	14,919
Amounts to distribute	28
Commitments	2,176
Reclassified income statement	
Net interest income	50
Gross income	84
Indicators	
Gross bad debts and unlikely to pay/Gross exposure	0.8%
Net writedowns of loans/Net exposure	0.4%
Spread interest - bearing assets - liabilities	0.3%

As regards the loan portfolio of the Business Area, the stock of loans, including IFRS adjustments, at 31 December 2016 amounted to euro 14.9 billion, down by 5% from the end of 2015 due to lower disbursements during the year compared to loan repayments plus loans extinguished under half-yearly reporting (mainly in relation to the SME Fund). The breakdown of total loan stock, excluding IFRS adjustments, shows:

i) 54% referred to loans under Enterprises funds, amounting to euro 8.2 billion;
ii) 27% referred to reconstruction loans connected with natural disasters, amounting to euro 4.1 billion (up by 13% compared to 2015);
iii) 13% referred to other products, including loans drawing on the FRI;
iv) 6% referred to loans supporting the residential sector, amounting to euro 0.9 billion.

Without IFRS adjustments, the stock of loans and commitments amounted to euro 17.2 billion, down compared to 2015. The change was attributable to lower volumes of new loan agreements compared to principal repayments plus early extinguishments.

Financial Institutions - Stock of loans to customers and banks by products

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Enterprises	**8,156**	**9,681**	**(1,525)**	**-15.8%**
SME Fund	4,961	6,959	(1,998)	-28.7%
Capital Goods Fund	2,374	1,914	460	24.0%
MIDCAP Fund	806	793	13	1.7%
Networks and Supply Chains Fund	13	0.2	13	n.s.
Export Fund	2	16	(13)	-84.6%
Residential Real Estate	**906**	**887**	**20**	**2.2%**
Natural disasters	**4,080**	**3,616**	**464**	**12.8%**
Post - earthquake reconstruction - Abruzzo	1,647	1,721	(73)	-4.3%
Post - earthquake reconstruction - Emilia	1,922	1,201	721	60.0%
Tax moratorium	511	695	(184)	-26.4%
Other products	**1,893**	**1,591**	**302**	**19.0%**
FRI loans	1,056	1,093	(36)	-3.3%
Loans/Financial institution securities	531	351	180	51.3%
Equity investment loans (shareholders)	270	105	165	n.s.
Intermodal system loans (Article 38, paragraph 6, Law 166/02)	36	43	(7)	-16.5%
Total amounts disbursed or in repayment	**15,036**	**15,775**	**(739)**	**-4.7%**
IFRS adjustments	(117)	(39)	(78)	n.s.
Total loans	**14,919**	**15,736**	**(818)**	**-5.2%**
Total amounts disbursed or in repayment	**15,036**	**15,775**	**(739)**	**-4.7%**
Commitments	2,176	2,228	(52)	-2.3%
Total loans (including commitments)	**17,211**	**18,003**	**(791)**	**-4.4%**

Total volumes of new lending, investments and managed resources in 2016 totalled euro 4.5 billion, showing a drop of 46% compared to 2015. The change was due to lower volumes of lending through bank funds and to the provision last year of a significant guarantee to the National Resolution Fund.

In detail, 54% of total volumes consisted of loans under Enterprises funds and the subscription of ABS as part of lending to SMEs (euro 2.4 billion), a drop compared to 2015, driven primarily by ECB measures which expanded the liquidity available to the banking industry. A significant contribution to total volumes (approximately 17%) came from loans to areas affected by natural disasters, totalling euro 0.8 billion. Residential real estate lending amounted to euro 0.6 million, accounting for 14% of the total volume of new lending, investments and managed resources. In addition to those loans, another euro 0.6 billion referred to the subscription of bonds issued by financial institutions for initiatives of public utility, R&D, energy efficiency measures and green economy measures, to lending to investees and to loans under the FRI.

Financial Institutions - Flow of new loan agreements

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Enterprises	**2,418**	**4,081**	**(1,662)**	**-40.7%**
SME Fund	860	1,966	(1,106)	-56.3%
Capital Goods Fund	1,075	1,297	(222)	-17.1%
MIDCAP Fund	312	789	(477)	-60.4%
Networks and Supply Chains Fund	13	0.2	13	n.s.
Export Fund		16	(16)	n.s.
Acquisition of receivables/ABS	159	13	146	n.s.
Residential Real Estate	**640**	**1,714**	**(1,073)**	**-62.6%**
Housing Fund	590	823	(232)	-28.2%
CBB/RMBS	50	891	(841)	-94.4%
Natural disasters	**771**	**650**	**122**	**18.7%**
Other products	**648**	**137**	**511**	**n.s.**
FRI loans	150	85	66	77.3%
Loans/Financial institution securities	250		250	n.s.
Equity investment loans (shareholders)	190		190	n.s.
Disbursements/agreements third party funds	57	46	10	21.9%
Kyoto Fund	1	6	(5)	-80.9%
National Resolution Fund guarantee		**1,650**	**(1,650)**	**n.s.**
Total Financial Institutions	**4,478**	**8,231**	**(3,753)**	**-45.6%**

In 2016, euro 4.4 billion was disbursed in respect of these loans, largely in relation to loans to enterprises (around 54% of the total, including the Enterprise Platform Fund, the Capital Goods Fund and the subscription of ABS as part of lending to SMEs), to the Earthquake Reconstruction Fund (17%) and to the residential real estate sector (15% of the total). Disbursements in 2016 showed a 34% drop compared to the previous financial year, mainly due to lower lending under the SME and MIDCAP Funds and lower subscriptions of covered bonds.

Financial Institutions - Flow of new disbursements

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Enterprises	**2,390**	**4,029**	**(1,639)**	**-40.7%**
SME Fund	860	1,973	(1,113)	-56.4%
Capital Goods Fund	1,046	1,238	(191)	-15.5%
MIDCAP Fund	312	789	(477)	-60.4%
Networks and Supply Chains Fund	13	0.2	13	n.s.
Export Fund		16	(16)	n.s.
Acquisition of receivables/ABS	159	13	146	n.s.
Residential Real Estate	**640**	**1,714**	**(1,073)**	**-62.6%**
Housing Fund	590	823	(232)	-28.2%
CBB/RMBS	50	891	(841)	-94.4%
Natural disasters	**771**	**650**	**122**	**18.7%**
Other products	**610**	**259**	**350**	**n.s.**
FRI loans	132	205	(73)	-35.6%
Loans/Financial institution securities	250		250	n.s.
Equity investment loans (shareholders)	165		165	n.s.
Disbursements/agreements third party funds	57	46	10	21.9%
Kyoto Fund	6	8	(2)	-24.1%
Total Financial Institutions	**4,411**	**6,651**	**(2,240)**	**-33.7%**

The Financial Institutions area contributed euro 50 million in net interest income to CDP earnings in 2016, with a 0.3% spread between interest-bearing assets and liabilities. That contribution, plus commission income generated mainly in relation to the National Resolution Fund, brought gross income to euro 84 million.

4.3.1.2 Equity investment portfolio management

At 31 December 2016, the carrying amount of equity investments and other investments totalled euro 32,551 million, up by euro 2,981 million compared to 31 December 2015. The figure consisted of euro 30,897 million for the portfolio of equity investments and euro 1,654 million for other investments represented by other companies, investments funds and investment vehicles.[11]

Portfolio of equity investments, investment funds and investment vehicles

	31/12/2015	Changes			31/12/2016
(thousands of euros)	Carrying amount	Transfers	From inv./disinv.	From measurement	Carrying amount
Equity investments in subsidiaries	12,854,191		91,706	(270,000)	12,675,897
Equity investments in enterprises subject to joint control			2,869	(10)	2,859
Equity investments in companies subject to significant influence	15,283,980	3,400	2,930,508		18,217,888
Total equity investments	**28,138,171**	**3,400**	**3,025,083**	**(270,010)**	**30,896,644**
Investee companies	12,565	(3,400)	1,700	769	11,634
Investment vehicles	187,473		25,323	(18,226)	194,570
Investment funds	1,231,541		408,597	(191,868)	1,448,270
Equity instruments					
AFS investments	**1,431,579**	**(3,400)**	**435,620**	**(209,324)**	**1,654,474**
Total equity investments and other investments	**29,569,750**		**3,460,703**	**(479,334)**	**32,551,119**

11 The portfolio also included equity instruments consisting of non-controlling interests acquired as part of the broader series of reorganisation transactions involving the Sorgenia Group and Tirreno Power S.p.A. The financial instruments are recognised at fair value (equal to zero).

Equity investments

At 31 December 2016, the carrying amount of the equity investments portfolio showed an increase of approximately euro 2,758 million (+9.8%) compared to 31 December 2015.

Equity investments

(thousands of euros)	31/12/2015 % holding	31/12/2015 Carrying amount	Changes Transfers	Changes From inv./disinv.	Changes From measurement	31/12/2016 % holding	31/12/2016 Carrying amount
A. Listed companies							
Equity investments in companies subject to significant influence		**15,281,632**		**2,930,258**			**18,211,890**
1. ENI S.p.A.	25.76%	15,281,632				25.76%	15,281,632
2. Poste Italiane S.p.A.				2,930,258		35.00%	2,930,258
B. Unlisted companies							
Equity investments in subsidiaries		**12,854,191**		**91,706**	**(270,000)**		**12,675,897**
3. SACE S.p.A.	100.00%	4,351,574		232,500		100.00%	4,584,074
4. CDP RETI S.p.A.	59.10%	2,017,339				59.10%	2,017,339
5. CDP Equity S.p.A. (formerly Fondo Strategico Italiano S.p.A.)	77.70%	3,419,512				97.13%	3,419,512
6. Fintecna S.p.A.	100.00%	1,864,000				100.00%	1,864,000
7. CDP Immobiliare S.r.l.	100.00%	500,500		91,706	(270,000)	100.00%	322,206
8. CDP GAS S.r.l.	100.00%	467,366				100.00%	467,366
9. SIMEST S.p.A.	76.01%	232,500		(232,500)			
10. CDP Investimenti SGR S.p.A.	70.00%	1,400				70.00%	1,400
Equity investments in enterprises subject to joint control				**2,869**	**(10)**		**2,859**
11. FSI SGR S.p.A.				1,470		49.00%	1,470
12. AccialItalia S.p.A.				1,389		27.50%	1,389
13. Risparmio Holding S.p.A.				10	(10)	20.00%	
Equity investments in companies subject to significant influence		**2,348**	**3,400**	**250**			**5,998**
14. QuattroR SGR S.p.A.				250		29.41%	250
15. Fondo Italiano d'Investimento SGR S.p.A.			3,400			25.00%	3,400
16. Galaxy S.àr.l. SICAR	40.00%	2,348				40.00%	2,348
17. Europrogetti & Finanza S.p.A. in liquidation	31.80%					31.80%	
Total		**28,138,171**	**3,400**	**3,025,083**	**(270,010)**		**30,896,644**

The following transactions performed in 2016 had an impact on the value or on the percentage holding of the equity investment:

- the equity interest in CDP Equity S.p.A. (formerly Fondo Strategico Italiano S.p.A.) rose following the withdrawal, in December 2016, of the Bank of Italy as a shareholder. As a result, the share capital of the company, amounting to euro 3,480,981,960, is held by CDP for 97.1% and by Fintecna for 2.9%;
- FSI SGR S.p.A. was incorporated with a share capital of euro 3 million fully paid up by CDP, tasked with the launch and management of a new fund focusing on investments in mid-market companies with high growth potential. In the second half of the year, CDP reduced its equity investment to 49% to enable Magenta 71 S.r.l. – a vehicle owned by the managers identified to manage the initiative – and Poste Vita S.p.A. to join the shareholding structure with a 41.1% and 9.9% equity interest, respectively. On 6 December 2016, the Bank of Italy, subject to Consob's favourable opinion, granted FSI SGR authorisation

to engage in asset management activities pursuant to Article 34 of Legislative Decree 58 of 24 February 1998 (Consolidated Law on Finance);
- following the registration of the MEF decree by the Court of Auditors on 22 June 2016, CDP acquired an additional 12.5% of Fondo Italiano di Investimento SGR S.p.A. from the MEF, against a consideration of euro 1.7 million. As a result of the transfer, at 31 December 2016, CDP held 25% of the company's share capital. On 29 December 2016, CDP signed an agreement with the ABI and Confindustria for the acquisition of an additional 18% interest in FII SGR (each held a 9% interest), conditional upon the approval of the Bank of Italy;
- on 30 September 2016, CDP transferred to SACE its entire equity interest in SIMEST, comprised of 240,652,174 ordinary shares, accounting for 76.005% of SIMEST's share capital; the value of the equity contribution amounted to a total of euro 232.5 million. The transfer marks a major step forward in the implementation of the CDP Group's 2016-2020 Business Plan by creating a system to support the growth and international competitiveness of Italian industry, through which CDP has earmarked a total of euro 63 billion for Italian enterprises that export and invest abroad. The integration of the operations of the two CDP group companies brings together the financial-insurance products, services and expertise of SACE and SIMEST. The objective is offer Italian enterprises an integrated system with "one-door" access to services meeting all their export and internationalisation needs, including credit insurance, protection for foreign investments, financial guarantees to access bank loans, factoring services, surety to win tender contracts, construction risk protection, equity capital, subsidised loans and export credit;
- the incorporation of Risparmio Holding S.p.A., with a share capital of euro 50 thousand, a company in which Poste Italiane S.p.A. and CDP have equity interests of 80% and 20%, respectively. The company was set up to participate in the competitive procedure launched by UniCredit S.p.A. in connection with the sale of the asset management operations of Pioneer Global Asset Management S.p.A. On 5 December 2016, UniCredit and Amundi announced that they had entered into exclusive negotiations in relation to the possible sale of the Pioneer Investments business to Amundi;
- QuattroR SGR S.p.A. was incorporated on 4 August 2016 for the launch and promotion of a new investment fund focused on Italian enterprises facing temporary economic and financial difficulty, but with suitable industry and market prospects. At 31 December 2016, QuattroR SGR had a share capital of euro 850 thousand, of which euro 250 thousand was subscribed by CDP (29.4%) and the remainder by the managers identified to manage the initiative. On 30 December 2016, the Bank of Italy, subject to the favourable opinion of Consob, granted QuattroR authorisation to engage in asset management activities as per Article 34 of Legislative 58 of 24 February 1998 (Consolidated Law on Finance). Preparations are currently underway for the promotion and establishment of the fund;
- CDP injected a total of euro 91.7 million of new capital in CDP Immobiliare to support the development of real estate projects by the company and its investment holdings and to cover its ordinary funding requirements. At the reporting date checks were carried out on the existence of qualitative and quantitative indicators whose presence requires the performance of impairment testing. The measurement process resulted in the recognition of an overall impairment loss of euro 270 million, due to the persistence of adverse market conditions, aggravated by a credit crunch, which further undermined development prospects, and to the specificities of the subsidiary's real estate portfolio, which is largely concentrated in subprime locations, with properties of significant size and subject to what are often major urban planning risks. Under these circumstances, to guarantee a suitable return on the overall portfolio held, it was essential to adopt a new redevelopment strategy that was more selective and focused on the rental of the properties. This resulted, on the one hand, in the need to align asset values to sustainable levels given the type of initiative proposes and, on the other, in an assessment of the "fast sale" value of assets not believed eligible for the purposes of the new strategy adopted;
- 35% of Poste Italiane S.p.A. was acquired on 20 October 2016, contributed by the Ministry of the Economy and Finance (MEF) against its subscription of a rights issue by CDP for a total of euro 2,930,257,785, including the share premium. The transaction had been approved by CDP's shareholders in their extraordinary meeting of 24 June 2016. On the basis of assessments, the equity investment was identified as an associate company;
- subscriptions of original capital and a subsequent rights issue were paid up for the equity investment in AccialItalia S.p.A., a company incorporated on 27 June 2016 and in which CDP holds a 27.5% equity interest.

Dividends received for 2016 totalled approximately euro 1,566 million and were mainly connected with the equity investments in ENI (euro 749 million), SACE (euro 310 million), CDP Equity S.p.A. (euro 77 million), CDP RETI (euro 361 million), Fintecna (euro 25 million), and CDP GAS (euro 41 million). Total dividends received showed an increase of approximately euro 34 million compared to 2015 (euro 1,532 million).

Other investments: investment funds and investment vehicles

CDP is a subscriber to investment funds and investment vehicles with the aim of facilitating:
- the development, international expansion and growth of Italian SMEs and start-ups;
- investments in the sustainable living sector and the development of public real estate assets;
- investments in physical and social infrastructures:
  - at the local level, in partnership with local authorities and with shareholder foundations. In this context, CDP also promotes public-private partnership (PPP) projects;
  - at the national level, focusing on major works in partnership with Italian and foreign institutional investors;
  - at the international level, in support of infrastructure and network projects involving several countries, not only within the European Union, in cooperation with European institutions and foreign counterpart organisations (such as CDC, KfW and the EIB).

At 31 December 2016, the investment portfolio in investment funds and investment vehicles totalled euro 1,654 million, up by approximately euro 223 million (+15.6%) compared to 31 December 2015. At 31 December 2016, CDP had commitments of around euro 4 billion to investment funds and investment vehicles.

Investment funds and investment vehicles

(thousands of euros)	Investment sector	31/12/2015 % holding	31/12/2015 Carrying amount	Changes From inv./disinv.	Changes From measure-ments	Changes Transfers	31/12/2016 % holding	31/12/2016 Carrying amount	31/12/2016 Residual commit-ment
A. Investment vehicles			**187,472**	**25,323**	**(18,226)**			**194,570**	**119,396**
1. Inframed Infrastructure société par actions simplifié e à capital variable (Inframed Fund)	Infrastructure								
– A units		38.92%	131,558	9,832	(21,104)		38.92%	120,286	31,041
– B units		0.01%	9	(9)			0.01%		
2. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS SA (Marguerite Fund)	Infrastructure	14.08%	39,010	15,500	2,878		14.08%	57,388	45,350
3. European Energy Efficiency Fund SA, SICAV-SIF (Fondo EEEF)	Energy								
– A units		10.71%	14,602				10.70%	14,602	37,312
– B units		1.68%	2,294				1.68%	2,294	5,693
B. Investment funds			**1,231,541**	**408,597**	**(191,868)**			**1,448,270**	**2,112,214**
1. FIV Extra	Public housing	100.00%	732,900		(8,731)		100.00%	724,169	351,600
2. F2i - Fondi Italiani per le Infrastrutture	Infrastructure								
– A units		8.10%	109,084	909	28,274		8.10%	138,267	10,869
– C units		0.04%	599	5	155		0.04%	759	60
3. Fondo Investimenti per l'Abitare	Social Housing	49.31%	225,703	70,997	(9,918)		49.31%	286,782	643,984
4. Fondo Italiano d'Investimento	SME and export finance	20.83%	75,914	(9,707)	3,456	(24,682)	20.83%	44,981	57,771
5. Fondo Italiano d'Investimento - Fund of Funds (**)	SME and export finance			9,645	(2,071)	20,390	20.83%	27,964	31,098
6. Fondo Italiano d'Investimento - FII Venture (**)	Venture Capital			3,237	(813)	4,292	20.83%	6,716	9,627
7. F2i - Secondo Fondo Italiano per le Infrastrutture	Infrastructure								
– A units		8.05%	27,696	(1,250)	12,301		8.05%	38,747	71,542
– C units		0.02%	72	(3)	32		0.02%	100	186
8. FIV Plus	Public housing	100.00%	18,500		2,299		100.00%	20,799	69,400
9. PPP Italia Fund	Infrastructure and project PPP	14.58%	9,373	(2,202)	3,265		14.58%	10,436	2,054
10. Fondo Immobiliare di Lombardia - Comparto Uno (formerly Abitare Sociale 1)	Social Housing	4.21%	8,138	1,803	(475)		4.21%	9,466	8,700
11. FoF Private Debt	SME and export finance	74.62%	471	31,929	(2,247)		63.29%	30,153	221,510
12. FoF Venture Capital	Venture Capital	83.33%	1,763	2,242	(754)		62.50%	3,251	44,805
13. European Investment Fund		1.17%	21,328		844		1.14%	22,172	40,000
14. Fondo Atlante	Banks and NPL			297,860	(215,948)		11.77%	81,912	202,139 (***)
15. Fondo Atlante 2	Banks and NPL			1,747	(1,355)		11.60%	392	248,253
16. Fondo Investimenti per il Turismo (FIT)	Tourist facilities			1,385	(181)		100.00%	1,204	98,615
C. Investees			**12,565**	**1,700**	**769**	**(3,400)**		**11,634**	
17. SINLOC S.p.A.	Infrastructure	11.29%	5,986		(219)		11.29%	5,767	
18. F2i SGR S.p.A.	Infrastructure	14.01%	3,299		502		14.01%	3,801	
19. Istituto per il Credito Sportivo	Infrastructure	2.21%	2,066				2.21%	2,066	
20. Fondo Italiano d'Investimento SGR S.p.A. (*)	Enterprises	12.50%	1,214	1,700	486	(3,400)			
Total			**1,431,578**	**435,620**	**(209,324)**	**(3,400)**		**1,654,474**	**2,231,610**

(*) The amount shown in the transfers column refers to the reclassification of the investment at line item 100 "Equity investments" between the companies subject to significant influence, following the purchase of an additional percentage of share capital.
(**) Partial proportional split of FII into FII FoF and FII Venture, effective as of 1 June 2016.
(***) The commitment shown includes the portion called in 2016 and paid on 3 January 2017, which was adjusted by approximately € 78 million.

In detail, the change in the carrying amount of the portfolio was driven by:

- the net positive balance of around euro 436 million between payments called by vehicles and funds and payouts distributed by them to CDP;
- positive valuation differences of approximately euro 209 million;
- the partial, proportional demerger of the Fondo Italiano di Investimento into three investment funds, each one specialised in a specific sector: the Fondo Italiano di Investimento, dedicated to direct equity investments in SMEs; and two investments funds – the Fondo Italiano di Investimento Fund of Funds and FII Venture – focused respectively on investments in private equity funds and venture capital funds. The demerger of the fund was approved by the Shareholder's Meeting of 5 April 2016, effective as of 1 January 2016, based on accounting values at 31 December 2015 and in continuity with tax values. As a result of the demerger: (i) investors were allocated units of the three resulting funds in proportion to the units held in the original Fondo Italiano di Investimento (the demerged fund); (ii) the sum of the book NAV of the three funds resulting from the demerger was equal to the NAV of Fondo Italiano di Investimento prior to the demerger;
- the subscription of an 11.77% quota of the Fondo Atlante, a fund promoted by Quaestio Capital management SGR S.p.A., totalling euro 500 million, to invest in Italian bank capital and in securitisations of non-performing loans originated by Italian banks. The investment in the fund is classified under available-for-sale financial assets and, in accordance with accounting standards, is measured at fair value. At 31 December 2016, the market value of the investment, measured using valuation techniques based in part on the application of stock market multiples on a basket of banks, and on estimates of the NPL portfolio of banks held by the Fondo Atlante and connected capital requirements, resulted in the recognition of a value adjustment of approximately euro 294 million.[12] The fair value of the investment, measured in this way, fell within the valuation range provided by a leading consultancy company engaged for the purpose. See the following sections for more information on the valuation of the Fondo Atlante;
- the subscription of an 11.60% quota of the Fondo Atlante 2, a fund promoted by Quaestio Capital management SGR S.p.A., totalling euro 250 million, to invest in securitisations of non-performing loans originated by Italian banks.

ITAtech Platform

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

ITAtech is the first pan-European equity platform to have received funding under the Juncker Plan – an investment plan promoted by the European Commission to invest over euro 300 billion to stimulate growth in the European economy – and, in particular, under the European Fund for Strategic Investments, tasked with implementing the Plan.

The co-investment agreement envisages a maximum commitment of euro 200 million, of which euro 100 million can be subscribed by CDP.

To date, CDP has yet to invest in technology transfer funds through the ITAtech Platform.

4.3.1.3 Investment of the financial resources of the Parent Company

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

[12] Of which euro 216 million was applied to the amount paid up at 31 December 2016 and around euro 78 million was applied to the residual commitment, which was called up in 2016 and paid on 3 January 2017.

Stock of investments of financial resources

(millions of euros; %)	31/12/2016	31/12/2015	Change (%)
Cash and cash equivalents and other treasury investments	**161,795**	**168,644**	**-4.1%**
Treasury current account	146,987	151,962	-3.3%
Reserve requirement	8,036	3,949	n.s.
Other treasury investments separate account	1,511	782	93.1%
Repurchase agreements	4,548	10,509	-56.7%
Deposits (assets) ordinary account	292	1,173	-75.1%
Deposits (assets) on Credit Support Annex transactions	421	270	56.0%
Debt securities	**48,971**	**35,500**	**37.9%**
Separate Account	48,435	34,961	38.5%
Ordinary Account	536	539	-0.7%
Total	**210,765**	**204,144**	**3.2%**

At 31 December 2016, the current account held with the Central State Treasury, where CDP funding through the Separate Account is deposited, posted a balance of approximately euro 147 billion, a decrease from the year-end 2015 figure (approximately euro 152 billion) that was in line with the provisions of the Business Plan.

Cash and cash equivalents deposited for the reserve requirement amounted to euro 8.0 billion at 31 December 2016, with respect to a minimum reserve requirement of approximately euro 2.8 billion, for the maintenance period of ending on 24 January 2017. The liabilities of CDP that are subject to the reserve requirement are those that have a maturity of or are payable with notice of up to two years, with the exception of liabilities with credit institutions that are subject to the ECB's reserve requirements. The management of the reserve requirement is designed to ensure the accounting separation of the Separate Account and the Ordinary Account.

Investments in repurchase agreements with Italian government securities as collateral referred almost entirely to the investment of surplus funding raised on the money market. At 31 December 2016, the stock of this aggregate amounted to approximately euro 4.5 billion, showing a drop on the figure at December 2015 (euro 10.5 billion), mainly due to fluctuations in market interest rates.

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

As regards collateral deposits, established under Credit Support Annexes and Global Master Repurchase Agreements to limit the counterparty risk associated with transactions in derivative instruments and repurchase agreements, at 31 December 2016 there was a net debit balance of -euro 44 million, showing an improvement on the end-2015 figure of -euro 331 million. The improvement was mainly driven by changes in market conditions over the reporting period, primarily as concerns the trend in interest rates. These deposits are also managed in a manner that ensures accounting separation between the two Accounts.

Net deposits on CSA transactions

(millions of euros; %)	31/12/2016	31/12/2015	Change (%)
Total net deposits	(44)	(331)	-86.6%
of which:			
- *deposits (assets)*	*421*	*270*	*56.0%*
- *deposits (liabilities)*	*465*	*600*	*-22.6%*

At 31 December 2016 the securities portfolio showed a balance of approximately euro 49.0 billion, up from the year-end 2015 figure of euro 35.5 billion, due to new purchases, mainly with a short-term maturity. The shortening of the overall duration of the portfolio enabled the effects associated with changing market conditions to be sterilised. The securities portfolio mainly consists of Italian government securities and is held for asset & liability management purposes and to stabilise CDP's net interest income.

4.3.1.4 Funding activities by the Parent Company

Funding from banks

The table below shows CDP's overall position in terms of funding from banks at 31 December 2016, compared with 31 December 2015.

Stock of funding from banks

(millions of euros; %)	31/12/2016	31/12/2015	Change (%)
ECB refinancing	2,475	4,676	-47.1%
of which:			
- *Separate Account*	*1,175*	*3,824*	*-69.3%*
- *Ordinary Account*	*1,300*	*852*	*52.7%*
Deposits and Repurchase agreements and other	19,092	7,108	n.s.
of which:			
- *Separate Account*	*18,499*	*7,025*	*n.s.*
- *Ordinary Account*	*593*	*83*	*n.s.*
Deposits (liabilities) for CSA	465	600	-22.6%
EIB credit facilities	4,915	4,615	6.5%
of which:			
- *Separate Account*	*2,744*	*2,237*	*22.7%*
- *Ordinary Account*	*2,172*	*2,378*	*-8.7%*
KFW credit facilities		400	-100.0%
of which:			
- *Separate Account*		*400*	*-100.0%*
- *Ordinary Account*			*n.s.*
Total	**26,947**	**17,399**	**54.9%**

At 31 December 2016, institutional funding through the European Central Bank (ECB) declined by approximately euro 2.2 billion, partially due to the replacement of this type of funding (at a 0% rate on standard transactions and on the TLTRO credit facility), with cheaper funding currently available to CDP at negative rates.

Short-term funding on the money market through deposits and reverse repurchase agreements increased sharply during 2016, taking advantage of particularly low market interest rates. The stock of funding for the Separate Account amounted to approximately euro 18.5 billion at 31 December 2016, raised entirely through reverse repurchase agreements.

At 31 December 2016, the stock of credit facilities granted by the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) amounted to approximately euro 4.9 billion, of which around euro 4.8 billion referred to the EIB and around euro 0.1 billion referred to the CEB.

As regards credit facilities granted by the EIB, during 2016 new loan agreements were signed for a total of euro 640 million and new disbursements were obtained for a total of euro 777 million.

Specifically, in the second half of 2016 a euro 250 million tranche of a loan agreement was signed to finance the 2012 Earthquake Reconstruction Fund (Separate Account).

In the second half of 2016, a new euro 240 million loan agreement was signed to finance the school building measures provided by Article 10 of Decree Law 104 of 12 September 2013 (Separate Account) and another new loan agreement was made to finance Aeroporti di Roma S.p.A. investments, for a total of euro 150 million (Separate Account).

Other initiatives in the second half of 2016 saw CDP request and obtain: i) three new disbursements totalling euro 137 million (Separate Account), earmarked as funding for school building projects (two of the disbursements, totalling euro 56 million, were repaid in full at 31 December 2016); ii) two new disbursements totalling euro 640 million (Separate Account), earmarked as funding for the 2012 Earthquake Reconstruction Fund.

At 30 June 2016, CDP had repaid in full funding raised to support Italian SMEs (Separate Account) through the credit facility granted by Kreditanstalt für Wiederaufbau (KfW) in 2014 and subsequently raised.

Finally, in November 2016 a euro 150 million loan agreement was made with the CEB to fund the Capital Goods Fund; in the same month, CDP requested and obtained disbursements under the loan for a total of euro 75 million, booked to the Separate Account.

EIB/ECB funding in 2016

(millions of euros; %)	Date of issue/Funding	Nominal value
EIB Draw (maturity date 31/12/2016)	25/07/2016	28
EIB Draw (maturity date 31/12/2016)	25/10/2016	28
EIB Draw (maturity date 31/12/2044)	25/10/2016	81
EIB Draw (maturity date 31/12/2041)	30/11/2016	240
EIB Draw (maturity date 31/12/2041)	21/12/2016	400
CEB Draw (maturity date 30/11/2021)	30/11/2016	75
Total		**852**
of which:		
- *under the Separate Account*		*852*
- *under the Ordinary Account*		

Funding from customers

The table below shows CDP's overall position in terms of funding from customers at 31 December 2016, compared with 31 December 2015.

Stock of funding from customers

(millions of euros; %)	31/12/2016	31/12/2015	Change (%)
OPTES deposits (liabilities)	33,000	30,000	10.0%
Deposits of investees	4,469	3,699	20.8%
Amounts to disburse	5,064	5,437	-6.9%
Government securities amortisation fund	1	513	-99.8%
Total	**42,534**	**39,648**	**7.3%**

OPTES deposits showed a balance at 31 December 2016 of euro 33 billion, compared to euro 30 billion at 31 December 2015, and related to liquidity management operations conducted by CDP on behalf of the MEF. The deposits represent short-term funding which is held primarily: i) to meet reserve requirements; ii) to invest in Italian government bonds, and iii) to carry out repurchase transactions with Italian government securities as collateral.

Management and coordination activities continued to include cash pooling and management, involving deposit arrangements between CDP and its subsidiaries in the Parent Company's centralised treasury. Centralised treasury deposits at 31 December 2016 rose slightly compared to end 2015 to approximately euro 4.5 billion.

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 to disburse at 31 December 2016 totalled approximately euro 5.0 billion, a slight decrease on the end-2015 figure of around euro 5.4 billion.

Finally, the amortisation fund for government securities deposited by the MEF with CDP amounted to approximately euro 0.8 million at 31 December 2016.

Bond funding

The table below shows CDP's overall position in terms of stock of funding represented by bonds at 31 December 2016, compared with 31 December 2015.

Stock of funding represented by securities

(millions of euros; %)	31/12/2016	31/12/2015	Change (%)
EMTN programme	**8,504**	**8,953**	**-5.0%**
Securities issued	8,518	8,972	-5.1%
of which:			
- *Separate Account*	*5,625*	*5,555*	*1.3%*
- *Ordinary Account*	*2,893*	*3,417*	*-15.3%*
- IFRS adjustment	(14)	(18)	-23.3%
Retail bond	**1,481**	**1,482**	**n.s.**
Securities issued	1,500	1,500	n.s.
IAS/IFRS adjustment	(19)	(18)	3.6%
"Stand-alone" issues guaranteed by the State	**1,500**	**1,500**	**n.s.**
Securities issued	1,500	1,500	n.s.
IAS/IFRS adjustment			n.s.
Commercial paper	**40**	**1,965**	**-98.0%**
of which:			
- *Separate Account*		*1,620*	*-100.0%*
- *Ordinary Account*	*40*	*345*	*-88.4%*
Total stock of funding represented by securities	**11,525**	**13,901**	**-17.1%**

With reference to medium-long-term funding, in 2016 the first issues were made under the new "Debt Issuance Programme" for a total nominal value of euro 320 million, of which euro 70 million in support of the Separate Account and euro 250 million in support of the Ordinary Account. The financial characteristics of the issues are shown in the table below.

With reference to short-term funding, managed with a view to optimising the mix of funding and investments, stock under the "Multi-Currency Commercial Paper programme" at 31 December 2016 totalled approximately euro 40 million, showing a drop on the figure at 31 December 2015 (euro 1,965 million).

Medium/long-term funding in 2016

(millions of euros; %) EMTN programme	Date of issue/funding	Nominal value	Financial characteristics
Issue (maturing 01/03/2032)	22/02/2016	70	TF 2.180%
Issue (maturing 26/07/2022)	26/07/2016	250	TV EUR 6 M + 0.719% (floor 0.00%)
Total		**320**	
of which:			
- *under the Separate Account*		*70*	
- *under the Ordinary Account*		*250*	

Postal funding

At 31 December 2016, postal funding, consisting of passbook savings accounts and postal savings bonds, totalled euro 250,800 million, showing a drop on the euro 252,097 million posted at 31 December 2015.

Specifically, at 31 December 2016, the carrying amount of passbook savings accounts was euro 118,939 million, while the carrying amount of postal savings bonds, measured at amortised cost, was euro 131,862 million.

Stock of postal savings

(millions of euros)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Passbook savings accounts	118,939	118,745	193	0.16%
Postal savings bonds	131,862	133,352	(1,490)	-1.12%
Total	**250,800**	**252,097**	**(1,297)**	**-0.51%**

Although net funding for CDP posted a net outflow, the stock of postal savings showed only a modest drop, due to accrued interest.

Postal savings (including the portion pertaining to the MEF) as a percentage of total Italian household financial assets remained stable compared to 2015 at 8% (as measured in the third quarter of 2016).

In terms of net funding, passbook savings accounts in 2016 posted a net inflow of euro 155 million, showing a sharp drop on 2015, when net funding recorded an inflow of euro 4,110 million (-96%). The drop was driven by lower funding from Smart passbook savings accounts, which recorded a net outflow of euro 2,266 million (versus an inflow of euro 7,449 million in 2015), which lowered the relative funding figure from euro 43,580 million to euro 41,345 million (35% of the total stock of passbook savings accounts). In contrast, Ordinary passbook savings accounts, the largest single component of the segment, posted a 4% net inflow, raising the relative funding figure from euro 71,352 million in 2015 to euro 73,879 million in 2016.

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

Passbook savings accounts - net funding

(millions of euros)	Deposits	Withdrawals	Net funding 2016	Net funding 2015
Registered passbook accounts	118,525	118,364	161	4,117
- *Ordinary*	*69,803*	*67,283*	*2,520*	*(2,966)*
- *Ordinary SMART*	*47,802*	*50,068*	*(2,266)*	*7,449*
- *Time deposits*		*4*	*(4)*	*(0.1)*
- *Minors*	*558*	*645*	*(88)*	*161*
- *Judicial*	*362*	*363*	*(1)*	*(526)*
Bearer passbook accounts	2	8	(6)	(8)
- *Ordinary*	*2*	*7*	*(6)*	*(8)*
- *Time deposits*		*0.5*	*(0.5)*	*(0.001)*
Total	**118,527**	**118,372**	**155**	**4,110**

Note: The net funding include transfers between Passbook Accounts.

Passbook savings accounts

(millions of euros)	31/12/2015	Net funding	Reclassification and adjustments	Interest 01/01/2016-31/12/2016	Withholdings	31/12/2016
Registered passbook accounts	118,699	161		55	(16)	118,899
- *Ordinary*	*71,352*	*2,986*	*(466)*	*9*	*(2)*	*73,879*
- *Ordinary SMART*	*43,580*	*(2,917)*	*651*	*45*	*(14)*	*41,345*
- *Time deposits*	*4*	*(4)*			*0.001*	*0.2*
- *Minors*	*3,205*	*97*	*(185)*	*0.4*	*(0.1)*	*3,118*
- *Judicial*	*559*	*(1)*		*0.1*	*(0.01)*	*558*
Bearer passbook accounts	46	(6)		0.003	(0.001)	40
- *Ordinary*	*45*	*(6)*		*0.003*	*(0.001)*	*40*
- *Time deposits*	*0.5*	*(0.5)*				*0.03*
Total	**118,745**	**155**		**55**	**(16)**	**118,939**

New subscriptions of postal savings bonds in 2016 amounted to euro 11,245 billion (down by 5% on 2015). In an effort to simplify and rationalise the range of products offered, in the first half of 2016 all bond issues were suspended with the exception of Ordinary Bonds and Bonds for Minors, and a new 2-year Fedeltà bond was introduced in November for holders of maturing bonds.

Postal savings bonds - CDP net funding

(millions of euros)	Subscriptions	Repayments	Net funding 2016	Net funding 2015	Change (+/-)
Ordinary bonds	7,031	(3,316)	3,715	(2,172)	5,887
3x4 bonds	18	(784)	(766)	110	(875)
Italian inflation indexed bonds	845	(1,842)	(997)	758	(1,755)
Europa/Premia bonds	1,764	(1,663)	102	1,635	(1,533)
Bonds for minors	287	(314)	(27)	177	(204)
Fedeltà 3x4 bonds	212	(176)	37	177	(140)
3x4RisparmiNuovi bonds		(72)	(72)	289	(361)
Fedeltà bonds	937	(5,538)	(4,601)	(1,019)	(3,582)
7Insieme bonds		(66)	(66)	(74)	8
Other BFP bonds	151	(2,646)	(2,495)	(8,212)	5,717
Total	**11,245**	**(16,415)**	**(5,170)**	**(8,331)**	**3,161**

Note: "Other BFP bonds" includes: fixed-term bonds, indexed bonds, 18-month bonds, 3-year bonds, 2-year Plus bonds, Renditalia bonds, Impresa bonds, Risparmi Nuovi bonds, Eredità Sicura bonds, 4x4 bonds, 4x4 Fedeltà bonds and 4x4 Risparmio Nuovi bonds.

Net CDP funding from postal savings bonds came to a negative euro 5,170 million, an improvement on the negative net funding figure of euro 8,331 million in 2015. The change was primarily due to lower reimbursements, which offset the slight drop in subscriptions. For bonds pertaining to the MEF, redemptions remained substantially stable at euro 5,412 million, (euro 5,674 million in 2015). Total net funding in 2016 from postal savings bonds (CDP and MEF) posted a negative euro 10,582 million, compared to a negative euro 14,005 million in 2015.

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

(millions of euros)	CDP net funding	MEF repayments	Net funding 2016	Net funding 2015	Change (+/-)
Ordinary bonds	3,715	(5,243)	(1,528)	(7,309)	5,781
3x4 bonds	(766)		(766)	110	(875)
Italian inflation indexed bonds	(997)		(997)	758	(1,755)
Europa/Premia bonds	102		102	1,635	(1,533)
Bonds for minors	(27)		(27)	177	(204)
3x4 Fedeltà bonds	37		37	177	(140)
3x4 Risparmi Nuovi bonds	(72)		(72)	289	(361)
Fedeltà bonds	(4,601)		(4,601)	(1,019)	(3,582)
7Insieme bonds	(66)		(66)	(74)	8
Other BFP bonds	(2,495)	(169)	(2,665)	(8,749)	6,085
Total	**(5,170)**	**(5,412)**	**(10,582)**	**(14,005)**	**3,423**

Note: "Other BFP bonds" includes: fixed-term bonds, indexed bonds, 18-month bonds, 3-year bonds, 2-year Plus bonds, Renditalia bonds, Impresa bonds, Risparmi Nuovi bonds, Eredità Sicura bonds, 4x4 bonds, 4x4 Fedeltà bonds and 4x4 Risparmio Nuovi bonds.

The stock of postal savings bonds at 31 December 2016 totalled euro 131,862 million, showing a 1.1% drop on 2015. The change was driven by the negative performance of net funding, only partially offset by accrued interest for the year.

The stock figure includes transaction costs recognised in application of IAS/IFRS, consisting of distribution fees applicable to all types of bonds issued between 2007 and 2010. The item "Premiums accrued on postal bonds" includes the separate value of the embedded options in bonds indexed to stock market indices.

Postal savings bonds - CDP stock

(millions of euros)	31/12/2015	Net funding	Pertaining to	Withholdings	Transaction costs	Premiums accrued on postal bonds	31/12/2016
Ordinary bonds	67,555	3,715	2,398	(74)	9		73,603
3x4 bonds	18,214	(766)	676	(5)			18,120
Italian inflation indexed bonds	15,896	(997)	186	(19)			15,067
Europa/Premia bonds	6,510	102	75	(20)		(15)	6,652
Bonds for minors	5,331	(27)	191	(7)			5,488
3x4 Fedeltà bonds	4,215	37	111	(1)			4,362
3x4Risparmi Nuovi bonds	1,979	(72)	39				1,946
Fedeltà bonds	6,215	(4,601)	82	(45)			1,651
7Insieme bonds	1,299	(66)	45				1,279
Other BFP bonds	6,137	(2,495)	53	(18)		18	3,695
Total	**133,352**	**(5,170)**	**3,856**	**(188)**	**9**	**3**	**131,862**

Note: "Other BFP bonds" includes: fixed-term bonds, indexed bonds, 18-month bonds, 3-year bonds, 2-year Plus bonds, Renditalia bonds, Impresa bonds, Risparmi Nuovi bonds, Eredità Sicura bonds, 4x4 bonds, 4x4 Fedeltà bonds and 4x4 Risparmio Nuovi bonds. "Transaction costs" includes deferred fees relating to the years 2007-2010.

Total net funding in 2016 (CDP and MEF) from postal bonds and passbook savings accounts posted a negative euro 10,427 million, showing a slight decline on the negative net funding figure for 2015 of euro 9,895 million.

Total net - Postal savings funding (CDP + MEF)

(millions of euros)	Net funding 2016	Net funding 2015	Change (+/-)
Postal savings bonds	(10,582)	(14,005)	3,423
of which:			
- *pertaining to CDP*	*(5,170)*	*(8,331)*	*3,161*
- *pertaining to the MEF*	*(5,412)*	*(5,674)*	*262*
Passbook savings accounts	155	4,110	(3,955)
CDP net funding	(5,015)	(4,221)	(794)
MEF net funding	(5,412)	(5,674)	262
Total	**(10,427)**	**(9,895)**	**(532)**

4.3.2 Group companies

4.3.2.1 Performance of companies subject to management and coordination

SACE Group

In 2016, the SACE Group contributed to the implementation of one of the key pillars of the CDP Group's Business Plan with the creation of the "one-door" Export and Internationalisation Hub, realised through the transfer by contribution of the Parent Company's equity investment in SIMEST. The integration of the two companies will enable the creation of a system to support the growth and international competitiveness of Italian industry.

New lending - SACE group

(millions of euros; %)

Business lines	31/12/2016	31/12/2015	Change (+/-)	Change (%)
SACE	10,579	10,266	313	3.1%
Export	9,592	8,466	1,126	13.3%
- *Purchaser loans*	*7,695*	*7,536*	*159*	*2.1%*
- *Supplier loans*	*1,689*	*780*	*909*	*116.5%*
- *Letters of credit*	*208*	*150*	*58*	*38.6%*
Internationalisation	987	1,800	(813)	-45.1%
- *Financial guarantees*	*525*	*1,113*	*(588)*	*-52.8%*
- *Financial guarantees for SMEs*	*144*	*132*	*12*	*9.0%*
- *Bonds/surety*	*280*	*497*	*(217)*	*-43.6%*
- *Political Risk Insurance policies*	*38*	*58*	*(20)*	*-34.2%*
SACE FCT	4,479	3,218	1,261	39.2%
Factoring	4,479	3,218	1,261	39.2%
- *Factoring with/without recourse*	*1,460*	*1,916*	*(456)*	*-23.8%*
- *Trade finance*	*2,525*	*1,112*	*1,413*	*127.0%*
- *Other factoring*	*495*	*190*	*305*	*160.5%*
SIMEST	6,134	5,388	746	13.9%
Export	5,808	5,118	690	13.5%
- *Interest grants (295 Fund) - Purchaser loans*	*5,590*	*4,694*	*896*	*19.1%*
- *Interest grants (295 Fund) - Supplier loans*	*218*	*424*	*(206)*	*-48.6%*
Internationalisation	326	270	56	20.8%
- *Direct equity investments and Venture Capital Fund*	*110*	*107*	*3*	*3.2%*
- *Subsidised loans (394 Fund)*	*93*	*87*	*6*	*7.1%*
- *Equity investment grants (Law 100/90 and Law 19/91)*	*123*	*76*	*47*	*61.2%*
Eliminations	(5,590)	(4,694)	(896)	19.1%
Total new lending, investment and managed resources	**15,602**	**14,177**	**1,425**	**10.1%**

In line with the approach described, new lending, investment and managed resources in 2016 showed a 10% growth in volume compared to 2015, with major transactions targeted at strategic sectors for the country.

Specifically, new lending by SACE Group, with its new perimeter, totalled euro 15,602 million, in line with first-year Business Plan targets. Volumes were driven mainly by export credit transactions, accounting for around 63% of the total.

Transactions made by the parent company SACE posted a 3% increase in volume compared to 2015, with 40% of export credit volumes consisting of six transactions targeting the Cruise and Chemical/Oil sectors. In relation to internationalisation operations, 30% of volumes consisted of four transactions targeting the Telecommunications and Infrastructure/Construction sectors.

SACE FCT operations also posted sharp growth in transaction volumes (+39%), mainly due to trade finance transactions with foreign private-sector debtors.

Total new lending by SIMEST amounted to euro 6,134 million, showing an increase of 14% compared to 2015. Growth was driven primarily by export support instruments, with the purchaser loan programme posting record high volumes.

In 2016, the SACE Group worked to support exports and the internationalisation of enterprises through a large number of institutional missions, which led, among other things, to the reopening of ties with Argentina and Cuba. This led to an increase in demand for sovereign political risk insurance, as well as insurance to cover the risks directly associated with other strategic Italian sectors, such as the Cruise sector.

Another enabling factor for business growth was the use of the reinsurance agreement in place with the Ministry of the Economy and Finance for concentration risks.

Finally, in an effort to work more closely with customers and strengthen the SACE Group's ties to the business fabric, a new commercial coverage model was implemented during the year, involving the geographical expansion of the network, throug the opening of some international offices.

Performance highlights - SACE group

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
SACE				
Outstanding guarantees	43,038	40,715	2,323	5.7%
- *principal*	*37,211*	*35,063*	*2,148*	*6.1%*
- *interest*	*5,827*	*5,652*	*175*	*3.1%*
Loans	804	1,256	(452)	-36.0%
SACE BT				
Short-term credit	8,894	7,791	1,103	14.2%
Surety Italy	6,635	6,564	71	1.1%
Other property damage	24,734	24,074	660	2.7%
SACE FCT				
Outstanding receivables	2,073	1,930	143	7.4%
SIMEST				
Equity investment portfolio	536	514	21	4.2%

SACE's total risk exposure, measured in relation to loans and guarantees provided, stood at euro 43.8 billion (of which 98% referred to the guarantees portfolio), showing a 4.5% increase on 2015 and confirming the trend witnessed in previous years.

The SACE BT portfolio, totalling euro 40.3 billion, rose by 4.8% over the end-2015 figure. Growth was also posted in SACE FCT outstanding receivables, consisting of total receivables acquired less receivables collected and credit notes and totalling around euro 2,073 million, which rose by 7.4% over the end-2015 figure.

Finally, the SIMEST equity investment portfolio totalled euro 536 million, showing an increase of 4.2% over the end-2015 figure, reflecting growth in investments in internationalisation projects.

Stock of investments of financial resources - SACE group

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Cash and cash equivalent and other treasury investments	**6,283**	**5,804**	**479**	**8.3%**
Cash and cash equivalents at CDP	2,585	2,047	538	26.3%
Banking institutions cash and cash equivalents	694	801	(107)	-13.4%
Other treasury investments	3,004	2,956	48	1.6%
Debt securities and other forms of funding	**1,891**	**1,683**	**208**	**12.4%**
Financial payables	1,376	1,168	208	17.8%
Other debt securities	515	515		0.0%

At 31 December 2016, cash and cash equivalents posted growth, mainly due to trading activities over the year.

Other treasury investments showed no substantial change on the stock at end-2015 and included equity investments and shares, government securities and debt securities.

CDP Equity

In 2016, CDP Equity was primarily involved in the reorganisation of its investment operations, in line with the guidelines of the 2016-2020 Group Business Plan.

In particular, the company: (i) reorganised its equity investment portfolio in order to focus its operations on investments of systemic interest for the Italian economy and to allocate to its subsidiaries (i.e. FSI Investimenti) asset management operations, for their medium-term development and disposal; (ii) contributed to the establishment of FSI SGR, which will support the growth plans of companies with significant growth prospects from a private equity point of view, through the launch of funds to attract international and private growth capital.

The company also continued to monitor and analyse possible investment opportunities, consolidating its position on the Italian equity capital market as a major player in terms of its investment capital, pipeline and capacity.

New lending, investment and managed resources - CDP Equity

Business lines (millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Investments	1,009	90	919	n.s.
Total new lending, investment and managed resources	**1,009**	**90**	**919**	**n.s.**

In line with Group Business Plan guidelines, the company made investments of euro 1,009 million in companies of strategic importance for the economy, all with a medium/long-term horizon.

The total figure included a euro 903 million investment in Saipem and a euro 106 million net investment in Open Fiber.

Saipem is a leading player in the oil & gas industry at international level and is strategically important in terms of its economic impact and ability to create jobs in Italy. The company is an example of Italian excellence, with outstanding technological know-how and extensive expertise in the engineering and construction of complex facilities for oil and gas drilling, making it a world leader in the Offshore Engineering & Construction sector.

In October 2015 a sale agreement was executed with ENI which in January 2016 resulted in the acquisition of a 12.5% equity interest in the company, for a total consideration of euro 463.2 million. Subsequently, in February 2016, CDP Equity subscribed on a pro-rata basis a new rights issue by Saipem raising its share capital to euro 3.5 billion, for an additional consideration of euro 439.4 million.

In relation to Open Fiber, the investment will contribute to the objective of extending the fibre-optic network across the entire country, involving the company in the construction of a strategic infrastructure for Italy, in line with the objectives of 2020 Digital Agenda. CDP Equity acquired a 50% equity interest in Open Fiber, becoming an equal shareholder with Enel, through the subscription of a new rights issue for a total of euro 359 million.

The investment was targeted at raising the capital necessary, alongside the funding provided by Enel, to acquire 100% of Metroweb Italia from F2i (which held 53.8%) and FSI Investimenti (which held 46.2%), for a total consideration of euro 714 million. Taking into consideration the proceeds collected by FSI Investimenti through the sale of its equity interest in Metroweb Italia, totalling around euro 330 million (of which euro 254 million pertaining to CDP Equity), the investment entailed a net capital outlay for CDP Equity of euro 106 million.

Finally, under agreements made in September 2016, in February 2017 the subsidiary FSI Investimenti completed its sale to Poste Italiane of a 30% equity interest in FSIA Investimenti (including an indirect share of SIA of around 14.85%) for a total of euro 278 million. As a result of the transaction, FSI Investimenti now holds an indirect equity interest in SIA of 34.6%.

Performance highlights - CDP Equity (*)

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Realised gains from equity investments	130	136	(7)	-5.0%
Dividends	33	31	2	7.0%

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

In 2016 the company realised a gain from investments of approximately euro 130 million in relation to the sale of Metroweb to Open Fiber.

Dividends from subsidiaries rose by 7% compared to the previous year and referred mainly to the subsidiaries SIA (approx. euro 25 million), Metroweb (approx. euro 4 million) and Kedrion, IQ MIIC and Rocco Forte Hotels (collectively, approx. euro 4 million).

CDP Equity's balance sheet and earnings figures were affected in 2016 by value adjustments to its equity investment in Saipem, due to the above mentioned acquisition. With impairment indicators found to exist in relation to the market performance of the company's stock over the year, for which the market value of the shares was significantly lower than their carrying amount, and in relation to Saipem's announcement of negative earnings for the year and the consequent gap with budget targets, the recoverable amount of the investment was measured and its carrying amount adjusted accordingly (to euro 732.2 million).

Stock of investments of financial resources - CDP Equity (*)

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Cash and cash equivalent and other treasury investments	**1,449**	**3,628**	**(2,179)**	**-60.1%**
Cash and cash equivalents at CDP	500	1,750	(1,250)	-71.4%
Banking institutions cash and cash equivalents	949	1,878	(929)	-49.5%
Debt securities and other forms of funding	**63**	**83**	**(20)**	**-24.1%**
Financial payables	63	83	(20)	-24.1%

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

At 31 December 2016, cash and cash equivalents held by CDP Equity and its subsidiary investment vehicles totalled euro 1.4 billion, a drop of euro 2.2 billion on the 2015 figure. The change was chiefly driven by investments totalling euro 1,009 million, the liquidation of the Bank of Italy's shareholding, due to its withdrawal, for a total of euro 969 million, and a dividend payout to shareholders of approximately euro 99 million.

Financial payables mainly included euro 61.3 million in payables on the vendor loan held by FSIA Investimenti and euro 1.7 million for the deferred payment of non-controlling equity interests acquired in SIA. The decrease compared to 31 December 2015 was driven by the early principal repayment made on the loan for around euro 7.8 million, and the payment of approximately euro 13 million of deferred payables on the non-controlling equity interests acquired in SIA.

Fintecna

In 2016, Fintecna continued to manage its litigation cases, with efforts focused on optimising its defence strategy by constantly monitoring developments in court cases to assess critical aspects specifically.

Performance highlights - Fintecna

(no. of disputes; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Labour law disputes	688	719	(31)	-4.3%
Civil/administrative/tax law disputes	122	141	(19)	-13.5%

With reference to labour law disputes, as in previous years, the number of new claims notified to Fintecna remained substantially stable, consisting of compensation claims for alleged biological injury and occupational diseases arising after a long latency period.

With reference to civil/administrative/tax law disputes, although only a small number of new litigation cases arose in the year, there was no significant reduction in the number of disputes due to difficulties in identifying possible settlements for their resolution, the complexity of the disputes and divergences in the assessments with the counterparties.

Stock of investments of financial resources - Fintecna

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Cash and cash equivalent and other treasury investments	**1,137**	**1,150**	**(13)**	**-1.2%**
Cash and cash equivalents at CDP	1,025	866	159	18.3%
Banking institutions cash and cash equivalents	112	284	(172)	-60.5%

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

Specifically, at 31 December 2016, cash and cash equivalents held with credit institutions and CDP amounted to euro 1,137 million, compared to euro 1,150 million for the previous year.

In line with the company's institutional purpose, in 2016 steering and control continued to be exercised over companies subject to management and coordination, with a view to progressively fulfilling the tasks assigned to each of the companies under specific legislative provisions.

In the first half of the year, the sale of the equity interest held in Ansaldo STS was brought to term. The proceeds from the sale amounted to euro 35.7 million, including a gain of euro 22.4 million.

With reference to operations carried out by Fintecna through special purpose vehicles, efforts continued for the sale of the "separate assets" of the dissolved entities E.F.I.M. (through Ligestra), Iged (through Ligestra Due) and Comitato per l'intervento nella SIR e in settori ad alta tecnologia (through Ligestra Tre), as well as the liquidation of the residual assets of Cinecittà Luce (through Ligestra Quattro).

As concerns Ligestra, operations continued for the liquidation of the separate assets of the dissolved E.F.I.M., currently focused on the gradual resolution of problems connected with the remediation of the former industrial sites included among the assets acquired.

With regard to Ligestra Due, difficulties continued over the year in the sale of the separate assets that belonged to the now dissolved entities. The difficulties are connected with real estate market conditions and the problems associated with the typical characteristics of the real estate portfolio acquired.

With reference to Ligestra Tre, efforts focused on problems associated with the disposal of residual real estate in Campania and with litigation underway.

With regard to Ligestra Quattro, which is involved in the liquidation of Cinecittà Luce, the first half of the year was focused on resolving problems relating to a persistent lack of funding. Accordingly, in May Fintecna approved an interest-bearing loan to the company, with a facility of up to euro 14.5 million.

In relation to all liquidation procedures managed through special purpose vehicles, a corporate rationalisation and reorganisation plan is currently being studied to improve the efficiency of the operations, with a view to meeting the liquidation objectives faster and more effectively.

In relation to companies under extraordinary administration (Alitalia Servizi and Tirrenia di Navigazione), the relative procedures are still in progress.

Finally, in response to the earthquakes that in 2016 affected the Lazio, Umbria, Marche and Abruzzo Regions, Fintecna was called to provide technical and administrative support to the office of the Extraordinary Commissioner for Reconstruction.

CDP Immobiliare

In 2016, the company continued to focus on the sale of its real estate assets and on redevelopment projects for assets that cannot immediately be placed on the market. Initiatives managed indirectly through partnerships involved: (i) the development and upgrading of real estate projects with the potential to generate value on their own through investment to continue redevelopment; (ii) the sale of completed properties and assets whose development is near completion; (iii) the management of "critical" development initiatives with a view to liquidating them.

Performance highlights - CDP Immobiliare (*)

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Real estate assets managed	1,277	1,493	(217)	-14.5%
Sales	26	62	(36)	-58.4%
Investment in development	21	33	(12)	-36.6%

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

In 2016, a total of approximately euro 26 million in assets were sold, both directly and through investment holdings (of the total, around euro 11 million referred to CDP Immobiliare's direct portfolio and around euro 15 million referred to real assets held in partnership).

Real estate development operations involved a total of around euro 21 million in investments, mainly in real estate assets held in partnership. In particular, contract work for the construction of an underground car park at the State Printing Complex (owned by the Residenziale Immobiliare partnership) was brought to completion and demolition plans and work on the Torri dell'EUR complex (owned by the Alfiere partnership) were completed.

At 31 December 2016, total real estate assets managed, amounting to approximately euro 1,277 million, showed a drop of 14.5%, mainly due to write-downs of around euro 216 million, as appraised by independent surveyors, as well as sales during the year, net of development work.

Treasury and funding activities - CDP Immobiliare (*)

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Cash and cash equivalent and other treasury investments	**47**	**29**	**18**	**61.0%**
Banking institutions cash and cash equivalents	47	29	18	61.0%
Debt securities and other forms of funding	**801**	**890**	**(89)**	**-9.9%**
Financial payables	801	890	(89)	-9.9%

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

At 31 December 2016, cash and cash equivalents, totalling euro 47 million and showing an increase on 2015, were mainly earmarked to support lending to partnerships and to cover the management and development of the company's real estate assets.

Financial payables, amounting to euro 801 million, included approximately euro 52 million in payables referring to CDP Immobiliare (payables allocated to real estate in the "direct portfolio") and approximately euro 749 million referring to partnerships (of which euro 302 million in relation to Residenziale Immobiliare).

CDPI SGR

In 2016, CDPI SGR continued to manage the Fondo Investimenti per l'Abitare (FIA) and the Fondo Investimenti per la Valorizzazione (FIV).

New lending, investment and managed resources - CDPI SGR

(millions of euros; %) Business lines	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Social housing	142	92	50	54.7%
- FIA	142	92	50	54.7%
Development	19	57	(38)	-67.3%
- FIV (Extra)	17	53	(35)	-67.1%
- FIV (Plus)	1	4	(3)	-70.0%
Total new lending, investment and managed resources	161	149	12	8.0%

CDPI SGR invested around euro 161 million, an increase of around 8% compared to 2015, mainly through the Fondo Investimenti per l'Abitare. In particular:

- the FIA invested a total of approximately euro 142 million, primarily in social housing initiatives through the Central Italy Sustainable Housing, Liguria Social Housing, Roma Santa Palomba and FIL1 funds;
- the FIV invested a total of approximately euro 19 million through investment in the redevelopment of the Bergamo Unified Hospitals to adapt the buildings for a Guardia di Finanza Academy and through the purchase of a property owned by the Red Cross in Milan. Lower investments compared with 2015 were due to the an extraordinary transaction in December 2015 for the purchase of real estate from the State and from local authorities.

The year also saw the launch in July 2016 of the Fondo Investimenti per il Turismo (FIT), with the objective of promoting investment in Italian tourist and hotel facilities. Commencing as of 2017, the FIT will invest in target funds with a regional/local focus, which will be managed by CDPI SGR or external asset management companies.

In 2016, efforts were focused on the creation of FIA 2 to invest in the urban transformation of Italian cities into "smart cities". The fund began operating in the first quarter of 2017 and is managed by CDPI SGR. The purpose of the FIA 2 is to redevelop and convert buildings and real estate complexes that are no longer in use in metropolitan areas and provincial capitals into "smart housing" and "smart working" facilities, without employing new land.

Finally, in line with Group Business Plan guidelines, in 2016, a reorganisation plan was initiated for the Group's real estate area, involving (i) the simplification of the overall business model and (ii) the centralisation of real estate asset development and rental operations through the structuring of funds reserved for specific end-uses of assets. These activities will continue throughout 2017.

Performance highlights - CDPI SGR

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Real estate assets managed (*) (FIV)	709	734	(25)	-3.4%
Payments to the FIA (CDP unit)	71	112	(41)	-36.7%
Residual commitment (**) (FIA)	1,306	1,450	(144)	-9.9%

(*) Value referring to direct real estate funds, showing the value of the real estate assets held by each fund.
(**) Value referring to fund subscriptions, net of amounts called-up.

At 31 December 2016, real estate assets managed by the company on behalf of the FIV consisted of 78 assets with a total value of approximately euro 709 million, of which around euro 689 million referred to the Extra segment (72 assets) and around euro 20 million referred to the Plus segment (6 assets).

In 2016, real estate assets managed fell by 3.4% compared to 2015. The change was mainly due to sales of Extra sub-fund's assets, consisting of the "Caserma Vittorio Veneto" and "Magazzini Vittorio Veneto" properties in Florence, the Corso Italia property in Milan, and a quota held in the "Caserma Rossani" property in Pavia, which was partially offset by the purchase in December of a property owned by the Red Cross.

With reference to the FIA, the total residual commitment at 31 December 2016 towards target real estate funds totalled approximately euro 1,306 million. The lower commitment compared to 2015 (-9.9%) was primarily due to investments made in funds to support the availability of social housing.

In general, investments have slowed down due to difficulties encountered in starting up approved projects, which require specific conditions precedent to be fulfilled by local authorities before they can commence.

For this reason, a proposal has been made to investors to extend the term of the investment period from 2017 to 2020.

Treasury and funding activities - CDPI SGR

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Cash and cash equivalent and other treasury investments	**16**	**12**	**4**	**32.6%**
Banking institutions cash and cash equivalents	12	7	6	89.8%
Other treasury investments	4	6	(2)	-31.8%

At 31 December 2016, cash and cash equivalents held by CDPI SGR amounted to approximately euro 16 million, up by around euro 4 million on the 2015 figure, mainly due to management fees accrued.

As in 2015, the company had no financial debt at 31 December 2016.

CDP RETI

In June 2016, the CDP RETI Board of Directors approved a Memorandum of Understanding between SNAM, CDP RETI and CDP GAS in relation to the separation of Italgas from SNAM. The transaction, brought to term on 7 November 2016, involved the partial and proportional demerger of the equity interest held by SNAM in Italgas and the admission to trading on the electronic equity market (MTA) of the shares of the beneficiary of the demerger.

The decision to separate Italgas from SNAM was based on the consideration that gas distribution operations in Italy (conducted by the Italgas group) are largely different from the other operations of the SNAM Group, in terms of operational organisation, market competition, regulations and investment needs. The demerger will place the two companies in a better position to seize growth opportunities in their respective core businesses.

As a result of the demerger, the shareholding structure of Italgas consists of SNAM, with a 13.5% interest, and the shareholders of SNAM for the remainder, which each received equity interests through the demerger in proportion to their respective interests in SNAM. CDP RETI's equity investment in Italgas was not affected by the demerger and stands at 25.08%.

Performance highlights - CDP RETI

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Equity investments and other investments	4,835	4,835		0.0%
Dividends received	375	374	1	0.3%

Equity investments, totalling euro 4,835 million and showing no change on 31 December 2015, consisted of investments in SNAM (euro 2,931 million), Terna (euro 1,315 million) and Italgas (euro 589 million).

In 2016, CDP RETI received dividends from subsidiaries totalling euro 375million, of which euro 254 million from SNAM (dividend paid from 2015 net profit) and euro 121 million from Terna (including a final dividend of euro 78 million paid from 2015 net profit and an advance dividend of euro 43 million paid from 2016 net profit).

In terms of dividends paid out to shareholders, in 2016 CDP RETI paid a total of euro 358 million in dividends from 2015 net profit (including an advance dividend of euro 323 million paid in January and a final dividend of euro 35 million paid in May), plus an advance dividend for 2016 of euro 253 million (paid in November).

Treasury and funding activities - CDP RETI

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Cash and cash equivalent and other treasury investments	**102**	**372**	**(270)**	**-72.7%**
Banking institutions cash and cash equivalents	102	32	70	n.s.
Cash and cash equivalents at CDP			1	n.s.
Other treasury investments		340	(340)	n.s.
Debt securities and other forms of funding	**1,508**	**1,507**		**0.0%**
Financial payables	751	751		0.0%
Other debt securities	757	756		0.0%

Notwithstanding dividends received from the subsidiaries SNAM and Terna (euro 375 million), total cash and cash equivalents at 31 December 2016 were fully absorbed mainly by dividends paid out to shareholders (euro 611 million).

In relation to the different allocation of cash and cash equivalents with respect to 2015, in January 2016 a treasury transaction was finalised for the resale of commercial paper. The funding raised (approximately euro 340 million) was allocated for the payment of the advance dividend for 2015.

Total debt at 31 December 2016 remained in line with previous year and referred mainly to: (i) a term loan for a nominal euro 750 million, granted by a pool of banks (for approx. euro 412 million) and CDP (for approx. euro 338 million); (ii) bonds issued for a nominal 750 million, subscribed by institutional investors for around euro 412 million and by CDP for approximately euro 338 million.

CDP GAS

In 2016, key operations focused on the partial and proportional demerger of SNAM and on corporate requirements for the merger by acquisition of CDP GAS in CDP.

With regard to SNAM, as a result of the partial and proportional demerger of its equity interest in Italgas on 7 November 2016, and the relative public listing of the beneficiary company, CDP GAS was left with an equity interest in the beneficiary of 0.97%.

In relation to the rationalisation of CDP's equity investment portfolio, in December 2016, preparations were commenced for the merger by acquisition of CDP GAS in CDP. Following its approval by the respective boards of directors of CDP and CDP GAS, a Merger Project was filed with the Companies Register, prepared in accordance with and for the purposes of Articles 2501-ter and 2505 of the Civil Code.

Performance highlights - CDP GAS

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Equity investments and other investments	183	189	(7)	-3.5%
Dividends received	10	10		0.0%

In 2016, CDP GAS received dividends from SNAM totalling approximately euro 10 million and paid out its entire net profit for 2015 to its own shareholders in dividends, for a total of approximately euro 41 million.

Treasury and funding activities - CDP GAS

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Cash and cash equivalent and other treasury investments	**319**	**349**	**(31)**	**-8.8%**
Banking institutions cash and cash equivalents	319	5	314	n.s.
Other treasury investments		344	(344)	n.s.

Notwithstanding dividends received over the period from SNAM (approx. euro 10 million), total cash and cash equivalents at 31 December 2016 were absorbed mainly by dividends paid out to shareholder CDP (approx. euro 41 million).

The breakdown of cash and cash equivalents shows a change in allocations with respect to 31 December 2015 due to the redemption of commercial paper and the deposit of the relative proceeds with a leading banking institution.

As in 2015, the company had no financial debt at 31 December 2016.

4.3.2.2 Performance of other companies not subject to management and coordination

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

AcciaItalia S.p.A.

AcciaItalia S.p.A., originally held by Acciaieria Arvedi as industrial shareholder and by CDP and Delfin S.à r.l. as financial shareholders, was incorporated on 27 June 2016.

The company was incorporated to participate in the procedure launched by the special receivers of Ilva S.p.A., Ilvaform S.p.A., Taranto Energia S.r.l., Ilva Servizi Marittimi S.p.A., Tillet S.a.s. and Socova S.a.s. (companies placed under extraordinary administration by decrees of the Ministry of Economic Development, dated 21 January 2015, 20 February 2015 and 17 March 2015), in accordance with the decree issued on 4 January 2016 by the Ministry of Economic Development in implementation of Decree Law 191 of 4 December 2015 (the "Receivership").

A total capital increase of euro 5 million, intended to allow JSW Steel, an Indian industrial shareholder, to purchase an interest, was finalised on 1 December 2016. Following the above capital increase, AcciaItalia is now held by JSW Steel (35.0%) and Acciaieria Arvedi (10%) as industrial shareholders, and by CDP (27.5%) and Delfin S.à r.l. (27.5%) as financial shareholders.

ENI S.p.A.

In 2016 ENI confirmed its focus on upstream activity due to a series of prospecting successes and the launch of new oil fields: annual production amounted to 1.76 million barrels per day, stable compared to 2015 despite the cessation of production at the Val d'Agri field, whereas reserves increased compared to the previous year.

In mid-downstream businesses, restructuring continued and the exit from the engineering and construction segment was completed in 2016 through the closing of the contract for the sale of the 12.5% interest in Saipem to CDP Equity (CDPE).

Finally, the development of renewable energy in the countries in which ENI operates represents a fundamental aspect of the strategy of evolving the group's business model in the direction of a low-carbon scenario. To this end, projects for the large-scale generation of energy from renewable sources in Italy and internationally were identified and launched in 2016.

At the level of consolidated financial performance, ENI reported an operating profit of euro 2.2 billion in 2016 and a net loss of euro 1.1 billion, an improvement on 2015 essentially owing to the moderate recovery of the oil scenario in the second half of the year.

At the level of the consolidated balance sheet, at 31 December 2016 net financial debt amounted to euro 14.8 billion, whereas equity was euro 53.1 billion.

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

The liquidation process continued in 2016, with the goal of completing all the subsidised lending related activities still in place as expeditiously as possible.

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

In 2016 the company continued to manage the equity investments of the F2i First Fund and F2i Second Fund, successfully pursuing investment opportunities in both new sectors and sectors in which F2i already had a presence. The profit for the year amounted to euro 3.8 million and was attributable in particular to the significant increase in the efficiency of the company's operating costs.

Fincantieri S.p.A.

In 2016 Fincantieri continued with implementation of its 2016-2020 business plan.

In particular, in the case of Vard, a member of the Fincantieri group, the financial year saw the completion of closure of the Niterói yard in Brazil, the company's structure in the country was simplified by increasing the Vard group's interest in Vard Promar (currently 95.15%) and significant synergies were developed in the cruise ship sector.

On 16 June 2016 Fincantieri and the Ministry of Defence of Qatar signed an important agreement for the construction of seven next-generation vessels. The contract, which has a value of approximately euro 4 billion for Fincantieri, calls for the supply of seven surface vessels and supporting services in Qatar for an additional 15 years after delivery of the vessels. All of the vessels will be fully built in the Fincantieri group's Italian shipyards starting in 2018, ensuring six years of business, with important consequences for Italy's main defence firms.

In early July 2016 Fincantieri and China State Shipbuilding Corporation (CSSC), China's largest shipbuilding conglomerate, entered into an agreement to form a joint venture to develop the Chinese cruise ship market.

In addition, in 2016 Fincantieri received two orders to build two cruise ships intended for the Princess Cruises brand of the Carnival Corporation and the Regent Seven Seas Cruisers brand of the Norwegian Cruise Line Holdings and an order from the U.S. Navy to build an additional Freedom-class Littoral Combat Ship.

At 31 December 2016 the Fincantieri Group had a backlog of approximately euro 18.2 billion, with 99 ships in portfolio, and a soft backlog of approximately euro 5.8 billion, resulting in a total workload of approximately euro 24 billion.

Turning to financial highlights in 2016, the Fincantieri had total revenues of euro 4,429 million, a gross operating margin of euro 267 million (6% of revenues), a negative net financial position of euro 615 million and a net income of euro 14 million.

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

In 2016 FII SGR continued to manage "Fondo Italiano di Investimento", with a focus on creating value at the target companies and funds.

The company also became fully operational in the venture capital and private debt segments during the year, where it pursues the mission of supporting the development of these markets in Italy, following the launch of two new funds of funds ("FoFs") in September 2014. At 31 December 2016 the private debt FoF had a size of euro 395 million and the venture capital FoF of euro 80 million. The company is continuing the fund-raising phase for both funds, which it will be responsible for managing, with the aim of attracting other investors and reaching the target size.

CDP finalised the purchase of the 12.5% interest in FII SGR held by the Ministry of the Economy and Finance in June 2016. The transaction was finalised in execution of a ministerial decree according to the criteria governed by Article 5.3, letter b), of Decree Law 269 of 30 September 2003, and thus on the basis of values determined according to a sworn appraisal report drafted by an independent advisor named by the Ministry of the Economy and Finance. As a result of the transfer, at 31 December 2016, CDP held 25% of the company's shares.

On 29 December 2016, CDP signed an agreement with the Italian Banking Association (ABI) and Confindustria for the acquisition of an additional 18% interest in FII SGR (each held a 9% interest), conditional upon the approval of the Bank of Italy.

FSI SGR S.p.A. ("FSI SGR")

FSI SGR S.p.A. was incorporated on 25 February 2016 with the aim of generating value for investors via the management of one or more investment funds, through equity investments intended to promote the growth of the companies ("growth capital"). On 6 December 2016, the Bank of Italy, subject to Consob's favourable opinion, granted FSI SGR authorisation to engage in asset management activities pursuant to Article 34 of Legislative Decree 58 of 24 February 1998 (Consolidated Law on Finance).

From the standpoint of corporate structure, at 31 December 2016 FSI SGR had share capital of euro 3 million. Capital was held as follows: Magenta 71 s.r.l., a vehicle owned by the managers chosen to manage the initiative (41.1%); CDP (49.0%) and Poste Vita S.p.A. (9.9%).

Preparations are currently underway for the promotion and establishment of the fund to be managed by FSI SGR.

Galaxy S.àr.l. SICAR ("Galaxy")

The Fund no longer has any assets in its portfolio nor assets to be liquidated. During the year, activity focused on managing the tax dispute relating to the sale of the equity investment in Flinders Ports Holdings Pty Ltd ("Flinders Ports"). The Fund's original size was euro 250 million. From commencement to the end of the investment period in July 2009, Galaxy called up euro 64 million, or 26% of subscribers' commitments, and invested in five companies, for a total investment of approximately euro 56 million. To date, the Fund has undertaken distributions of approximately euro 99 million.

Istituto per il Credito Sportivo ("ICS")

At 31 December 2016 Istituto per il Credito Sportivo was still subject to the extraordinary administration procedure that began in 2010, entrusted to an extraordinary commissioner assisted by three members of the Supervisory Committee, as ordered by the Ministry of the Economy on proposal from the Bank of Italy.

It should be recalled, with regard to the equity interest in ICS, that in 2013 the Office of the President of the Council of Ministers rescinded the 2005 Articles of Association, in implementation of ICS' Directive pursuant to the law of 24 December 2003.

In 2014 new Articles of Association were adopted, resulting in an increase in capital from approximately euro 9.6 million to euro 835 million, through the conversion of the endowment fund. The equity interests held by private investors in ICS were diluted as a result of the increased stake held by the government, and in particular CDP's interest fell from 21.62% to 2.214%.

At the operational level, ICS continues to focus on financing athletic facilities and playing a central role in improving and modernising the country's athletic infrastructure assets, with particular regard to school athletic facilities.

Italgas S.p.A.

Italgas S.p.A. (formerly ITG Holding) is the holding company to which the equity interest in Italgas Reti S.p.A. (formerly Italgas S.p.A.). was spun off in the partial, proportional de-merger by SNAM. The company has been listed on the Mercato Telematico Azionario (MTA) in Milan since 7 November last, the effective date of the de-merger by SNAM, when it obtained direct control of Italgas Reti (100%) and indirect control of Napoletanagas (99.69%) and ACAM Gas (100%), resulting in the formation of the Italgas group.

As part of the transaction, SNAM, CDP RETI and CDP GAS entered into a shareholders' agreement governing their interests in Italgas (13.50%, 25.08% and 0.97%, respectively), with the aim of ensuring a stable, transparent ownership structure for Italgas.

With regard to the Italgas group's consolidated financial performance, pursuant to IFRS 10 the gas distribution companies were only consolidated by their parent company, Italgas, with effect from 7 November 2016.

Consequently, in order to provide an adequate representation of financial performance that permits a consistent comparison between 2016 and 2015, the consolidated figures for Italgas Reti, Napoletanagas and ACAM Gas illustrated below were presented for the full year.

Total revenues in 2016 were euro 1,080 million, down by euro 18 million (-1.6%) compared to 2015, primarily due to the reduction in the return on invested capital for regulatory purposes.

Adjusted operating profit amounted to euro 362 million, down by euro 147 million on 2015, chiefly as a result of (i) lower regulated gas distribution revenues, (ii) higher operating costs, net of special items associated above all with movement of provisions for risks and provisions for future charges, and (iii) higher depreciation and amortisation resulting from the reduced useful lives of traditional meters, subject to plans to replace them with electronic meters.

Adjusted net income amounted to euro 226 million, down by euro 119 million on previous year due to the aforementioned decline in operating profit, in addition to lower net income from equity investments, partially offset by lower income taxes.

Adjusted figures have been calculated by excluding special items. In addition, in the 2016 income statement the items classified as "special items" consisted essentially of provisions for redundancies (euro 15 million; euro 10 million net of the tax effect) and financial expenses deriving from the early repayment due to the separation from SNAM of outstanding loans from the former parent company (euro 119 million; euro 86 million net of the tax effect).

At 31 December 2016, the Italgas group had consolidated net financial debt of euro 3,618 million and equity of euro 1,064 million.

At the level of financial debt, it should be recalled that in order to acquire an autonomous financial structure and to repay the full exposure to its former parent company SNAM, on 28 October 2016 Italgas signed a financing package for an aggregate amount of euro 4.3 billion with a pool of leading Italian and international credit institutions. In addition, in order to ensure an adequate level of liquidity for the group in terms of maturity and composition of its debt, a Euro Medium Term Notes (EMTNs) programme was launched, permitting the issuance by 31 October 2017 of one or more bonds of a maximum amount of euro 2.8 billion, to be placed with institutional investors.

Poste Italiane S.p.A.

All business segments contributed to the company's results in 2016. A new delivery model was launched in postal services, whereas in the parcels segment Poste Italiane gained market share through an increase in volume of more than 12%. BancoPosta reached a ROE of 29%, and in the insurance business Poste Vita reported an increase in premiums collected of 9%.

At the level of the main consolidated income statement figures, total revenues of euro 33.1 billion were up by 7.7% on the same period of the previous year. The positive performance of the insurance services and asset management business, which reported an increase in revenues of 10.8% to euro 23.8 billion compared to the previous year, and by the financial segment, which generated revenues of euro 5.3 billion, more than offset the decline in revenues from postal and commercial services (-1.5% to euro 3.8 billion), primarily driven by the reduction in correspondence volumes (-10.9%). The revenues of the parcel segment also increased by 6.4% on the previous year, rising to euro 649 million. Operating profit was up by 18.3% on the previous year (euro 880 million) to euro 1,041 million as a result of the positive revenue performance combined with the containment of operating costs. Finally, net income was euro 622 million, up from euro 552 million in the previous year.

The consolidated balance sheet shows a net financial position of euro 6.2 billion. The decline from the net financial position of euro 8.7 billion at 31 December 2015 despite the positive cash flow from non-financial operating activity of over euro 1.4 billion was due to the general decline in the fair values of financial instruments (-euro 2.3 billion) and the reclassification (-euro 0.6 billion) of the financial assets and liabilities of BdM-MCC S.p.A. and BancoPosta Fondi S.p.A. SGR.

QuattroR SGR S.p.A. ("QuattroR SGR")

QuattroR SGR was incorporated on 4 August 2016 to promote and undertake, via the management of one or more investment funds, the restructuring, support and consolidation of the financial and equity structure of Italian companies which, despite temporary financial or equity imbalances, present good industry and market prospects. On 30 December 2016, the Bank of Italy, subject to Consob's favourable opinion, granted QuattroR SGR authorisation to engage in asset management activities pursuant to Article 34 of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance).

In terms of equity structure, on 31 December 2016 QuattroR SGR S.p.A. had share capital of euro 850 thousand, of which euro 250 thousand is subscribed by CDP (29.4%) and euro 600 thousand by the managers identified to manage the initiative (70.6%).

Preparations are currently underway for the promotion and establishment of the fund to be managed by QuattroR SGR.

Risparmio Holding S.p.A.

Risparmio Holding S.p.A., owned by Poste Italiane S.p.A. (80%) and CDP (20%), was incorporated on 7 October 2016.

The company was set up to participate in the competitive procedure launched by UniCredit S.p.A. in connection with the sale of the asset management operations of Pioneer Global Asset Management S.p.A.

On 5 December 2016, UniCredit and Amundi announced that they had entered into exclusive negotiations in relation to the possible sale of the Pioneer Investments business to Amundi.

Sistema Iniziative Locali S.p.A. ("Sinloc")

In 2016 revenues amounted to approximately euro 4 million, up by approximately 9% on 2015. However, due to the impairment of several equity investments, the financial year closed with a loss of euro 1.6 million. Excluding this extraordinary item, pre-tax profit was approximately euro 0.7 million. In its advisory and equity investor business, with a particular focus on public-private partnerships, Sinloc was active in the following sectors in 2016: urban transformation and social and student housing; energy; healthcare and assistance; and infrastructure, networks, mobility and local logistics.

At 31 December 2016, the portfolio of equity investments managed by Sinloc included 23 direct holdings and eight indirect holdings, with a total value of euro 32.5 million (including shareholders' loans of approximately euro 11.5 million).

SNAM S.p.A.

SNAM completed the partial, proportional de-merger of its equity interest in Italgas Reti in 2016. This industrial and corporate reorganisation by SNAM was aimed at separating its Italian gas distribution business from its Italian and international transport, regasification and gas storage business due to the different characteristics and requirements of the two businesses (e.g., in terms of operating organisation, competitive scenario, regulation and the need for investments).

Since the transaction entered into effect on 7 November 2016 (the date on which the holding to which the assets were spun off began to be listed), the financial performance and cash flows of the gas distribution business for the period from 1 January to 6 November 2016 have been presented separately as discontinued operations.

Total revenues amounted to euro 2,560 million in 2016, down by euro 67 million (-2.6%) on 2015. In particular, the decline in regulated revenues (euro 2,444 million, -2.3% on 2015) essentially reflects the reduction in the net rate of return on invested capital in the transport business (the WACC fell from 6.3% in 2015 to 5.4% in 2016). In 2016 the group reported a net income of euro 861 million – including discontinued operations – a decline on 2015.

Turning to cash flow and debt, the net cash provided by operating activity (euro 1,627 million), along with cash provided by disinvestments, essentially attributable to the consideration collected for the sale of 38.87% of Italgas (euro 1,502 million, net of cash transferred), covered all of the investment needs for the year (euro 1,426 million) and resulted in a free cash flow of euro 1,707 million. Consequently, after payment to the shareholders a dividend for 2015, the outlays associated with purchasing treasury shares and the effects of financial receivables from the Italgas group, net financial debt at 31 December 2016 was euro 11,056 million, down by euro 2,723 million compared to 31 December 2015.

In addition to the spin-off of Italgas Reti by SNAM, other major events in 2016 included the conclusion by the company of the repurchase of bonds from the market with a total nominal value of euro 2.75 billion, partially financed through the issuance of bonds with a total value of euro 1.75 billion.

In addition, the share buy-back programme approved by the shareholders' meeting on 1 August 2016 was launched on 7 November 2016. Finally, during the year SNAM, in a consortium with Allianz, finalised the purchase from OMV of 49% of Gas Connection Austria (GCA) for an outlay of euro 135 million and signed a memorandum of understanding with FCA and Iveco aimed at facilitating the use of natural gas (CNG) as vehicle fuel.

Terna S.p.A.

Terna's performance improved in 2016, particularly at the level of its major income statement and cash flow indicators. In particular, revenues amounted to euro 2,103 million, up by 1% compared to 2015. This change was primarily due to the regulated activities segment, which reported an increase of approximately euro 46 million, essentially due to the contribution of the national transmission grid, acquired from the FSI group at the end of 2015. Operating profit was euro 1,036 million, an increase of 1.3% on 2015, chiefly due to higher revenues and lower depreciation and amortisation resulting from the recalculation of the useful lives of power lines. The group's net income was euro 633 million, an improvement of 6.3% on 2015, mainly a result of the reduction of financial expenses associated with the liability management transaction concluded in July 2015 and the general decline in market rates in 2016.

At the level of the cash flow statement and debt, cash flow from operating activity of euro 1,317 million covered all investment needs for the year of euro 854 million, resulting in positive free cash flow of euro 462 million. Consequently, considering the outlay for the dividends distributed to shareholders in 2016 (euro 406 million), net financial debt was euro 7,959 million at 31 December 2016, marking a decrease (euro 44 million compared to 2015) for the first time since the company's IPO.

4.3.2.3 The performances of investment funds and investment vehicles

Some brief information about the activities in 2016 of each fund to which CDP has made commitments is provided below.

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

The Fund, which was established in 2009, has a total size of euro 710 million and reached the end of its investment period in December 2016, extended until December 2017 with the investors' consent, as permitted by the Fund's rules. At 31 December 2016 the Marguerite Fund had invested in 12 companies and had issued total capital calls to its investors of euro 388 million (approximately 55% of total commitments), out of total commitments for investment transactions of approximately euro 456 million. At 31 December 2016, the Fund's NAV was approximately euro 479 million.

The Marguerite Fund's investment activity in 2016 included the purchase in January of a 29% interest in Latvijas Gāz, a Latvian company that transports, distributes and stores natural gas, for a total investment of euro 110 million (CDP's share amounted to approximately euro 16 million). In addition, in April it purchased a 37% interest in Rosace S.a.s., a project company responsible for building and operating FTTH networks in areas of lower occupational density of Alsace (France). The construction phase began in January 2017 and Marguerite's commitment to the project was euro 21 million.

F2i - Fondo Italiano per le infrastrutture

Launched in 2007, the F2i Fondo Italiano per le infrastrutture has a total size of euro 1,852 million and concluded its investment period in 2013 (it may undertake add-on transactions on investments already in portfolio until February 2017).

In 2016, the fund issued total capital calls of approximately euro 48 million[13] relating to add-on investments in the photovoltaic and airport sectors and total distributions (income and redemptions) of euro 76 million.

Since commencement, the fund has called up approximately euro 1,728 million, or approximately 93% of subscribers' commitments, and undertaken distributions (income and redemptions) of euro 795 million. If the fund's contractualised commitments are also considered, approximately 99% of the Fund's total size had been committed at 31 December 2016.

The significant transactions undertaken during the year included the following: (i) in December 2016 EF Solare Italia, 50% controlled by F2i Energie Rinnovabili, finalised the acquisition of Etrion and Helios ITA, which own 17 photovoltaic plants in Puglia and Lazio with total installed capital of 59.9 MW; (ii) on 30 December 2016 F2i Aeroporti 2, fully owned by the Fund, finalised the purchase of 71.25% of SO.GE.A.AL., which manages the Alghero airport, through the subscription of a total capital increase of euro 9.5 million; (iii) the sale of an interest in Metroweb Italia to the Enel group was also finalised in December; (iv) the public-takeover bid procedure for Alerion was completed on 16 January, bringing the interest held by F2i/Eolo Energia (51% owned by the EdF/Edison group and 49% by E2i, in which the F2i Second Fund holds an interest) in Alerion to 38.9%.

At 31 December 2016, the fund had total investments in portfolio of euro 1,285 million and a NAV at year-end of euro 1,707 million, of which euro 139 million attributable to CDP.

F2i - Secondo Fondo Italiano per le infrastrutture

The fund, which was established in 2012, completed the fund-raising process in July 2015 with a total commitment of euro 1,242.5 million. The investment period will be concluded in July 2018.

In 2016, the fund issued total capital calls of approximately euro 86 million, of which approximately euro 26 million (approximately euro 2 million attributable to CDP) related to investments in the healthcare and assistance facility sector and approximately euro 60 million (approximately euro 4.8 million attributable to CDP) related to repayment of the bridge-to-equity loan for a vehicle that invests in renewable energy. During the year, the Fund also undertook total distributions to investors of euro 110 million (approximately euro 9 million attributable to CDP), primarily in connection with the sale of the interest in TRM (approximately euro 98 million), while the remainder may be attributed to the dividends collected by investees.

Since commencement the fund has called up approximately euro 427 million, equal to 34.4% of subscribers' commitments, and undertaken distributions (income and redemptions) of euro 123 million. At 31 December 2016, the Fund's contractualised commitments amounted to euro 505 million.

At 31 December 2016, the fund held total investments in portfolio of euro 475.4 million and had a NAV at year-end of euro 481.4 million, of which approximately euro 38.8 million was attributable to CDP.

Fondo PPP Italia

Launched in 2006 with a total size of euro 120 million, the fund ended its investment phase in 2013 and may carry out add-on acquisitions on existing portfolio investments until December 2018 (the Fund's maturity). Since commencement, the Fund has called up approximately euro 106 million, equal to approximately 88% of subscribers' commitments, and issued gross distributions of approximately euro 38 million.

[13] This amount also includes the capital call issued by the Fund on 30 December (with a value date of 16 January) relating to the purchase, through the investee F2i Aeroporti 2, of 71.25% of SOGEAAL, which manages the Alghero airport.

In 2016, the Fund undertook distributions to investors of approximately euro 15 million (euro 2.2 million attributable to CDP), drawing on the positive cash flow generated by investments and the sale of interests in three companies. During the reporting period the Fund did not issue additional capital calls to subscribers.

At 31 December 2016, the Fund had invested in 15 projects, consisting of eight public-private partnerships and seven renewable energy projects. The Fund's estimated NAV at 31 December 2016 was approximately euro 71.6 million, of which euro 10.4 million attributable to CDP.

Inframed Infrastructure S.a.s. à Capital Variable ("Fondo Inframed")

The fund has a total size of euro 385 million. The fund completed its investment phase on 31 December 2015.

At 31 December 2016, its portfolio consisted of seven investments (two of which were still the early stages): two in Turkey, two in Egypt, two in Jordan and one in Africa. Two of these were finalised in the first half of 2016. On 4 January euro 1.5 million was drawn down for the Limakport Project, for the construction of the Turkish port and the related due diligence expenses. On 22 April euro 1.9 million was drawn down for the El Gouna Project, involving the construction of a photovoltaic plant with a capacity of 62.6 MWp in Egypt. Approximately euro 250 million of the commitments of euro 385 million has been invested.

Since it commenced operations, the Fund has called up approximately euro 305 million (approximately 79% of subscribers' commitments). The Fund's NAV at 31 December 2016 was estimated at euro 363 million.

European Energy Efficiency Fund S.A., SICAV-SIF ("Fondo EEEF")

EEEF is a Luxembourg variable capital investment company and specialised investment fund established in 2011, with total commitments of euro 265 million, of which euro 59.9 million subscribed by CDP. Scouting for investment opportunities continued during the year. At 31 December 2016, the Fund's portfolio included eleven investments in seven countries (two in Germany, one in Holland, four in France, one in Italy, one in Romania, one in Spain and one in Great Britain). At 31 December 2016, the Fund's NAV was estimated at approximately euro 136 million, of which approximately euro 17 million attributable to CDP.

In December 2015, the draw-down ratio between the various categories of the Fund's investors was changed, raising the portion attributable to C-class shares (European Commission) from 65% to 85% and reducing the portion attributable to A-class and B-class shares (CDP, EIB and Deutsche Bank) from 35% to 15%. Since reducing the portion of the total attributable to A-class and B-class shares would entail the delay of the total draw-down of such shares, an extension of the commitment period for the A-class and B-class shares from 31 March 2016 to 31 December 2018 was also approved.

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

The overall size of FIL Sub-fund One is euro 474.8 million. At 31 December 2016, all of the equity raised by the Fund had been allocated to transactions already in portfolio. Thanks to new subscriptions of FIA, the Fund may increase its total equity by an additional euro 200 million.

In 2016 FIL acquired two initiatives involving the development of approximately 140 apartments and 270 beds in university residences for a total investment of approximately euro 35 million. At 31 December 2016, the Fund had invested in 20 initiatives, for a total of 2,500 units, of which approximately 1,100 are already ready.

Approximately euro 280 million (corresponding to approximately 59% of subscribed commitments) had been called up at 31 December 2016. The property portfolio had a value of approximately euro 216 million, compared to total investment commitments of approximately euro 480 million.

Fondo Investimenti per l'Abitare ("FIA")

The overall size of the Fund is euro 2,028 million. The Fund is currently in the investment phase.

Additional investments of approximately euro 136 million were approved in 2016, within the framework of the restructuring of certain target funds. Payments of approximately euro 142 million, called up by the underlying funds, were also undertaken during the year.

At year-end investments of euro 1,750 million had been definitively authorised (approximately 86% of the subscribed amount of the Fund), whereas investments of euro 619 million had received authorisation according to dynamic allocation, in 31 local funds managed by nine management companies. On the whole, the total authorisations refer to approximately 270 projects that ultimately (completion is scheduled for 2020) will yield 20,000 social housing units and accommodations for 8,500 in temporary and student residences, in addition to local services and neighbourhood stores.

Approximately euro 644 million (approximately 46% of subscribed commitments) had been paid up at 31 December 2016.

Fondo Investimenti per la Valorizzazione ("FIV")

Extra Sub-fund

In December 2016, the Extra Sub-fund's size was euro 1,130 million. The Sub-fund is currently in the investment phase.

At 31 December 2016, the Sub-fund's property portfolio had a total value of approximately euro 701 million.

At 31 December 2016, capital calls of approximately euro 778 million had been issued (approximately 69% of commitments).

Plus Sub-fund

The Plus Sub-fund, which has a total size of euro 100 million, is currently in the investment phase.

At 31 December 2016, its property portfolio was composed of six properties, one located Milan purchased in 2013, one located in Padua purchased in 2014, two located in Trieste purchased in the first half of 2015 and the second half of 2016, respectively, and two purchased located in Ferrara in the second half of 2015. At the same date, the portfolio had a total value of approximately euro 20 million.

At 31 December 2016, CDP (which has subscribed for the entire Sub-fund) had paid up euro 30.6 million (approximately 30% of commitments).

Fondo Investimenti per il Turismo ("FIT")

The Fund was subscribed on 1 July 2016 with a fixed term of 20 years from the date of commencement.

CDP Investimenti SGR is currently in the pipeline evaluation phase and has yet to invest in any initiative in portfolio. At 31 December 2016, the Fund's size was euro 100 million.

Approximately euro 1.4 million (1.4% of commitments) was called up in 2016.

Fondo Italiano d'Investimento

The Fund was created in 2010 with a total size of euro 1,200 million, with the aim of supporting the development of small and medium size enterprises by acquiring direct equity investments, primarily minority interests, in Italian enterprises, and by operating as a fund-of-funds.

On 5 April 2016, the Fund's Shareholders' Meeting approved the partial, proportional de-merger whereby the original Fund was divided into three FIA, each specialised in an area of activity: Fondo Italiano di Investimento, the de-merged fund, dedicated to direct equity investments with turnover of euro 10 to euro 250 million and two new FIA, Fondo Italiano di Investimento Fund of Funds and FII Venture, the former focused on private-equity funds and the latter on venture capital. As a result of the de-merger, subscribers of Fondo Italiano di Investimento (the de-merged fund) were assigned shares of the beneficiary funds in proportion to their subscriptions for the de-merged fund.

The total size of Fondo Italiano di Investimento following the de-merger is euro 720 million.

At 31 December 2016 the Fund had called up approximately euro 443 million (61% of the total commitment), invested in 40 companies (including follow-on transactions). In addition, the Fund has distributed approximately euro 186 million (42% of total capital calls) to the investors.

At 31 December 2016 the Fund's NAV was approximately euro 216 million.

Fondo Italiano di Investimento - Fund of Funds

The fund was created with assets of euro 389 million through the de-merger of Fondo Italiano di Investimento, authorised by the Shareholders' Meeting on 5 April 2016.

At 31 December 2016, the fund had subscribed commitments of approximately euro 360 million to 16 private-equity funds, of which approximately euro 243 million (63% of the total commitment) had been called up from investors.

Overall, the funds in portfolio had invested in over 70 companies, with combined turnover of approximately euro 3 billion and more than 12,000 employees.

The fund's NAV was approximately euro 158 million at 31 December 2016.

Fondo Italiano di Investimento - FII Venture

The fund was created with assets of euro 91.2 million through the de-merger of Fondo Italiano di Investimento authorised by the Shareholders' Meeting on 5 April 2016.

At 31 December 2016, the fund had subscribed for commitments of approximately euro 80 million in five venture capital funds, of which approximately euro 48 million (52% of the total commitment) had been called up from investors.

Overall, the funds in portfolio had invested in over 75 start-ups with more than 1,200 employees.

At 31 December 2016, the Fund's NAV was approximately euro 38 million.

Private Debt Fund of Funds

The fund has been operational since 1 September 2014 and at 31 December 2016 had a size of euro 395 million, of which euro 250 million subscribed by CDP. Fund raising will end on 30 June 2017.

The second closing of euro 45 million took place on 28 April 2015, on the basis of the following subscriptions: euro 20 million by Istituto Centrale delle Banche Popolari Italiane S.p.A., euro 15 million by Intesa Sanpaolo S.p.A. and euro 5 million by Creval.

The third closing was held on 30 October 2015, on the basis of a subscription of euro 40 million by Poste Vita S.p.A.

The following closings took place in 2016:
- Fourth closing: a total of euro 40 million, of which euro 10 million by Cassa Nazionale di Previdenza e Assistenza Dottori Commercialisti and euro 30 million by Intesa Sanpaolo Vita;
- Fifth closing: euro 5 million by Eurovita Assicurazioni:
- Sixth closing: euro 15 million by the occupational pension fund Priamo[14].

At 31 December 2016, the fund had subscribed commitments of approximately euro 330 million to 11 private-debt funds, of which approximately euro 54 million (14% of the total commitment) had been called up from investors.

14 An occupational pension fund reserved for employees working in the public transport and related sectors.

At 31 December 2016, the fund's NAV was approximately euro 48 million.

Venture Capital Fund of Funds

The Fund has been operational since 1 September 2014 and had a size of euro 80 million at 31 December 2016, of which euro 50 million subscribed by CDP. Fund-raising will end on 30 June 2017.

Second closing was held on 28 April 2015 on the basis of subscriptions of euro 10 million, of which euro 5 million by Istituto Centrale delle Banche Popolari Italiane S.p.A. and euro 5 million by Intesa Sanpaolo S.p.A. Subscriptions of euro 10 million each by two pension funds were finalised on 11 January 2016. Following these latter two subscriptions, the Fund's third closing was finalised on 29 January 2016, bringing commitments to euro 80 million.

At 31 December 2016, the Fund had subscribed for commitments of approximately euro 60 million in five venture capital funds, of which approximately euro 8 million (10% of the total) had been called up from investors.

At 31 December 2016, the Fund's NAV was estimated at approximately euro 5 million.

European Investment Fund

The EIF is a public private partnership under Luxembourg law held by the EIB (59.9%) the European Commission (28.1%) and 30 public and private financial institutions (12.0%)[15].

On 3 September 2014 CDP purchased 50 shares of the European Investment Fund from the EIB for a total nominal value of euro 50 million, equal to a share of 1.14% at 31 December 2016. The Fund has called up 20% of commitments and had residual investment commitments of euro 40 million at 31 December 2016.

In May 2016 CDP collected dividends distributed by the EIF of approximately euro 288 thousand accrued in 2015.

During the year, CDP and the EIF intensified their collaboration in the various areas of the Fund's activity, with the aim of promoting and supporting investments in SMEs and start-ups, thereby making significant progress towards the implementation of the "Investment Plan for Europe".

Atlante

In early 2016, widespread awareness of the troubled state of the Italian banking system and the seriousness of the potential consequences of this situation led a number of private investors (banks, insurers and banking foundations), including CDP, to promote and support a possible solution aimed at responding to a scenario in which the market fails to meet banks' capital needs and at reducing NPL levels. In particular, with regard to the former aspect, it appeared reasonable to assume that difficulty in concluding several capital increases in the process of being defined could have significant repercussions for the entire financial system.

Established in April 2016 with a commitment of euro 4,249 million, Fondo Atlante was promoted by Quaestio Capital Management SGR S.p.A. to invest in: (i) banks with capital ratios that are below the minimums set by SREP[16] that therefore must proceed, upon request of the Supervisory Authority, with initiatives to strengthen their capital positions through share capital increases; and (ii) transactions involving NPLs originated by Italian banks.

CDP participated in the fund, pledging a maximum commitment of euro 500 million, of which a total of euro 405.7 million has been paid up (euro 298 million at 31 December 2016).

CDP's assessment of the investment was based on both the risks associated with participating in the investment and those associated with failure to proceed with the initiative. In particular, a worsening of the crisis affecting the banking system, ac-

15 31 December 2016 figures:
16 Supervisory Review and Evaluation Process.

companied by a widening of sovereign spreads and funding spreads for banks and CDP, tighter credit conditions for the real economy and a severe bear equity market in Italy would have adverse effects on CDP through multiple channels.

In addition to the foregoing, assessing the initiative as an investment on its own merits, i.e. without regard to the benefits deriving from the possible elimination of negative impacts caused by a systemic crisis to which CDP might be exposed, the reasons for investing in the Fondo Atlante were the potential re-rating of valuation multiples for Italian banks and a reasonable expectation of improvement of the financial performance of the assets in which it invests.

During the period ended on 31 December 2016, the Fund invested in Banca Popolare di Vicenza S.p.A. (99.33% of capital) and Veneto Banca S.p.A. (97.64% of capital).

At 31 December 2016, the Fund had called up[17] approximately euro 3,446 million, or 81.1% of subscribers' commitments.

Fair value (level 3) was determined, with the aid of a major independent consulting firm, on the basis of all of the most recent information available, in addition to the elements of uncertainty associated with the assets in which the Fund has invested, as also remarked by the appraiser[18] engaged by Quaestio Capital Management SGR S.p.A., relating to the limited availability of objective data, given that the company is unlisted and has just begun a profound restructuring process.

Atlante 2

Incorporated in October 2016 and with a commitment of euro 2,155 million in December 2016, Atlante 2 was promoted Quaestio Capital Management SGR S.p.A. with the aim of investing in NPLs originated by Italian banks. Fund-raising will end on 31 July 2017.

The Fund did not undertake any investments during the period ended on 31 December 2016.

Since commencement, the Fund has called up approximately euro 15 million, or approximately 0.7% of subscribers' commitments, and has not undertaken any distributions.

At 31 December 2016, the Fund's NAV was approximately euro 3.4 million.

17 This figure also includes the capital call with a value date of 3 January 2017.
18 Deloitte Financial Advisory S.r.l., independent appraiser appointed by Quaestio Capital Management SGR S.p.A. for the valuation of the assets of Fondo Atlante.

4.4 Income statement and balance sheet results

4.4.1 CDP S.p.A.

In its role as national promotion institution, CDP continued to provide services on behalf of the general economy. Its results rose significantly, notwithstanding the uncertainties surrounding moderate growth prospects and historically low interest rates. In this context, CDP has managed to strengthen its financial position and achieve sharply improved earnings results through effective management of its excess liquidity, ALM (asset and liability management), and all forms of funding.

Net profit for the year totalled euro 1,663 million, in spite of the absence of non-recurring revenue and notwithstanding the negative contribution made by certain equity investments, for which a total of euro 564 million in adjustments (impairment) was made to the amount of the costs recognised. This result was far higher than in 2015, due to the major contribution made by net interest income.

4.4.1.1 Reclassified income statement

CDP's income statement has been analysed according to the layout of the income statement as reclassified on the basis of management criteria.

Reclassified income statement

(millions of euros)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Net interest income	**2,369**	**905**	**1,463**	**161.7%**
Dividends	1,571	1,538	32	2.1%
Gains (losses) on equity investments	(564)	(209)	(355)	169.9%
Net commission income	(1,484)	(1,553)	69	-4.5%
Other net revenues	31	474	(443)	-93.5%
Gross income	**1,922**	**1,155**	**767**	**66.4%**
Net impairment	(163)	(96)	(67)	70.4%
Overheads	(142)	(137)	(5)	3.9%
- *of which: administrative expenses*	*(135)*	*(130)*	*(5)*	*4.0%*
Operating income	**1,627**	**910**	**716**	**78.7%**
Net provisions	(1)	(18)	17	-93.7%
Income taxes	44	8	36	n.s.
Income (loss)	**1,663**	**893**	**770**	**86.2%**

Net interest income was euro 2,369 million, more than twice the level of 2015, primarily due to (i) more effective ALM, (ii) the improved mark-down on interest-bearing liabilities (-26 basis points) and (iii) the revision of the treasury account rate.

The slight increase in dividends (euro 1,571 million, +2.1% on 2015) was related to the larger contribution by CDP Reti (which distributed an advance on its 2016 dividend of approximately euro 150 million) and SACE, only partially offset by the smaller dividends paid by ENI and Fintecna.

The valuation component of the equity investment portfolio provided a negative contribution, with the recognition of impairment losses of around euro 564 million among "Gains/Losses from equity investments", associated in particular with CDP Immobiliare and the Fondo Atlante. In 2015 the aggregate had also provided a negative contribution of approximately euro 209 million due to impairment losses of euro 145 million on Fintecna and of approximately euro 64 million on CDP Immobiliare.

Net commission expense of euro 1,484 million marked an improvement on 2015 (expense of euro 1,553 million) due to the increase in commission income, primarily on Export Bank, and to the reduction of the postal commission.

“Other net revenues” of euro 31 million (euro 474 million in 2015) primarily included indemnities for early repayments, whereas in the previous year the item had benefited from the sale of part of the portfolio of government securities classified to the AFS portfolio, which had resulted in total gains of euro 333 million.

Net write-downs (-euro 163 million, +70.4% on 2015) rose, particularly as a result of the extension of the scope of collective impairment losses on the local entities portfolio and the increase in lump-sum provisions for performing loans, as a result of the increase in implicit risk level for several segments financed by CDP.

Overheads were composed of staff costs and other administrative expenses, in addition to amortisation, depreciation and write-downs of property, plant and equipment and intangible assets, as shown in the following table:

Detail of overheads

(thousands of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Staff costs	**80,891**	**72,186**	**8,705**	**12.1%**
Other administrative expenses	**53,648**	**56,945**	**(3,297)**	**-5.8%**
Professional and financial services	12,475	10,764	1,711	15.9%
IT costs	22,312	20,911	1,401	6.7%
General services	8,933	7,583	1,349	17.8%
Publicity and marketing expenses	2,417	9,067	(6,650)	-73.3%
Information resources and databases	1,194	1,794	(600)	-33.5%
Utilities, taxes and other expenses	6,037	6,372	(336)	-5.3%
Corporate bodies	282	453	(171)	-37.8%
Total net administrative expenses	**134,539**	**129,131**	**5,408**	**4.2%**
Expenses charged back to third parties	594	814	(220)	-27.0%
Total administrative expenses	**135,133**	**129,944**	**5,188**	**4.0%**
Amortisation, depreciation and write-downs of property, plant and equipment and intangible assets	7,022	6,822	200	2.9%
Grand total	**142,155**	**136,767**	**5,389**	**3.9%**

Total staff costs for 2016 amounted to approximately euro 81 million, up on 2015. The increase was chiefly a result of the budgeted plan to boost headcount in a manner consistent with CDP’s new role as national promotion institution. The extent and complexity of the change in CDP’s scope of operations required a significant reinforcement of its internal skill set and adjustments to its processes and systems. Within this framework, the development of internal resources and the ability to recruit top external talent are fundamental, including in view of the creation of a Group culture oriented towards results and innovation.

Other administrative expenses declined by euro 3.3 million (-5.8% on the previous year). In conjunction with the aforementioned reinforcement of the employee skill set, the redesign of the governance rules and main processes of CDP and the Group and the modernisation and completion of its IT architecture were fundamental from the standpoint of the Plan. These initiatives did not impede the rationalisation of other administrative expenses, which declined, with the exception of professional and financial services, which reflect the support required for the numerous extraordinary transactions in which CDP was involved during the year.

Finally, taxes for the year were positive at euro 44 million. The above impact was due, inter alia, to (i) the application during the year of the economic growth aid benefit for the years 2012-2016, following the specific clarification received from the revenue authority, and (ii) the increase in deferred tax assets, essentially due to the impairment losses on loans and commitments to investment funds.

As a result of the above, the net income for the year was euro 1,663 million, up by approximately 86% from euro 893 million in 2015.

Net income without non-recurring components amounted to euro 1,944 million in 2016, up considerably from the normalised net income of euro 1,102 million in 2015. Normalised net income is stated net of non-recurring items relating (i) for the year 2016, to the impairment loss on the equity investments in CDP Immobiliare and Fondo Atlante (totalling euro 564 million) and to economic growth benefits regarding previous years (approximately euro 188 million) and (ii) for the year 2015, to the impairment loss on the equity investments in CDP Immobiliare and Fintecna (totalling euro 209 million).

Reclassified income statement - Without non-recurring items

(thousands of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Net interest income	2,369	905	1,463	161.7%
Dividends	1,571	1,538	32	2.1%
Gains (losses) on equity investments				n.s.
Net commission	(1,484)	(1,553)	69	-4.5%
Other net revenues	31	474	(443)	-93.5%
Gross income	2,486	1,364	1,122	82.2%
Net writedowns	(163)	(96)	(67)	70.4%
Overheads	(142)	(137)	(5)	3.9%
Operating income	2,191	1,120	1,071	95.7%
Net income (loss)	1,944	1,102	842	76.4%

4.4.1.2 Reclassified balance sheet

Assets

The assets presented in CDP's reclassified balance sheet at 31 December 2016 are composed of the following items:

Reclassified balance sheet

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Assets				
Cash and cash equivalents and other treasury investments	161,795	168,644	(6,849)	-4.1%
Loans	102,969	103,736	(767)	-0.7%
Debt securities	48,971	35,500	13,471	37.9%
Equity investments	32,551	29,570	2,981	10.1%
Assets held for trading and hedging derivatives	941	990	(49)	-4.9%
Property, plant and equipment and intangible assets	281	258	23	9.0%
Accrued income, prepaid expenses and other non-interest-bearing assets	9,084	5,157	3,927	76.1%
Other assets	1,118	1,044	74	7.1%
Total assets	**357,710**	**344,899**	**12,811**	**3.7%**

Total assets amounted to approximately euro 358 billion, up by 3.7% compared to the end of the previous year, when total assets stood at approximately euro 345 billion. This change was primarily due to (i) increased short-term investments in debt securities and (i) the contribution of Poste Italiane.

Cash and cash equivalents amounted to approximately euro 162 billion, down slightly (-4.1%) compared to the end of 2015. This item includes the balance of the treasury account of approximately euro 147 billion, down by approximately euro 5 billion compared to the previous year, as projected.

Loans and receivables with customers and banks of euro 103 billion were essentially unchanged on the end of 2015, due to the increase in loans for infrastructure and to companies, which offset the decline in loans to public entities.

“Debt securities” amounted to approximately euro 49 billion, up sharply (+37.9%) compared to the end of 2015 due to new purchases, primarily short-term HTM securities, which allowed the residual duration of the entire portfolio to be reduced.

At 31 December 2016 equity investments and equity securities stood at approximately euro 32.6 billion, up by 10.1% compared to the end of 2015. This increase was primarily due to the contribution to CDP by the Ministry of the Economy and Finance of a 35% equity interest in Poste Italiane S.p.A., only partially offset by the impairment loss on the equity investment in CDP Immobiliare.

“Assets held for trading and hedging derivatives” were essentially stable compared to the end of 2015 (-4.9%). This item includes the fair value (where positive) of hedging derivative instruments, including management hedges that do not qualify as hedges for accounting purposes.

Total property, plant and equipment and intangible assets amounted to euro 281 million, composed of property, plant and equipment of euro 273 million and of intangible assets for the remainder. Specifically, the increase in the item was due to considerable investments during the year, which exceeded the depreciation and amortisation of existing assets during the same period. Expenditures on investments continued during the year, primarily in connection with extraordinary renovations of owned properties.

“Accrued income, prepaid expenses and other non-interest bearing assets” increased compared to 2015, amounting to approximately euro 9.1 billion (euro 5.2 billion at 31 December 2015). This change was mainly due to: (i) the significant increase in the amount of past-due loans and receivables to be settled, a reflection of the fact that year-end payments came due on a holiday, and thus repayment of many loans was postponed until early 2017, and (ii) the greater interest accrued in the second half of 2016 on cash and equivalents still to be collected.

Finally, “Other assets”, which include current and deferred tax assets, payments on account for withholding tax on postal saving passbooks and other residual assets, amounted to euro 1,118 million, up slightly from euro 1,044 million in 2015 due to the greater payments credits relating to income tax partially offset by lower credits for withholding tax on the related postal savings books.

Liabilities

The liabilities in CDP’s reclassified balance sheet were composed as follows at 31 December 2016:

Reclassified balance sheet

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Liabilities and equity				
Funding	331,806	323,046	8,761	2.7%
of which:				
- *postal funding*	*250,800*	*252,097*	*(1,297)*	*-0.5%*
- *funding from banks*	*26,947*	*17,399*	*9,548*	*54.9%*
- *funding from customers*	*42,534*	*39,648*	*2,885*	*7.3%*
- *bond funding*	*11,525*	*13,901*	*(2,375)*	*-17.1%*
Liabilities held for trading and hedging derivatives	1,053	748	305	40.8%
Accrued expenses, deferred income and other non-interest-bearing liabilities	511	516	(5)	-1.0%
Other liabilities	877	946	(69)	-7.2%
Provisions for contingencies, taxes and staff severance pay	255	182	73	39.8%
Equity	23,207	19,461	3,746	19.2%
Total liabilities and equity	**357,710**	**344,899**	**12,811**	**3.7%**

Total funding amounted to approximately euro 332 billion at 31 December 2016 (+2.7% on the end of 2015).

Within the item, postal funding was essentially stable due to the interest accrued, which almost entirely offset net outflows of approximately euro 5 billion. The balance of such funding, which consists of postal savings passbooks and postal savings books, stood at approximately euro 250.8 billion.

Funding from banks rose from approximately euro 17.4 billion in 2015 to over euro 26.9 billion in December 2016, chiefly due to the increase in repurchase agreements (euro 18.7 billion), up compared to 31 December 2015 (euro 6.7 billion), with the aim of benefiting from the low cost of funding as a result of market rate performance, only partially counterbalanced by the relative decline in funding from the ECB (approximately -euro 2.2 billion).

Funding from customers, which stood at over euro 42.5 billion, was up by 7.3% on the end of 2015. This increase was chiefly attributable to (i) funding from OPTES (liquidity management) transactions of euro 33 billion (euro 30 billion at the end of 2015) and (ii) balances held by group companies of euro 4.5 billion (euro 3.7 billion at the end of 2015).

Bond funding declined by approximately 17.1% on the end of 2015 to over euro 11.5 billion, chiefly owing to the decrease in commercial paper (-euro 1.9 billion compared to the end of 2015) and the only partial roll-over of the EMTN lines that came due during the year.

“Liabilities held for trading and hedging derivatives” amounted to euro 1,053 million, compared to euro 748 million at the end of 2015. This item includes the fair value (where negative), of hedging derivative instruments, including management hedges that do not qualify as hedges for accounting purposes.

“Accrued expenses, deferred income and other non-interest bearing liabilities” stood at euro 511 million, essentially unchanged from euro 516 million in 2015.

In terms of other significant items, mention should be made of (i) the decline in “Other liabilities” (a balance of euro 877 million; -7.2%) due to the lower taxes on postal savings and lower payables for fees due to Poste Italiane; (ii) the increase in “Provisions for contingencies, taxes and staff severance pay” (+39.8%), primarily due to greater tax liabilities.

Finally, equity amounted to over euro 23.2 billion at 31 December 2016, up from 31 December 2015 (+19.2%). This was due mainly to the euro 2.9 billion capital increase paid through the contribution by the Ministry of Economy and Finance of a 35% equity interest in Poste Italiane S.p.A., in addition to the net income for the year, which more than offset the profit distributed during the year.

4.4.1.3 Indicators

Main indicators (reclassified data)

	31/12/2016	31/12/2015
Structure ratios (%)		
Loans/Total assets	28.8%	30.1%
Loans/Postal Funding	41.1%	41.1%
Equity investments/Final equity	140.3%	151.9%
Securities/Equity	211.0%	182.4%
Funding/Total liabilities	92.8%	93.7%
Equity/Total liabilities	6.5%	5.6%
Postal savings/Total funding	75.6%	78.0%
Performance ratios (%)		
Net interest income/Gross income	123.2%	78.4%
Net commissions/Gross income	-77.2%	-134.5%
Dividends and gains (losses) on equity investments/Gross income	52.4%	115.1%
Commission expense/Gross income	-82.3%	-139.8%
Spread on interest-bearing assets and liabilities	0.8%	0.4%
Cost/income ratio	8.1%	12.9%
Net income/Opening equity (ROE)	8.5%	4.6%
Net income/Average equity (ROAE)	7.8%	4.6%
Risk ratios (%)		
Gross bad debts and unlikely to pay/Gross exposures (*) (**)	0.341%	0.289%
Net bad debts and unlikely to pay/Net exposure (*) (**)	0.196%	0.163%
Net writedowns of loans/Net exposure (*)	0.136%	0.077%
Productivity ratios (millions of euros)		
Loans/Employees	153.9	166.7
Funding/Employees	496.0	519.2
Operating income/Employees	2.4	1.5

(*) Exposure includes Loans to Banks and Customers and disbursement commitments.
(**) Net exposure is calculated net of the provision for impaired loans.

Structural indicators show that efforts to diversify funding were effective, as emphasised by the decline in postal funding as a percentage of the total compared to 2015. On the assets side, investments in government securities increased, whereas assets associated with the core business (loans, receivables and equity investments) remained stable.

An analysis of profit indicators shows that there was a reduction in the spread between lending and funding rates, which went from about 36 basis points in 2015 to about 83 basis points in 2016, mainly due to the reduction in the cost of liabilities (-26 basis points), and the increase in yields on treasury current accounts. The increase in net interest income as a percentage of gross income compared to 2015 emphasises the strong performance of net interest income.

The improvement in net financial income made a further reduction possible in the cost/income ratio (8.1%). This ratio easily falls within the range of pre-set targets, notwithstanding the increase in overhead costs due to the budgeted plan to boost headcount. The return on equity (ROE) was 8.5%, up compared to 2015 due to the increase in net income for the year.

The credit quality of CDP's loan portfolio remains very high and its risk profile moderate, as emphasised by its excellent risk indicators. Overall, net writedowns of loans and receivables reflect (i) above all, the adoption of a more prudent approach than in 2015, involving the recognition of collective impairment losses on the local entities portfolio, (ii) an increase in lump-sum provisions for performing loans, as a consequence of the increase in implicit risk in respect of certain sectors financed by CDP and (iii) the increase in writedowns to positions classified as doubtful.

Productivity indicators remain at very high levels, with loans and receivables per employee of euro 154 million and funding per employee of euro 496 million. Due to the improvement in financial performance, operating income per employee was approximately euro 2.4 million.

4.4.2 The CDP Group

The CDP Group's accounting situation at 31 December 2016 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 other companies, which contain full accounting information and analyses of the companies' operating performances.

A statement of reconciliation between management and accounting schedules has also been appended in the interest of completeness of information.

4.4.2.1 Consolidated reclassified income statement

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

Reclassified consolidated income statement

(millions of euros; %)	31/12/2016	31/12/2015 (*)	Change (+/-)	Change (%)
Net interest income	**2,106**	**551**	**1,555**	**282.2%**
Gains (losses) on equity investments	(652)	(2,332)	1,680	-72.0%
Net commission income	(1,463)	(1,576)	113	-7.2%
Other net revenues	25	1,239	(1,214)	98.0%
Gross income	**16**	**(2,118)**	**2,134**	**n.s.**
Net income from insurance operations	332	(71)	403	n.s.
Net income from financial and insurance operations	**348**	**(2,189)**	**2,537**	**n.s.**
Net impairment	(478)	(116)	(362)	312.1%
Administrative expenses	(6,188)	(6,145)	(43)	0.7%
Other operating income (expenses)	10,179	10,073	106	1.1%
Operating income	**3,861**	**1,623**	**2,238**	**137.9%**
Net provisions	(108)	(135)	27	-20.0%
Net adjustments of PPE and intangible assets	(1,857)	(1,825)	(32)	1.8%
Net adjustments of goodwill	(1)		(1)	n.s.
Others		(6)	6	n.s.
Income taxes	(767)	(514)	(253)	49.2%
Income (loss)	**1,128**	**(857)**	**1,985**	**n.s.**
Income (loss) for the year pertaining to non-controlling interests	975	1,389	(414)	-29.8%
Income (loss) pertaining to Parent Company	**153**	**(2,246)**	**2,399**	**-106.8%**

(*) 2015 figures have been restated.

The Group's net income for the year ended 31 December 2016 was euro 1,128 million, up considerably on 2015. This figure was significantly influenced by the positive change in net interest income, the stable contribution made by the companies not subject to management and coordination in terms of other net operating income, and the lower negative contribution made by the investments carried at equity, where compared to the previous year.

(millions of euros; %)	31/12/2016	31/12/2015 (*)	Change (+/-)	Change (%)
Interest expense on payables to customers	(3,876)	(4,473)	597	-13.3%
Interest expense on payables to banks	(156)	(156)		0.0%
Interest expense on securities issued	(762)	(882)	120	-13.6%
Interest income on debt securities	1,258	1,221	37	3.0%
Interest income on financing	5,411	4,829	582	12.1%
Interest on hedging derivatives	128	27	101	374.1%
Other net interest	103	(15)	118	n.s.
Net interest income	**2,106**	**551**	**1,555**	**282.2%**

(*) 2015 figures have been restated.

Net interest income was euro 2,106 million, up considerably on the previous year, and relates mainly to the Parent Company, whose contribution was partly eroded by the expenses connected with the debt of SNAM, Terna, Italgas and Fincantieri.

The result of the measurement according to the equity method of investees over which the Group has significant influence or which are subject to joint control, included in “Gains (losses) on equity investments”, despite amounting to a negative euro 652 million, marked an improvement compared to 2015 (euro -2,332 million). The item was primarily attributable to the net effect of the measurement according to the equity method of ENI (euro -581 million) and Saipem (euro -264 million) and the unrealised gains on the portfolio of equity investments held by the SNAM group (euro 144 million).

Net commission expense (essentially attributable to the Parent Company) of euro 1,463 million declined due to the decrease in the postal commission.

(millions of euros; %)	31/12/2016	31/12/2015 (*)	Change (+/-)	Change (%)
Net gain (loss) on trading activities	321	638	(317)	-49.7%
Net gain (loss) on hedging activities	2	(2)	4	n.s.
Gains (losses) on disposal or repurchase financial transactions:	(275)	540	(815)	n.s.
Net gain (loss) on financial assets and liabilities carried at fair value	(23)	63	(86)	n.s.
Other net revenues	**25**	**1,239**	**(1,214)**	**-98.0%**

(*) 2015 figures have been restated.

Other net revenues declined by approximately euro 1,214 million as a result of both positive components that occurred in the previous year and of the reduction of the effect of trading by the SACE group (euro -318 million) for hedging and efficient management purposes, not subject to hedge accounting on an elective basis. In particular, in 2015 other revenues were driven by the sale of available-for-sale assets by both the Parent Company (euro 333 million) and CDP Equity (euro 136 million), in the latter case involving the sale of 2.57% of the shares of Generali. In addition, in 2016 the SNAM group concluded a bond buy-back transaction, the effects of which on the income statement, attributable to the amount by which the sum repaid to the bondholders to repurchase the bonds on the market exceeded the amortised cost of the bonds, was euro -329 million. Finally, the item was influenced by the opposite effects of the measurements of the financial instruments held by FSI Investimenti, including earn-out components associated with equity investments, which in 2016 had a negative effect, in contrast to the previous year.

(millions of euros; %)	31/12/2016	31/12/2015 (*)	Change (+/-)	Change (%)
Gross Premiums	614	560	54	9.6%
Change in premium reserve	(16)	(336)	320	-95.2%
Premiums paid in reinsurance	(179)	(104)	(75)	72.1%
Effect of consolidation	(42)	(6)	(36)	600.0%
Net premiums	**377**	**114**	**263**	**230.7%**
Net other income (expense) from insurance operations	(41)	(185)	144	-77.8%
Effect of consolidation	(4)		(4)	n.s.
Profit (loss) on insurance operations	**332**	**(71)**	**403**	**n.s.**

(*) 2015 figures have been restated.

The profit on insurance operations of euro 332 million includes net premiums and other income and expenses of insurance operations. Compared to 2015, despite the increase in the premiums ceded due to the reinsurance treaty with the Ministry of the Economy and Finance, the sharp decline in the net premium reserve, which in 2015 was a negative euro 336 million, along with the increase in gross premiums, resulted in a significant increase in net premiums. The change in the balance of other net income (expense) from insurance operations compared to the previous year may be attributed to claims accrued and paid during the year.

Overall, the banking and insurance components resulted in a margin for the year of euro 348 million, up considerably on the same period of the previous year (euro -2,189 million).

(millions of euros; %)	31/12/2016	31/12/2015 (*)	Change (+/-)	Change (%)
Profit (loss) on banking and insurance operations	**348**	**(2,189)**	**2,537**	**n.s.**
Net writedowns	(478)	(116)	(362)	312.1%
Administrative expenses	(6,188)	(6,145)	(43)	0.7%
Other net operating income and costs	10,179	10,073	106	1.1%
Operating income before adjustments of PPE and intangible assets	**3,861**	**1,623**	**2,238**	**137.9%**
Net adjustments of PPE, intangible assets and goodwill	(1,858)	(1,825)	(33)	1.8%
Operating income after adjustments of PPE and intangible assets	**2,003**	**(202)**	**2,205**	**n.s.**

(*) 2015 figures have been restated.

Administrative expenses, essentially unchanged compared to 31 December 2015, are primarily composed of the expenses of the Parent Company (euro 137 million), the SNAM group (euro 1,037 million), the Terna group (euro 546 million) and the Fincantieri group (euro 4,132 million).

The contribution of “Other net operating income and costs” was essentially stable at approximately euro 10.2 billion. This figure essentially includes the revenues attributable to the core businesses of the SNAM, Terna and Fincantieri groups.

Writedowns of property, plant and equipment and intangible assets, chiefly attributable to the SNAM, Terna, Fincantieri and Italgas groups, increased slightly.

The CDP Group’s effective tax rate for 2016 was 40.4%.

4.4.2.2 Reclassified consolidated balance sheet

Consolidated assets

The assets section of the reclassified consolidated balance sheet at 31 December 2016, with a comparison to the restated figures as at 31 December 2015, is presented below

Reclassified consolidated balance sheet

(millions of euros; %)	31/12/2016	31/12/2015 (*)	Change (+/-)	Change (%)
Assets				
Cash and cash equivalents and other treasury investments	165,452	172,523	(7,071)	-4.1%
Loans	112,380	110,540	1,840	1.7%
Securities	55,144	40,417	14,727	36.4%
Equity investments	20,910	18,172	2,738	15.1%
Trading and hedging derivatives	1,399	1,847	(448)	-24.3%
Property, plant and equipment and intangible assets	43,094	42,561	533	1.3%
Reinsurers' share of technical reserves	613	465	148	31.8%
Other assets	11,433	12,345	(912)	-7.4%
Total assets	**410,425**	**398,870**	**11,555**	**2.9%**

(*) 2015 figures have been restated.

The Group's total assets of over euro 410 billion were up by 2.9% (euro 11.5 billion) on the end of the previous financial year.

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

Securities, which include debt securities, equity securities and units in collective investment undertakings (the latter primarily purchased as investment initiatives), amounted to euro 55 billion, up from euro 40 billion in the previous financial year (+36.4%). In addition to government securities purchased by the Parent Company for primarily short-term treasury purposes, the item also includes the investments in the funds and investment funds commented on, with respect to the Parent Company, in section 4.3.1.2. The item also includes, albeit to a lesser extent, securities and investments held by SACE, whose portfolios are composed of bonds and other debt securities (of which held-to-maturity investments of euro 1.5 billion) and units in collective investment undertakings investing primarily in bonds and equities (euro 0.6 billion).

The increase in equity investments was driven by opposing trends. The figure for 2015 was euro 18.2 billion, reflecting a writeback of nearly euro 1 billion due to the restatement of the figures from the previous year by the investee ENI, following a change in the application of an accounting standard, as specified in further detail in the notes.

The changes during the year were primarily due to:
- the inclusion of new equity investments within the scope of consolidation, such as the 35% shareholding in Poste Italiane, which occurred following the transfer of interests with a value of euro 2.9 billion and the shareholdings acquired by CDP Equity, amounting to 12.5% of Saipem for a value of euro 0.9 billion and to 50% of Open Fiber for a value of euro 0.4 billion;
- the sale of the interest in Metroweb, which entailed a decline in the item of euro 0.2 billion;
- the effects of measurement according to the equity method, influenced by the results of certain investees during the financial year (ENI, Saipem and, with regard to the period concerned, Poste Italiane) and consolidation entries relating to dividends and valuation reserves (-euro 1.5 billion).

"Assets held for trading and hedging derivatives" decreased by 24.3% or euro 0.4 billion on the previous year, falling from euro 1.8 billion to euro 1.4 billion. This item includes the fair value (where positive) of hedging derivative instruments, including management hedges that do not qualify as hedges for accounting purposes. The decrease in this item at 31 December 2016 was primarily due to the reduction of the positive fair value of the Terna hedging derivatives.

Total "Property, plant and equipment and intangible assets" amounted to euro 43 billion, up slightly (euro 0.5 billion) compared to the previous financial year. This change was primarily due to the investments by the Terna, SNAM and Fincantieri groups, offset by the decreases associated with the related purchase price allocation processes.

"Reinsurers' share of technical provisions" amounted to euro 0.6 billion at 31 December 2016, up by 31.8%, or euro 0.1 billion, due to the reinsurance treaty signed by SACE with the Ministry of the Economy and Finance in 2015.

"Other assets", which declined by 7.4% compared to 31 December 2015, were influenced by the contribution made by the Parent Company, in addition to those by Fincantieri (euro 3.5 billion), SNAM (euro 2.3 billion), Terna (euro 1.7 billion) and Italgas (euro 0.9 billion). The decrease of euro 0.9 billion is primarily attributable to Fincantieri and CDP Immobiliare.

Consolidated liabilities

The liabilities section of the reclassified consolidated balance sheet at 31 December 2016, with a comparison to the restated figures as at 31 December 2015, is presented below

Reclassified consolidated balance sheet

(millions of euros; %)	31/12/2016	31/12/2015 (*)	Change (+/-)	Change (%)
Liabilities and equity				
Funding	355,990	345,409	10,581	3.1%
of which:				
- *postal funding*	*250,800*	*252,097*	*(1,297)*	*-0.5%*
- *funding from banks*	*38,206*	*26,793*	*11,413*	*42.6%*
- *funding from customers*	*38,876*	*36,433*	*2,443*	*6.7%*
- *bond funding*	*28,108*	*30,086*	*(1,978)*	*-6.6%*
Liabilities held for trading and hedging derivatives	1,259	1,243	16	1.3%
Technical reserves	2,794	2,807	(13)	-0.5%
Other liabilities	8,164	8,083	81	1.0%
Provisions for contingencies, taxes and staff severance pay	6,539	6,775	(236)	-3.5%
Equity	35,679	34,553	1,126	3.3%
Total liabilities and equity	**410,425**	**398,870**	**11,555**	**2.9%**

(*) 2015 figures have been restated.

The CDP Group's total funding amounted to nearly euro 356 billion at 31 December 2016, up by 3.1% on the end of 2015.

Postal funding remained essentially unchanged due to interest accrued, which almost entirely offset net outflows of approximately euro 5 billion. Postal funding levels at year-end, which were attributable solely to the Parent Company and were composed of the balances of savings passbooks and postal savings bonds, stood at euro 250.8 billion.

(millions of euros; %)	31/12/2016	31/12/2015 (*)	Change (+/-)	Change (%)
Due to central banks	2,475	4,677	(2,202)	-47.1%
Due to banks	**35,731**	**22,116**	**13,615**	**61.6%**
Current accounts and free deposits	1,650	1,505	145	9.6%
Term deposits	910	1,223	(313)	-25.6%
Repurchase agreements	18,696	6,680	12,016	179.9%
Other financing	14,139	12,484	1,655	13.3%
Other	336	224	112	50.0%
Funding from banks	**38,206**	**26,793**	**11,413**	**42.6%**

(*) 2015 figures have been restated.

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

- funding from banks, the increase in which was primarily tied to the Parent Company's dealings in repurchase agreements, and the debt carried by Italgas, which contributed euro 3.4 billion (relating to short and long-term bank borrowings, including the bridge-to-bond, with a nominal value of euro 2.3 billion).
- funding from customers, the increase in which was mainly due to the Parent Company's OPTES transactions of euro 33 billion (euro 30 billion at the end of 2015);
- bond funding, composed primarily of securities issued under the EMTN programme, retail securities and stand-alone securities issued by the Parent Company and guaranteed by the government and bonds issued by SNAM and Terna. The total decrease of euro 1.9 billion was due to both the decrease of euro 2.2 billion following the redemption of three bonds that reached maturity (with a total nominal value of euro 1.15 billion) and the repurchase of own securities with a nominal value, net of new issuances, of euro 1 billion by SNAM, the decrease in the Parent Company's funding of -euro 0.4 billion and new issuances by Terna of euro 0.8 billion (net of adjustment to fair value).

"Liabilities held for trading and hedging derivatives" totalled euro 1.2 billion, essentially in line with the comparative period. This item includes the fair value (where negative), of hedging derivative instruments, including management hedges that do not qualify as hedges for accounting purposes. The item is essentially related to the Parent Company and, to a lesser extent, the hedging derivatives of the Fincantieri group (euro 0.1 billion) and the financial liabilities held by the SACE Group for trading purposes (euro 0.09 billion).

"Technical provisions" refer solely to the SACE group and include provisions intended to cover, to the extent reasonably foreseeable, the commitments assumed in the course of the Group's insurance business. At 31 December 2016 the item stood at approximately euro 2.8 billion, essentially stable compared to the previous year.

"Other liabilities", which totalled approximately euro 8.2 billion, include not only the liabilities of the Parent Company, but also significant balances relating to other Group companies, such as total trade payables (euro 4.5 billion) and contract work in progress (euro 0.8 billion). "Other liabilities" include "Liabilities associated with disposal groups", essentially related to the loan previously contracted by FSIA Investimenti.

"Provisions for contingencies, taxes and staff severance pay" stood at approximately euro 6.5 billion at 31 December 2016, down slightly from euro 6.7 billion in 2015.

Equity amounted to approximately euro 35.7 billion at 31 December 2016. A comparison between the restated figures at 31 December 2015 and the originally published figures is provided below. The restatement, undertaken following the change of recognition and measurement policies adopted by the ENI Group, resulted in an increase of nearly euro 1 billion.

Equity increased by euro 2.9 billion due to the capital increase and rise in the share premium reserve following the contribution by the Ministry of the Economy and Finance of a 35% interest in Poste Italiane and the comprehensive income for the year. The increase for the year was lower overall considering the distribution of dividends (-euro 1.9 billion), advances on dividends (-euro 0.2 billion) and the change in shareholdings (-euro 0.9 billion).

Comparison with figures prior to restatement

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Equity attributable to the shareholders of the Parent Company	22,528	19,227	3,301	17.2%
Non-controlling interests	13,151	14,354	(1,203)	-8.4%
Total Equity	**35,679**	**33,581**	**2,098**	**6.3%**

Comparison with restated figures

(millions of euros; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Equity attributable to the shareholders of the Parent Company	22,528	20,199	2,329	11.5%
Non-controlling interests	13,151	14,354	(1,203)	-8.4%
Total Equity	**35,679**	**34,553**	**1,126**	**3.3%**

4.4.2.3 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 euros)	Support for the economy	Companies subject to management and coordination by CDP – Internationalisation	Companies subject to management and coordination by CDP – Other business segments	Total (*)	Companies not subject to management and coordination by CDP	Total
Net interest income	**2,420**	**135**	**(16)**	**2,539**	**(433)**	**2,106**
Dividends	1,571		420	4		4
Gains (losses) on equity investments			(5)	(5)	(651)	(656)
Net commission	(1,474)	37	8	(1,429)	(34)	(1,463)
Other net revenues	38	305	1	344	(319)	25
Gross income	**2,555**	**477**	**408**	**1,453**	**(1,437)**	**16**
Profit (loss) on insurance business	(4)	336		332		332
Profit (loss) on banking and insurance operations	**2,551**	**813**	**408**	**1,785**	**(1,437)**	**348**
Net writedowns	(456)	(14)	(4)	(474)	(4)	(478)
Administrative expenses	(137)	(129)	(89)	(355)	(5,833)	(6,188)
Other operating income (costs)	(5)	9	(158)	(154)	10,333	10,179
Operating income	**1,953**	**679**	**157**	**802**	**3,059**	**3,861**
Provisions	(1)	65	(44)	20	(128)	(108)
Writedowns of property, plant and equipment and intangible assets	(7)	(6)	(2)	(15)	(1,842)	(1,857)
Writedowns of goodwill					(1)	(1)
Other						
Pre-tax profit	**1,945**	**738**	**111**	**807**	**1,088**	**1,895**
Taxes						(767)
Income						**1,128**

(*) Total for the segments "Support for the economy", "Internationalisation" and "Other business segments", after the elimination of dividends.

Key reclassified balance sheet figures by segment

(millions of euros)	Support for the economy	Companies subject to management and coordination by CDP – Internationalisation	Companies subject to management and coordination by CDP – Other business segments	Total	Companies not subject to management and coordination by CDP	Total
Loans and receivables and cash and cash equivalents	269,921	3,954	2,161	276,036	1,796	277,832
Debt and equity securities and units in collective investment undertakings	52,004	2,931	205	55,140	4	55,144
Equity investments		8	81	89	20,821	20,910
Property, plant and equipment/Technical investments	273	101	29	403	34,756	35,159
Other assets (including inventories)	122	135	1,605	1,862	7,439	9,301
Funding	328,092	1,637	1,188	330,917	25,073	355,990
- *of which: bonds*	*11,938*	*532*	*416*	*12,886*	*15,222*	*28,108*

The figures set out above have been prepared by considering the contributions provided by the four segments identified, net of the effects of consolidation entries and before eliminating dividends, which are included in the column in which the three segments support for the economy, internationalisation and other business segments are combined. The contributions of the three combined segments, which present a profit before tax of euro 0.8 billion, is collectively represented by the Parent Company and the companies subject to management and coordination, the latter considered net of their investments in companies not subject to management and coordination. The latter had a profit before tax of euro 1.1 billion.

Reclassified income statement and key reclassified balance sheet figures

	Support for the economy	
(millions of euros)	**2016**	**2015 (*)**
Net interest income	**2,420**	**959**
Dividends	1,571	1,538
Net commission	(1,474)	(1,556)
Other net revenues	38	476
Gross income	**2,555**	**1,417**
Profit (loss) on insurance business	(4)	
Profit (loss) on banking and insurance operations	**2,551**	**1,417**
Net writedowns	(456)	(96)
Administrative expenses	(137)	(131)
Other operating income (expenses)	(5)	(21)
Operating income	**1,953**	**1,169**
Provisions	(1)	(18)
Amortisation, depreciation, writedowns of property, plant and equipment and intangible assets	(7)	(7)
Pre-tax profit	**1,945**	**1,144**
(millions of euros)		
Loans and receivables and cash and cash equivalents	269,921	275,086
Debt and equity securities and units in collective investment undertakings	52,004	37,282
Property, plant and equipment/Technical investments	273	253
Other assets (including inventories)	122	220
Funding	328,092	318,100
- *of which: bonds*	*11,938*	*12,503*

(*) Restated.

The segment support for the economy is represented by the Parent Company.
The segment contributed significantly, particularly at the level of net interest income, despite the weight of net impairment losses on loans and receivables and the measurement of the units held in the Fondo Atlante and the related commitments.

	Internationalisation	
(millions of euros)	**2016**	**2015 (*)**
Net interest income	**135**	**146**
Dividends		1
Net commission	37	24
Other net revenues	305	614
Gross income	**477**	**785**
Profit (loss) on insurance business	336	(71)
Profit (loss) on banking and insurance operations	**813**	**714**
Net writedowns	(14)	(18)
Administrative expenses	(129)	(127)
Other operating income (expenses)	9	3
Operating income	**679**	**572**
Provisions	65	(57)
Amortisation, depreciation, writedowns of property, plant and equipment and intangible assets	(6)	(29)
Pre-tax profit	**738**	**486**
(millions of euros)		
Loans and receivables and cash and cash equivalents	3,954	4,267
Debt and equity securities and units in collective investment undertakings	2,931	2,866
Equity investments	8	8
Property, plant and equipment/Technical investments	101	104
Other assets (including inventories)	135	168
Funding	1,637	1,595
- *of which: bonds*	*532*	*532*

(*) Restated.

The segment Internationalisation is represented by the SACE group.
The segment contributed positively, primarily in terms of financial income (included in Other net revenues), despite declining sharply compared to the previous year and the profit on insurance operations, marking a reversal of the trend.

Reclassified income statement and key reclassified balance sheet figures

(millions of euros)	Other business segments 2016	Other business segments 2015 (*)
Net interest income	**(16)**	**(9)**
Dividends	420	432
Gains (losses) on equity investments	(5)	4
Net commission	8	1
Other net revenues	1	243
Gross income	**408**	**671**
Profit (loss) on insurance business		
Profit (loss) on banking and insurance operations	**408**	**671**
Net writedowns	(4)	
Administrative expenses	(89)	(98)
Other operating income (expenses)	(158)	(29)
Operating income	**157**	**544**
Provisions	(44)	(10)
Amortisation, depreciation, writedowns of property, plant and equipment and intangible assets	(2)	(1)
Pre-tax profit	**111**	**533**
(millions of euros)		
Loans and receivables and cash and cash equivalents	2,161	2,722
Debt and equity securities and units in collective investment undertakings	205	264
Equity investments	81	44
Property, plant and equipment/Technical investments	29	33
Other assets (including inventories)	1,605	1,826
Funding	1,188	1,266
- *of which: bonds*	*416*	*416*

(*) Restated.

The other business segments are represented by Group companies subject to management and coordination, with the exception of the SACE group.
The segment's contribution was affected by the absence of the positive effect of the valuation components of the financial instruments held by FSI Investimenti and the review by CDP Immobiliare of its portfolio in the light of a different industrial strategy and the further decline in market prices.

(millions of euros)	Companies not subject to management and coordination 2016	Companies not subject to management and coordination 2015 (*)
Net interest income	**(433)**	**(545)**
Gains (losses) on equity investments	(651)	(2,345)
Net commissions	(34)	(45)
Other net revenues	(319)	(94)
Gross income	**(1,437)**	**(3,030)**
Profit (loss) on insurance operations		
Profit (loss) on banking and insurance operations	**(1,437)**	**(3,030)**
Net writedowns	(4)	(2)
Administrative expenses	(5,833)	(5,789)
Other operating income (expenses)	10,333	10,120
Operating income	**3,059**	**1,300**
Provisions	(128)	(50)
Amortisation, depreciation, writedowns of property, plant and equipment and intangible assets	(1,842)	(1,788)
Writedow ns of goodwill	(1)	
Other		(6)
Pre-tax profit	**1,088**	**(544)**
(millions of euros)		
Loans and receivables and cash and cash equivalents	1,796	988
Debt and equity securities and units in collective investment undertakings	4	5
Equity investments	20,821	18,120
Property, plant and equipment/Technical investments	34,756	34,232
Other assets (including inventories)	7,439	7,964
Funding	25,073	24,448
- *of which: bonds*	*15,222*	*16,635*

(*) Restated.

The segment is represented by Group companies not subject to management and coordination.
The segment w as negatively influenced by the performance of several investees accounted for according to the equity method (ENI, Saipem and Poste, the latter w ith regard to the final part of the year), and positively by the revenues of the core business of Terna, SNAM, Fincantieri and Italgas.

4.4.2.4 Consolidated statements 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.

Reconciliation of equity and net income of the Parent Company and consolidated equity and net income

(millions of euros)	Net income	Capital and reserves	Total
Parent company financial statements	**1,663**	**21,544**	**23,207**
Balance from financial statements of fully consolidated companies	2,180	28,010	30,190
Consolidation adjustments:			
- Carrying amount of directly consolidated equity investments		(21,029)	(21,029)
- Differences of purchase price allocation	(182)	7,304	7,122
- Dividends from fully consolidated companies	(1,204)	1,204	
- Valuation of equity investments accounted for with equity method	(851)	3,200	2,349
- Dividends of companies accounted for with equity method	(782)	(2,991)	(3,773)
- Elimination of intercompany transactions	(144)	(14)	(158)
- Reversal of measurements in the separate financial statements	440	(270)	170
- Writedowns	(85)	(66)	(151)
- Deferred tax assets and liabilities	80	(2,117)	(2,037)
- Other adjustments	13	(224)	(211)
- Non-controlling interests	(975)	(12,176)	(13,151)
Consolidated Financial Statements	**153**	**22,375**	**22,528**

5. Corporate Governance

Communication

In 2016, the Communications activities were focused on five objectives:
1. Designing a new "Identity": mission, values and logo;
2. Expressing the Group culture via internal and external communication;
3. Starting the Sustainability process (CSR);
4. Focusing on the Communication of the Business Plan by enhancing the presence of off line, Italian and international media and strengthening the presence on the Social Networks;
5. Defining and implementing new guidelines for the management of sponsorships and social investments.

1. Cassa depositi e prestiti's new role, defined by assigning it the status of National Promotion Institution and realised with the Business Plan 2016-2020, was enhanced through the design of its coherent Brand Identity: Mission, Visual, Logo of the Group. The coordinated image was developed for all the companies of the Group (CDP Equity S.p.A., CDP Immobiliare S.r.l., CDP Investimenti SGR S.p.A., CDP RETI S.p.A., SACE S.p.A., SIMEST S.p.A., Fintecna S.p.A.). The new mission - "We promote Italy's future by contributing to its economic development and investing for its competitiveness" – was illustrated via four identifying values: "Responsibility, Skills, Cooperation, Courage".
2. The establishment of the Group's identity, implemented gradually by developing the initiatives envisaged in the business plan, was supported by the internal communication activity, which promoted all the initiatives of the Group companies via an integrated system of sharing tools.
3. During the year, the path to define Cdp's positioning in terms of CSR was taken. Attention to sustainability arises from the Mission (National Promotion Institution) and the particular nature of the business. The activity was carried out through the definition of a strategy and an approach to sustainability in line with international standards and best practices, taking as a reference the Sustainable Development Goals (SDGs) of the United Nations. 2017 will see the further development of initiatives aimed at creating shared value.
4. The need to promote the achievement of the 2016-2020 Business Plan stimulated the integration of communication through the traditional media channels with the implementation of the activities on the digital channels and social properties. This activity was carried by hiring journalists and opinion makers, with whom in-depth studies on the various aspects of the Plan were conducted, and through specific meetings between the top management and the media community on the progress of the Business Plan.
5. During 2016, a review of Cdp's intervention methods with regard to sponsorships was structured by defining a new operating procedure that governs the investments with social repercussions and the subscription of membership fees. In line with Italian and international best practices, three areas of intervention were identified - culture, education and social issues - as well as some evaluation guidelines, such as the involvement of young people and the coherence of interventions with the business activities envisaged in the Business Plan.

Institutional Relations

In 2016, relations with institutions contributed to concluding significant initiatives and projects involving Cassa depositi e prestiti and the Group companies for Italy's development.

During the reporting period, support was also given to the CDP Group's representatives in managing the relations with the Parliamentary Committees, within the framework of hearings concerning: the strategies of the new senior management of state-owned companies; the support and international expansion of companies, the actions of CDP Equity in the tourism sector, regarding the ILVA situation and the Juncker Plan.

Furthermore, in collaboration with the organisational units involved, a total of 56 requests for information were received from the Ministry of Economy and Finance, relating to the same number of parliamentary control, guidance and scrutiny initiatives involving the CDP Group.

Meetings were organised and managed with representatives from the pension and social security sectors and other institutional investors, in addition to guidance and information sessions held at bank foundations.

Legislative and regulatory monitoring was provided to CDP's organisational units and its investee companies, with 300 reports regarding legislative and implementation measures. The structure dedicated to Institutional Relations focused on a series of proposals aimed at extending Cassa depositi e prestiti's scope of operation to support the national economy by widening the operations and sectors of intervention with the use of funds from the separate account. In particular, these funds, so far used for financing projects of general public interest sponsored by public entities, may be used for transactions in favour also of private subjects in sectors of general interest, defined by decree, in line with the corporate mission and the aims of the Business Plan.

Particularly significant is the approval of the provisions concerning the adjustment of the remuneration rate of the current account with the Central Treasury referring to Cassa depositi e prestiti – separate account in order to align it to market levels. In this way, the regulations regarding the remuneration rates of the assets and liabilities relating to CDP's current account as a separate account were harmonised, in line with Eurostat criteria on General Government Entities.

The unit dedicated to Institutional Relations submitted, to the government and parliament, the relevant assessments on the regulatory proposals that might have had a negative impact in various sectors of CDP's intervention.

Human resource management

During 2016, human resource management mainly focused on redefining internal processes and introducing new roles to support the 2016-2020 Business Plan. The performance assessment process was managed in line with the previous years, inspired by the values of cooperation, transparency, leadership and innovation. Training featured an effective balancing of technical-specialist initiatives and projects aimed at strengthening cross-sectional skills.

In particular, in 2016 in-house seminars and workshops were held focusing on issues of a legal, financial, economic and technological nature, through the support of external consultancy and involving some internal resources in lecturing and disclosing activities towards colleagues, which proved to be useful for discussions on operations and for studies at process level.

In accordance with the applicable regulations, personnel were trained and updated on the changes relating to Data Privacy, Anti-Money Laundering, Legislative Decree 231/2001, and Occupational Health and Safety.

While continuing to monitor and meet the needs linked to training of a specialist and mandatory nature, in 2016 particular attention was paid to the subjects of Leadership and Self-Consciousness, through projects which involved managers and professionals across the various corporate areas and in line with the considerations shared during 2015 concerning change management.

During 2016, the programme of international exchanges continued with European entities with a similar history and professional mission to CDP, such as Caisse des Dépôts (CDC), Kreditanstalt für Wiederaufbau (KfW), Instituto de Credito Oficial (ICO), in addition to Bank Gospodarstwa Krajowego (BGK) for the first time, aimed at ensuring the reciprocal transfer of knowledge and the evaluation of new opportunities for working together.

Finally, with a view to leveraging existing professional expertise and increasing job rotation both within the Parent Company and across Group Companies, various mobility processes were organised and managed in 2016, aimed at sharing skills and experience, enabling the colleagues involved to further develop their professional profile.

Industrial relations

In 2016, the industrial relations of the credit sector continued to be affected by the difficulties deriving from the generalised worsening of the bank's financial accounts, which are pushing towards a progressive significant reduction in the number of employees.

Within the Company, 2016 passed smoothly, in a climate of cooperation and sharing of corporate policies, which included the start of negotiations for the renewal of the supplementary company agreement, expired on 31 December 2014.

Regarding relations with the other companies of the Group, considering that the reference collective agreement is the same (excluding SACE, which applies the Insurance national collective bargaining agreement) and that the Company Union Representative Bodies belong to the same industry Trade Union Federations, in July a meeting was held - involving the top management of the Parent Company, the department managers of the subsidiaries, the company trade union representatives and the national representatives of the Trade Union Federations - where the Group's 2016-2020 Business Plan was presented.

Assessment of remuneration of directors with specific responsibilities

This report illustrates and justifies the policy adopted for the remuneration of the Chairman of the Board of Directors and of the Chief Executive Officer, in compliance with the legal requirements in force[19].

In its meeting of 27 January 2016, the Board of Directors - given the respective functions attributed to the Chairman of the Board of Directors and to the Chief Executive Officer by the Articles of Association and by the Board of Directors in its meeting of 13 July 2015 - approved the draft resolution of the Remuneration Committee of 19 January 2016 (regarding the subdivision of powers, tasks and responsibilities between the Chief Executive Officer and the General Manager, in light of the separate roles played by Mr Fabio Gallia at Cassa depositi e prestiti) in order to determine the related remuneration in a proportionate and differentiated manner.

Subsequently, on 23 March 2016, the Board of Directors approved the draft resolution of the Remuneration Committee of 15 March 2016 with which it proposed, while keeping the respective total annual remuneration unchanged, as determined and resolved by the Board of Directors on 3 August 2015, to:
- redetermine the remuneration of Mr Fabio Gallia, in light of the different powers assigned to him in his capacity as Chief Executive Officer and General Manager;
- to change the allocation of the remuneration paid to the Chairman of the Board of Directors pursuant to Article 2389, paragraph 3, of the Italian Civil Code, in light of the powers set forth in the Articles of Association of Cassa depositi e prestiti.

As a consequence, the following remuneration components were recognised:

Chairman of the Board of Directors

(euros)	Annual remuneration for 2015-2017
Fixed remuneration: remuneration for the office - Article 2389, paragraph 1	70,000
Fixed remuneration: remuneration for specific responsibilities - Article 2389, paragraph 3	225,000
Annual variable component	
Three-year incentive component (annual share)	

19 In particular, in line with the previous term, the Company continued to comply with the provisions of Article 84-ter of Decree Law no. 69 of 21 June 2013 ("Remuneration for directors of companies controlled by General Government Entities") and 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").

Chief Executive Officer[20]

(euros)	Annual remuneration for 2015-2017
Fixed remuneration: remuneration for the office - Article 2389, paragraph 1	35,000
Fixed remuneration: remuneration for specific responsibilities - Article 2389, paragraph 3	132,698
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 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 qualitative and quantitative 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 at the request of the majority shareholder (except for 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 continuity with the previous term, the Chief Executive Officer receives benefits and insurance coverage equal to those provided for executives, including for the risk of death and permanent disability.

IT Systems and Internal Projects

During 2016 CDP's ICT greatly stimulated the implementation of the new strategy for the evolution of its technological architecture:
- the Enterprise Data Hub architecture was created with the aim of centralising and standardising the management of corporate data by introducing data governance and data quality policies. All the new developments in progress converge on EDH's Data Lake;
- new Business Analytics technologies, which are already operational for the reports on receivables and in the completion phase for Postal Funding, were introduced at Big Data level;
- the new developments follow technological frameworks that are entirely open source;
- the ICT sourcing strategy is being reviewed towards a hybrid multi-vendor approach that is able to more effectively address the important evolutions marked by CDP's new Business Plan.

With regard to Business products, several initiatives were conducted to support operations regarding the renegotiation of loans to Provinces and Metropolitan Areas, the new products within the framework of the International Cooperation for Development, the new measures to assist the Sustainable Growth Fund and the new Funds for Disastrous events and the Earthquake in Central Italy. The developments needed to open the new Kyoto 4 counter were completed. These will support the operations of the General Government payables-Mafia infiltration decree and the renegotiations on the bank Moratorium Funds 1 and 2 and the addendum to the ABI agreements of the bank funds.

As regards Compliance, the necessary regulatory adjustments requested by the regulations in the CDP area were completed, including the developments for the daily reporting to the Central Bank of the Money Market transactions and to guarantee the operational continuity of CDP as regards the transactions in (cash and repo) securities on the T2S platform.

20 In compliance with the above-mentioned Article 84-ter of Decree Law no. 69 of 21 June 2016, the total annual remuneration due to Mr Fabio Gallia, in his capacity as Chief Executive Officer and General Manager, is equal to euro 823,123.00.

The SEPA and SWIFT channels were updated to the November change 2016, the Tax Register system was adjusted to take into account the new regulations on single reporting and, with reference to the Single Electronic Archive (Archivio Unico Informatico, AUI), the management of customer profiling management and the monitoring of transactions were achieved.

As regards the infrastructures, the Cloudera infrastructure was created to support the development and production Data Hub and an Open Source infrastructure was implemented for the in-house development of the new applications (Galileo).

With regard to governance, numerous development initiatives regarding the operation of the ICT system were implemented, including several optimisations in the processes and for the operating tools for IT Project Management, management and monitoring of economics and in terms of internal controls.

2016 also featured the concurrent launch of a series of particularly complex and important transversal projects, contained in a two-year Master Plan subject to a rigorous governance and monitoring process.

All the initiatives of the Master Plan currently underway have a significant impact on the IT systems; in this context, CDP's ICT is strongly committed to the development of these projects, including:
- the creation of CDP's new loan system, with the aim of dismissing technologically obsolescent platforms, limit maintenance costs and continue towards the automation of the business processes. The system is implemented on open platforms, the developments are guided by a strong core of internal resources and the architecture is designed based on services. The first release has already taken place, on a new architectural stack, for the Covenants procedure;
- the completion of the Corporate Data Warehouse, implementing the flows regarding Management Control, the Central Credit Register and IFRS9, following an architecture based on «Big Data framework» and the production of operating and strategic reports;
- the creation of a system designed for the structural management of the operating ALM (Asset and Liability Management), the ITRs (Internal Transfer Rates) and liquidity;
- the activation, in accordance with applicable provisions, of the Central Credit Register reporting to the Bank of Italy, both as contributors to and users of the information relating to the global banking system;
- the development of a new Group website aimed at increasing brand awareness about the CDP Group and the creation of a Group Intranet integrated with the corporate processes and with procedures involving digital technologies. More specifically, the dynamic organisation charts at Group level are already available (currently under development for all the Group companies).

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

Internal Control System

CDP has developed an internal control system consisting of a set of rules, procedures, and organisational structures designed to ensure compliance with applicable regulations, in accordance with corporate strategies and the achievement of targets set by company management.

More specifically, first level controls (line controls) are conducted by operational and administrative units. These controls are built into organisational procedures and are designed to ensure that operations are carried out correctly.

Second level controls (risk management controls) are carried out by separate organisational units and are designed to help establish risk measurement 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.

Finally, third level controls are performed by the Internal Auditing unit, within the Chief Audit Officer structure, a permanent, autonomous function that does not report to the Heads of the units subject to control. This function reports directly to the Board of Directors, which performs management and coordination through its own Chairman.

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

Accordingly, the controls performed by the Internal Auditing unit are aimed at preventing or identifying any anomalies and risks and bringing any issues concerning the achievement of the company objectives to the attention of the senior executives and the management, and promoting continuous improvement in the organisation's effectiveness and efficiency.

Specifically, the Internal Auditing unit assesses the ability of the overall Internal Control System to ensure that corporate processes are efficient and effective, safeguard company and investor assets, guarantee the reliability and integrity of accounting and management information, and comply with internal and external regulations and management guidelines.

For the performance of its tasks, the Internal Auditing unit submits an action plan to the Board of Directors, which sets out the audits scheduled in line with the risks associated with the activities aimed at achieving the business objectives.

The unit reports on its results on a quarterly basis to the Board of Directors and to the Board of Statutory Auditors, after examination by the Risk Committee[21]. However, critical issues identified during examinations are immediately reported to the relevant company units so that they can implement corrective actions.

In some cases, the Internal Auditing unit also performs control activities for some of the companies subject to management and coordination (CDP Investimenti SGR S.p.A., CDP GAS S.r.l, CDP Immobiliare S.r.l., CDP Equity S.p.A., CDP RETI S.p.A., SIMEST S.p.A.), under specific service agreements with the Parent company for internal audit activities.

Furthermore, Internal Auditing provides support to the Manager in charge with preparing CDP's financial reports and the Surveillance Body in carrying out checks as per Article 6.1 b) of Legislative Decree no. 231/2001 for CDP, CDPE, CDPI SGR and SIMEST.

Financial and operational risk management systems

In 2016, CDP continued the process of strengthening and updating the risk management methods and systems.

To measure credit risk, CDP uses a proprietary model for calculation of portfolio credit risks, taking into account Separate Account exposures to public entities. The model is a "default mode" model, i.e. it considers credit risk 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 mode approach, the model is multi-period and simulates the distribution of losses from default over the entire life of outstanding transactions. This makes it possible to capture the effect of moving between credit quality classes other than that of default. This credit model enables the calculation of a variety of risk metrics (VaR, TCE[22]) for the entire portfolio and for individual borrowers or business lines. The model is used for assessing the risk-adjusted performance in the Ordinary Account and for loans in the Separate Account to private individuals pursuant to Decree Law no. 185 of 29/11/2008. 29/11/2008 no.185.

21 The extraordinary Shareholders' Meeting of 10 July 2015 approved a number of changes to the Articles of Association, including the establishment of a Risk Committee within the Board of Directors, tasked with providing support to the Board of Directors in relation to risks and the Internal Control System.

22 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 only the expected value of "extreme" losses that exceed the VaR.

CDP has a series of rating models developed by specialized external providers. Specifically, CDP uses rating models for the following classes of loans:

- public entities (shadow rating quantitative model);
- banks (shadow rating quantitative model);
- small and medium enterprises (quantitative model based on historical default data);
- large enterprises (shadow rating quantitative model);
- project finance (qualitative/quantitative scorecards calibrated on a shadow rating basis).

These models act as a benchmark against the rating allocated by the analyst and specific rules have been established to manage any discrepancies between the results obtained through the instrument used and the final rating. Alongside the external benchmark models, CDP has produced internal scoring models that enable counterparties to be ordered based on credit worthiness, by using specific indicators drawn from financial statement figures. Furthermore, the Electronic Rating Application (PER - Pratica Elettronica di Rating) system makes it possible to retrace the process that resulted in the assignment of a certain value for each name, and also view archived documentation concerning the assessment, based on the nature of the counterparty (Public Entities, Bank Counterparties, Corporate and Project Finance). The solution, which is integrated with CDP's IT and document systems, is based on business process management technologies already widely used in other areas, such as the electronic loan application procedure.

Internal ratings play an important role in the credit granting and monitoring process, as well as in the definition of the decision-making process; in particular, the concentration limits are adjusted according to the rating and may lead to a review of the loan also by the CRO and the Risk Committee, the need to submit a proposal to the Board of Directors to grant a specific exemption or, in some cases, the inadmissibility of the transaction. The internal rating is normally updated on a yearly basis, unless events or information cause the need for a prompt change to the allocated rating.

The process of assignment of Loss Given Default to the single transactions, which is needed to calculate the expected loss, follows a standardised procedure, which is also outlined in the corporate systems. The Loss Given Default is assigned on the basis of internal estimates in relation to the probable recovery time, in consideration of the characteristics of the counterparty, the nature of the transaction and the guarantees associated with the loan.

Interest rate and inflation risk are measured using the AlgoOne suite produced by Algorithmics (IBM Risk Analytics), mainly adopted to analyse the possible changes in the value of 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 models that produce investor behaviour scenarios.

To monitor liquidity risk, the RMA regularly analyses the volume of liquid assets compared with the volume of demand liabilities and liabilities exposed to the risk of early repayment, verifying compliance with the limits established under the Risk Policy. 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.

For the various risk elements associated with derivatives, positions in securities and securities financing transactions, the RMA uses the Murex front office application. In addition to specific monitoring of positions and the mark-to-market calculation also for the exchange of collateral, the system provides a variety of sensitivity and scenario analyses, which have numerous applications with regard to interest rate risk, counterparty risk, the analysis of the securities portfolio and hedge accounting.

As far as operational risks are concerned, CDP has developed a proprietary application (LDC) for the collection of internal data relating to both operating losses already occurred in the company and recorded in the income statement, as well as operational risk events that do not generate a loss (near miss events).

CDP has developed an IT procedure to define the profile of the risk of money laundering and financing of terrorism attributable to each customer (so-called "customer profiling"). Furthermore, it adopted the main applications and database available on the market for the due diligence of the counterparties. In order to comply with the recording requirements pursuant to Article 36 of Legislative Decree 231/2007, CDP has set up a unified computerised database for the central storage of all information acquired in performing customer due diligence requirements in accordance with the principles set out in the decree. CDP uses an outsourcer to create, keep and manage the single database, to which the CDP's Anti-Money Laundering function has direct and immediate access.

Compliance System pursuant to Legislative Decree no. 231/01

In January 2006 CDP adopted a "Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001" (hereinafter also referred to as the "Model"). The Model identifies the Company areas and operations that are most exposed to the risk of criminal activity as defined in the Decree, along with the principles, rules and regulations for the control system introduced to supervise "significant" operating activities.

Given the importance of regulatory, organisational and business developments during the year, the Model was revised in 2014 and the version in force was approved by the Board of Directors on 25 November 2014. Further changes of a formal nature made to the "Code of Ethics of Cassa depositi e prestiti S.p.A. and the companies subject to its management and coordination", which is an integral part of the Model, were approved by the Chief Executive Officer on 21 January 2015. Finally, on 19 April 2016, the Chief Executive Officer approved a new version of the General Information section of the Model, adopting some changes to the organisational corporate structure.

The Surveillance Body is tasked with overseeing the operation of and compliance with the model and with updating its content and assisting the competent corporate bodies in the task of implementing the model correctly and effectively.

CDP's Surveillance Body has three members appointed by the Chairman of the Board of Directors, subject to verifying the integrity requirements. It was first established in 2004 and reappointed at the end of its three-year terms.

The Surveillance Body has drafted its own internal rules and defined the approach to be followed in monitoring compliance with the model. As noted above, it has been supported by the Internal Auditing unit in ongoing, independent monitoring of the appropriate operation of Company processes, as well as oversight of the internal control system as a whole. The Surveillance Body met on 9 occasions during 2016.

For the performance of its tasks, the Surveillance Body approves an Audit Plan, prepared on the basis of the risk of commission of the offences under Legislative Decree no. 231/01 within each "Relevant Activity". The audits scheduled by the Surveillance Body are foreseen as part of the planning of the Chief Audit Officer.

In order to ensure full implementation of the provisions concerning administrative liability pursuant to Legislative Decree no. 231/01 within the Group and in accordance with par. 2.4 of the General Information section of the current Model, the Surveillance Body ensures discussion among the surveillance bodies established within the companies subject to management and coordination, in order to reciprocally share the useful information to improve preventing the risks connected to the Group's operational activities.

The "Code of Ethics of Cassa depositi e prestiti S.p.A. and the companies subject to its management and coordination" and the "Principles of the Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001" of CDP are available in the "Governance/Company info" section of the company's website: www.cdp.it.

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

The CDP Group is aware that financial reporting plays a central role in establishing and maintaining positive relationships between the Company and its stakeholders. The internal control system, which oversees the Company's reporting processes, is set up - including at Group level - in such a way as to ensure that reporting is reliable[23], accurate[24], dependable[25] 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 above-mentioned consists of sets of data and information contained in the periodic accounting documents required by law - annual financial report, half-yearly financial report, interim report, also consolidated - as well as any other deed 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[26], 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:
1. a suitable control environment, meaning the set of standards of conduct, processes and structures underlying the execution of the organisation's internal control process;
2. appropriate risk assessment, requiring that risks be suitably identified, documented and classified based on relevance;
3. 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;
4. in the presence of a suitable information system and adequate communication flows that guarantee the exchange of relevant information between senior executives and the operative functions (and vice versa);
5. 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.

A risk-based approach has been chosen for the internal control system applied to financial reporting, in which the focus is on the key administrative and accounting procedures of said financial reporting. In the CDP Group, in addition to administrative and accounting procedures in the strict sense, business, management, control and support processes with a significant impact on the accounts are also taken into consideration.

The control model is based on an initial company-wide analysis of the control system in order to verify that the environment is, generally speaking, organised to reduce the risk of error or improper conduct with regard to the disclosure of accounting and financial information.

This analysis is undertaken by verifying the presence of appropriate elements, ranging from adequate governance systems to ethical and integrity-based standards of conduct, effective organisational structures, clear assignment of powers and responsibilities, an appropriate risk management policy, disciplinary systems for personnel, and effective codes of conduct.

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

At the process level, the approach consists of an assessment phase to identify specific risks which, if the risk event were to occur, might prevent the rapid and accurate identification, measurement, processing and representation of corporate events in the accounts. This process involves the development of risk and control association matrices that are used to analyse processes on the basis of their risk profiles and the associated control activities.

The process level analysis is structured as follows:

- an initial phase identifies the risks and defines the control objectives in order to mitigate those risks;
- a second phase deals with the identification and evaluation of controls by: (i) identifying the type of control; (ii) evaluating the potential effectiveness of the control activity in risk mitigation terms; (iii) assessment/presence of control record; (iv) formulation of an overall judgement by correlating the control's potential effectiveness and the traceability of the control; (v) identification of key controls.
- the third phase consists of identifying areas of improvement regarding the control: (i) traceability of the control; (ii) design of the control.

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

The CDP monitoring phase is structured as follows:

- sampling of items for testing;
- test execution;
- weighting of any anomalies detected and related assessment.

In order to ensure that the system described above is effective, the cooperation of multiple units/functions has been established, in particular with regard to the Parent Company: the Organisation and Processes organisational unit is responsible for process design and formalisation; the function headed by the Manager in charge with preparing the Company's financial reports is involved during the risk assessment phase and the Internal Auditing organisational unit is responsible for the monitoring and assessment phase.

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 tests 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, a flow of information to the Manager in charge with preparing the financial reports of the Parent Company was established, comprising (i) the final report on the internal control system applied to the financial reporting process from the managers in charge with preparing the Group companies' financial reports to their respective boards of directors and (ii) the intra-Group "chain" certification system, which use the standard certification established by Consob and adopted by the Parent Company, CDP.

Independent Auditors

The financial statements of CDP are audited by the Independent Auditors PricewaterhouseCoopers S.p.A. ("PWC"), which are in charge of 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 interim report.

The independent auditors are appointed by the Shareholders' Meeting in ordinary session, acting on a reasoned proposal put forward by the control body.

The current independent auditors were appointed in execution of a resolution of the May 2011 Shareholders' Meeting, which engaged that firm for the audit and the accounting review of the financial statements for the 2011-2019 period.

Manager in charge with preparing the Company's financial reports

Cassa depositi e prestiti S.p.A. is obliged to envisage the appointment of a Manager in charge with preparing the Company's financial reports in accordance with the law as it is a listed issuer having Italy as its Member State of origin. The Manager in charge with preparing the Company's financial reports was introduced by the legislator with law no. 262 of 28 December 2005. In CDP this role coincides with that of 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-bis of CDP's Articles of Association are reported below.

Article 24-bis 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 shall meet the integrity requirements provided for the Directors.*
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 such manager should not continue to meet the requirements for the office. The Board of Directors shall declare such disqualification within thirty days from the date on which the Board becomes aware of the supervening 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 corporate bodies, in July 2007 the Board of Directors approved the "Internal Rules for the Function of the Manager in charge with preparing the Company's financial reports". In October 2011, following the start of management and coordination activities for the subsidiaries of CDP, it was decided to update the rules of the function, using the same approval process.

Briefly, 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 IFRS;
- the matching of the documents with the accounting books and records;
- that the documents are suitable to provide a true and fair view of the financial position, performance and cash flows of the issuer and the companies included in the scope of consolidation;
- the reliability of the content of the report on operations and the interim report on operations.

In addition to holding a senior management position reporting directly to top management, the Manager in charge with preparing the Company's financial reports may also:

- access without restriction all company information considered relevant to the performance of his duties;
- interact on a regular basis with the Company's management 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 (Resources and Organisation) and check the adequacy and effective application of procedures (Internal Auditing);
- have at his disposal dedicated personnel and independent powers of expenditure within an approved budget.

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 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[27] and assistance by taking part in the meeting of the Board when invited.

Always upon request, he reports on the activity performed and on the relevant results to the Supervisory Body pursuant to Legislative Decree 231/01, in order to establish a fruitful exchange of information with said body and improve the control actions in the areas deemed to be under greater potential risk. The Manager in charge with preparing the Company's financial reports liaises with the Independent Auditors in order to establish constant communication and exchange the information regarding the assessment and effectiveness of the controls regarding the administrative and accounting processes.

Furthermore, the Manager in charge with preparing the Company's financial reports interfaces and coordinates his/her action with the activities of the corporate bodies and managers of the companies included in the scope of consolidation, in particular with regard to the activities relating to the administrative and accounting controls and procedures.

The Manager in charge with preparing the Company's financial reports is supported by the Internal Auditing function in periodic testing activities aimed at assessing the actual application and adequacy of the controls included in the administrative and accounting procedures, and/or in specific test plans, for the preparation of the Parent Company financial statements, the consolidated financial statements and the half-yearly report.

Insider Register

During 2016, Cassa depositi e prestiti S.p.A. (CDP) adapted 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 new reference regulatory framework concerning market abuse.

The Register - established by CDP in 2009 in its capacity as issuer of debt securities listed on regulated markets - lists the persons who, owing to their position or the duties that they perform on a regular or occasional basis, have access to inside information directly or indirectly concerning CDP or the related financial instruments. The Register 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. 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.

[27] 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.

The Register is held by the Compliance Unit and the Keeper of the Register is the Head of the Compliance Unit, who can appoint one or more substitutes.

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 milestone for all activities undertaken in pursuit of the Company's mission. Therefore, in-house and external relations shall be conducted in accordance with the principles of honesty, moral integrity, transparency, reliability and responsibility.

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

In 2016 there were no breaches of the Code of Ethics by CDP employees or associates.

Governance structure

In order to provide an efficient information and consultation system enabling the Board of Directors to better assess the matters under its responsibility, the following committees have been set up, whose purpose is to advise and make recommendations, and they are diversified by area:
- Support Committee;
- Strategic Committee;
- Board of Directors Risks Committee;
- Related Parties Committee;
- Remuneration Committee;
- Coordination Committee;
- Credit Committee;
- Internal Risk Committee;
- Rates and Conditions Committee;
- Real Estate Advisory Committee;
- Liquidity Contingency Committee.

Support committee

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

Composition and responsibilities

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

The following information is provided to the Committee:
- detailed analysis on the Company's liquidity level, financing, equity investments, planned investments and disinvestments and most significant corporate transactions;

- updates on the forecast and actual accounting data, the independent auditors' reports and the internal auditing reports relating to the organisation and to the functioning of the Company;
- the minutes of the Board of Statutory Auditors' meetings.

The Support Committee held 11 meetings in 2016.

Strategic Committee

The Strategic Committee is a 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, the Vice Chairman and the Chief Executive Officer.

The Strategic Committee held 12 meetings in 2016.

Board of Directors Risks Committee

The Board of Directors Risks Committee is a board committee with the functions of control and providing guidance in relation to the management of risks and assessment of the adoption of new products.

Composition and responsibilities

The Board of Directors Risks Committee is composed of the Vice Chairman and two Board Members.

The Board of Directors Risks Committee held 19 meetings in 2016.

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 members appointed by the Board of Directors.

The preliminary, non-binding opinion of the Related Parties Committee is formalised and provided in a timely manner to the Body in charge of deciding on the transaction.

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

The Related Parties Committee held 7 meetings in 2016.

Remuneration Committee

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

Composition and responsibilities

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

The Remuneration Committee prepares proposals on the determination of remuneration of corporate officers, based on the specific positions held, and - where certain conditions are met - 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 Remuneration Committee held 4 meetings in 2016.

Coordination Committee

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

Composition and responsibilities

The Coordination Committee is usually convened by the Chairman once a month and is composed of CDP's top management.

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

The Coordination Committee held 36 meetings in 2016.

Credit Committee

The Credit Committee is a collective body that provides technical information and is responsible for issuing mandatory and non-binding opinions in the cases described below.

Composition and responsibilities

The composition of the Credit Committee is established by decision of the Chief Executive Officer. External members selected by the Chief Executive Officer based on their sector expertise may also be appointed as members of the Credit Committee.

The Credit Committee has the following responsibilities:
- expressing mandatory and non-binding opinions on the admissibility of transactions, in terms of creditworthiness (of the counterparty and/or the economic and financial viability of the transaction), concentration (for CDP and the CDP Group), and the appropriateness of the conditions applying to the financing, for financing subject to approval by the Board of Directors and the Chief Executive Officer;
- giving an opinion on the creditworthiness monitoring reports of each borrower prepared by the Lending Department on a regular basis;
- expressing, on the initiative of the Lending Department, with reference to specific non-performing loans, an opinion in support of the proposals identified by the departments involved in the management of non-performing loans;
- providing opinions, at the request of the Chief Executive Officer and the CRO, on specific issues and/or lending transactions.

The Credit Committee held 40 meetings in 2016.

Internal Risk Committee

The internal Risk Committee is a collective body responsible for providing guidance and control in relation to the management of risks and assessment of the viability of new products. The Committee is also responsible for assessing the compliance of transactions or new products with the law or the Articles of Association.

Composition and responsibilities

The Internal Risk Committee is composed of the following members:
- Chief Executive Officer;
- Chief Financial Officer;
- Chief Operating Officer;
- Chief Legal Officer;
- Chief Risk Officer.

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

The Risk Committee provides technical information and advice to the Chief Executive Officer, when requested by the latter or on proposal of the Chief Risk Officer, and provides opinions on issues concerning:
- CDP's overall risk policy;
- management and operational assessment of material risks;
- assessment of the viability of new products.

The Committee also provides mandatory opinions ("eligibility opinions"), of an advisory nature, to the proposing bodies regarding the compliance of transactions and new products with the law and the Articles of Association.

The Internal Risk Committee held 20 meetings in 2016.

Rates and Conditions Committee

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

Composition and responsibilities

The Rates and Conditions Committee is composed of the following members:
- Head of the Public Entities Area;

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

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

The Rates and Conditions Committee held 61 meetings in 2016.

Real Estate Advisory Committee

The Real Estate Advisory Committee is a collective body that provides opinions - on an advisory basis - on operational matters regarding the real estate business.

Composition and responsibilities

The Committee is composed of the following members:
- General Manager[28];
- Head of Group Real Estate Area;
- Head of Equity investments Area;
- Representative of CDP Immobiliare;
- Representative of CDP Investimenti SGR.

The activities of the Real Estate Advisory Committee consist of analysing and agreeing:
- new real estate investment/divestment initiatives;
- new real estate products/vehicles;
- agreeing company business strategies regarding real estate;
- agreeing business actions and commercial strategies regarding real estate;
- analysing information on the development of plans and performance in the real estate segment;
- discussing and identifying areas of collaboration.s.ynergy within the real estate segment.

The Real Estate Advisory Committee held 2 meetings in 2016.

Liquidity Contingency Committee

The Liquidity Contingency Committee is technical and advisory collective body assigned specific responsibilities regarding the management of liquidity in situations of crisis and liquidity strain.

The Liquidity Contingency Committee's main objective is to ensure an adequate level of liquidity and guarantee CDP's financial stability.

28 In August 2015, the Chief Executive Officer of CDP S.p.A. also assumed the office of General Manager of CDP S.p.A.

Composition and responsibilities

The Liquidity Contingency Committee is composed of the following members:
- Chief Executive Officer;
- General Manager[29];
- Chief Financial Officer;
- Chief Operating Officer;
- Chief Legal Officer;
- Chief Risk Officer.

The Chief Risk Officer, or a person delegated by the Chief Risk Officer, performs the role of the Chairman of the Liquidity Contingency Committee.

The Liquidity Contingency Committee has the following responsibilities:
- correctly and promptly assessing the seriousness and severity of any (imminent) situation of liquidity strain;
- assessing CDP's actual funding capacity;
- proposing strategies to overcome alert/crisis situations and ensuring the instructions provided are properly executed;
- continually monitoring the progress of the situation of liquidity strain through a series of alert criteria and, where necessary, adopting further corrective measures, and assessing their effectiveness.

The Liquidity Contingency Committee did not need to meet during 2016.

[29] In August 2015, the Chief Executive Officer of CDP S.p.A. also assumed the office of General Manager of CDP S.p.A.

6. Outlook of operations

Looking forward, the implementation and realisation of the new 2016-2020 Business Plan will continue in 2017.

In a market situation subject to various elements of uncertainty, characterised by a scenario of slowly recovering rates and inflation performance that remains weak, despite the recent recovery of Brent prices, CDP's earnings performance in 2017 is expected to remain at the levels reached in 2016, due to efficient liquidity management and optimisation of funding sources.

7. Relations of the Parent Company with the MEF

Relations with the Central State Treasury

CDP has an interest-bearing current account, no. 29814 denominated “Cassa CDP SPA - Gestione Separata”, with the Central State Treasury on which it deposits most of its liquidity.

During 2016, the MEF, with decree dated 12 May 2016, pursuant to Article 17-quater of decree-law no. 18 of 14 February 2016, converted by law no. 49 of 8 April 2016, reviewed the method of remuneration of the treasury current account no. 29814, which since 1 January 2016 has equalled the weighted average (using weightings at 20% and 80%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs.

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 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 December 2014 until 31 December 2019, governs the methods by which CDP manages existing relations as of the transformation date, resulting from the Postal Savings Bonds transferred to the MEF (Article 3.4.c) under the above mentioned Ministerial Decree). Based on this agreement, in addition to settling cash flows and managing relations with Poste Italiane, CDP provides the following services to the MEF:
- financial reporting;
- periodic provision of information, both actual information and forecasts, on bond redemptions and stocks;
- monitoring and management of the Treasury accounts established for the purpose.

The second agreement, which was renewed on 10 April 2015 until 31 December 2019, concerns the management of the loans and relations transferred to the MEF pursuant to Article 3.4, a), b), e), g), h) and i) of the above mentioned Ministerial Decree. Here, too, guidelines were provided to help with the management activities by monitoring such activities. In line with Article 4.2 of the above mentioned 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 euro 2.6 million in 2016 for the performance of these services.

On 12 April 2013, an addendum to the above agreement was signed in order to ensure the immediate implementation of the provisions of Decree Law no. 35 of 8 April 2013, regarding the release of payments for Public Administration trade payables. As a result of the regulatory provisions introduced in Article 13, paragraphs 1,2 and 3 of Decree Law 102 of 31 August 2013, on 11 September 2013 a supplementary deed to the Addendum already entered into between CDP and MEF needed to be signed to establish the criteria and methods of access to the payment of the cash advances for 2014, which was then followed by 4 additional deeds in relation to the provisions under Article 13, paragraphs 8 and 9, of Decree Law no. 102 of 31 August 2013, articles 31 and 32 of Decree Law no. 66 of 24 April 2014 and Article 8, paragraphs 6, 7 and 8, of Decree Law no. 78 of 19 June 2015.

In March 2012 CDP signed the Agreement between the Bank of Italy and the Counterparties permitted to participate in transactions on behalf of the Treasury (OPTES) and since then it is included stably between the counterparties permitted to the above-mentioned transactions. CDP primarily participates in transactions performed by the Bank of Italy, with prior authorisation of the MEF, via bilateral negotiation.

CDP continued its management activity for the Government Securities Amortisation Fund, whose transfer from the Bank of Italy to CDP is governed by Article 1, par. 387, of law no. 190 of 23 December 2014 (Stability Law 2015 - Provisions for the annual and multiannual state budget). The Fund's management methods are governed by the "Agreement for the management of the Government Securities Amortisation Fund" signed by CDP and the MEF on 30 December 2014, approved and made effective with decree of the Treasury Department no. 3513 of 19 January 2015. On 24 March 2016, CDP and the MEF signed the "Agreement amending the agreement for the management of the Government Securities Amortisation Fund" with which the mechanism for the calculation of the remuneration of the existing deposits on the Fund was reviewed.

On 23 December 2015, a new agreement was finalised for the financial, administrative and accounting management of the off-balance-sheet Revolving Fund for Cooperation and Development through which the MEF assigned CDP:

- the financial, administrative and accounting management of the Revolving Fund, pursuant to Article 26 of Law 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 euro 1 million 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 euro 6,573 million at 31 December 2016, compared with euro 8,011 million at the end of 2015. In addition, there are the cash advances granted for the payment of Public Administration trade payables (Decree Law no. 35 of 8 April 2013, Decree Law no. 66 of 24 April 2014, and Decree Law no. 78 of 19 June 2015), the residual debt of which came to euro 6,273 million at 31 December 2016, compared with euro 6,487 million at the end of 2015. The liabilities include the management of Postal Savings Bonds assigned to the MEF, which at year-end totalled euro 69,841 million, compared with euro 70,617 million at 31 December 2015.

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 funds amounting to euro 2,828 million at 31 December 2016 on the dedicated current accounts; the natural gas infrastructure programme for the South, which was allocated resources totalling euro 205 million; and the territorial agreements and area contracts, which had funds amounting to euro 530 million.

3. Separate Financial Statements 2016

Form and content of the separate financial statements at 31 december 2016

The separate financial statements at 31 December 2016 have been prepared in accordance with applicable regulations and are composed of the:

- 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 are composed of:

- Introduction
- Part A - Accounting policies
- Part B - Information on the balance sheet
- Part C - Information on the income statement
- Part D - Comprehensive income
- Part E - Information on risks and related hedging policies
- Part F - Capital
- Part H - Transactions with related parties

The following are also included:

- Annexes
- Report of the Board of Statutory Auditors
- Report of the Independent Auditors
- Certification pursuant to art. 154 - *bis* of Legislative Decree no. 58/98

The section "Annexes", which is an integral part of the separate financial statements, includes the list of the equity investments owned by CDP, the separate accounting statements showing the contribution of the Separate Account and the Ordinary Account to CDP's results and the reconciliation statements between the accounting statements and the reclassified balance sheet and income statement of CDP.

Contents of the separate financial statements

Separate financial statements at 31 December 2016

BALANCE SHEET

(euros)

Assets	31/12/2016	31/12/2015
10. Cash and cash equivalents	3,093	2,932
20. Financial assets held for trading	207,650,392	200,501,673
40. Financial assets available for sale	9,596,393,260	7,578,552,942
50. Financial assets held to maturity	32,268,680,348	24,577,265,251
60. Loans to banks	23,964,631,584	25,207,955,489
- *of which: separated asset pool*	*446,324,638*	*406,691,544*
70. Loans to customers	258,642,911,172	257,105,038,483
80. Hedging derivatives	733,272,511	789,378,295
100. Equity investments	30,896,644,341	28,138,171,456
110. Property, plant and equipment	272,567,177	252,558,181
120. Intangible assets	8,570,519	5,349,273
130. Tax assets:	972,786,595	809,946,549
a) current	628,099,980	467,581,492
b) deferred	344,686,615	342,365,057
- *of which: for purposes of L. 214/2011*		
150. Other assets	145,602,272	234,235,232
Total assets	**357,709,713,264**	**344,898,955,756**

(euros)

Liabilities and equity	31/12/2016	31/12/2015
10. Due to banks	14,487,457,832	14,336,702,051
- *of which: secured by separated asset pool*	-	*400,003,333*
20. Due to customers	305,798,520,321	294,843,707,676
30. Securities issued	12,031,653,582	14,381,591,253
40. Financial liabilities held for trading	183,286,348	169,571,640
60. Hedging derivatives	831,894,069	535,246,839
70. Adjustment of financial liabilities hedged generically (+/-)	38,206,204	43,272,652
80. Tax liabilities:	210,911,533	142,329,999
a) current	93,877,881	35,304,568
b) deferred	117,033,652	107,025,431
100. Other liabilities	877,150,145	945,658,473
110. Staff severance pay	1,004,783	930,077
120. Provisions:	42,813,434	38,893,000
b) other provisions	42,813,434	38,893,000
130. Valuation reserves	946,536,992	940,469,993
160. Reserves	14,225,165,606	14,184,832,430
170. Share premium reserve	2,378,517,244	-
180. Share capital	4,051,143,264	3,500,000,000
190. Treasury shares (-)	(57,220,116)	(57,220,116)
200. Net income for period (+/-)	1,662,672,023	892,969,789
Total liabilities and equity	**357,709,713,264**	**344,898,955,756**

INCOME STATEMENT

(euros)

Items		31/12/2016	31/12/2015
10.	Interest income and similar revenues	6,722,913,263	5,906,932,765
20.	Interest expense and similar charges	(4,354,350,232)	(5,001,806,401)
30.	**Net interest income**	**2,368,563,031**	**905,126,364**
40.	Commission income	96,954,952	61,365,810
50.	Commission expense	(1,581,159,760)	(1,614,857,006)
60.	**Net commission income (expense)**	**(1,484,204,808)**	**(1,553,491,196)**
70.	Dividends and similar revenues	1,570,768,905	1,538,444,005
80.	Net gain (loss) on trading activities	5,665,777	69,670,039
90.	Net gain (loss) on hedging activities	756,687	4,504,139
100.	Gains (losses) on disposal or repurchase of:	24,605,589	399,986,163
	a) loans	19,139,789	67,284,144
	b) financial assets available for sale	5,463,955	332,691,751
	c) financial assets held to maturity	1,845	10,268
120.	**Gross income**	**2,486,155,181**	**1,364,239,514**
130.	Net impairment adjustments of:	(457,112,014)	(95,628,198)
	a) loans	(163,235,538)	(101,827,650)
	b) financial assets available for sale	(215,948,520)	(26,800)
	d) other financial transactions	(77,927,956)	6,226,252
140.	**Financial income (expense), net**	**2,029,043,167**	**1,268,611,316**
150.	Administrative expenses:	(136,162,728)	(130,723,327)
	a) staff costs	(80,533,141)	(71,653,920)
	b) other administrative expenses	(55,629,587)	(59,069,407)
160.	Net provisions	(1,157,601)	(18,486,007)
170.	Net adjustments of property, plant and equipment	(4,556,613)	(4,575,292)
180.	Net adjustments of intangible assets	(2,465,725)	(2,246,874)
190.	Other operating income (costs)	3,752,011	(18,383,217)
200.	**Operating costs**	**(140,590,656)**	**(174,414,717)**
210.	Gains (losses) on equity investments	(270,010,000)	(209,042,375)
240.	Gains (losses) on disposal of investments	(3,835)	(5,479)
250.	**Income (loss) before tax from continuing operations**	**1,618,438,676**	**885,148,745**
260.	Income tax for the year on continuing operations	44,233,347	7,821,044
270.	**Income (loss) after tax on continuing operations**	**1,662,672,023**	**892,969,789**
290.	**Income (loss) for the year**	**1,662,672,023**	**892,969,789**

STATEMENT OF COMPREHENSIVE INCOME

(euros)

Items		31/12/2016	31/12/2015
10.	**Income (loss) for the year**	**1,662,672,023**	**892,969,789**
	Other comprehensive income net of taxes transferred to income statement		
90.	Cash flow hedges	(2,024,469)	(7,586,917)
100.	Financial assets available for sale	8,091,468	(125,115,015)
130.	**Total other comprehensive income net of taxes**	**6,066,999**	**(132,701,932)**
140.	**Comprehensive income (items 10 + 130)**	**1,668,739,022**	**760,267,857**

STATEMENT OF CHANGES IN EQUITY: CURRENT PERIOD

(euros)	Balance at 31/12/2015	Changes in opening balance	Balance at 01/01/2016	Allocation of net income for previous year	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	3,500,000,000		3,500,000,000		
b) preference shares					
Share premium reserve					
Reserves:					
a) income	14,184,832,430		14,184,832,430	40,333,176	
b) other					
Valuation reserves:					
a) available for sale	749,377,317		749,377,317		
b) cash flow hedges	23,520,674		23,520,674		
c) other reserves					
- revaluation of property	167,572,002		167,572,002		
Equity instruments					
Treasury shares	(57,220,116)		(57,220,116)		
Income (loss) for the year	892,969,789		892,969,789	(40,333,176)	(852,636,613)
Equity	**19,461,052,096**		**19,461,052,096**		**(852,636,613)**

STATEMENT OF CHANGES IN EQUITY: PREVIOUS PERIOD

(euros)	Balance at 31/12/2014	Changes in opening balance	Balance at 01/01/2015	Allocation of net income for previous year	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	3,500,000,000		3,500,000,000		
b) preference shares					
Share premium reserve					
Reserves:					
a) income	12,867,358,117		12,867,358,117	1,317,474,313	
b) other					
Valuation reserves:					
a) available for sale	874,492,332		874,492,332		
b) cash flow hedges	31,107,591		31,107,591		
c) other reserves					
- revaluation of property	167,572,002		167,572,002		
Equity instruments					
Treasury shares	(57,220,116)		(57,220,116)		
Income (loss) for the year	2,170,110,926		2,170,110,926	(1,317,474,313)	(852,636,613)
Equity	**19,553,420,852**		**19,553,420,852**		**(852,636,613)**

Changes for the year								Equity at 31/12/2016
Changes in reserves	Equity transactions						Comprehensive income for 2016	
	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options		
	551,143,264							4,051,143,264
	2,378,517,244							2,378,517,244
								14,225,165,606
							8,091,468	757,468,785
							(2,024,469)	21,496,205
								167,572,002
								(57,220,116)
							1,662,672,023	1,662,672,023
	2,929,660,508						**1,668,739,022**	**23,206,815,013**

Changes for the year								Equity at 31/12/2015
Changes in reserves	Equity transactions						Comprehensive income for 2015	
	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options		
								3,500,000,000
								14,184,832,430
							(125,115,015)	749,377,317
							(7,586,917)	23,520,674
								167,572,002
								(57,220,116)
							892,969,789	892,969,789
							760,267,857	**19,461,052,096**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(euros)	31/12/2016	31/12/2015
A. OPERATING ACTIVITIES		
1. Operations	**3,967,596,711**	**2,806,319,496**
Net income for the year (+/-)	1,662,672,023	892,969,789
Gains (losses) of financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(8,391,435)	(11,394,727)
Gains/losses on hedging activities (-/+)	(857,663)	(30,409,850)
Net impairment adjustments (+/-)	458,071,723	96,447,955
Net value adjustments to property, plant and equipment and intangible assets (+/-)	7,022,338	6,822,166
Net provision and other costs/revenues (+/-)	13,841,644	26,984,734
Unpaid charges, taxes and tax credits (+/-)	(44,233,347)	(7,821,044)
Writedowns/writebacks of equity investments (+/-)	270,010,000	209,042,375
Other adjustments (+/-)	1,609,461,428	1,623,678,098
2. Cash generated/used by financial assets	**(6,755,055,503)**	**10,880,405,446**
Financial assets held for trading	1,242,716	109,574,646
Financial assets available for sale	(2,250,389,606)	(747,339,010)
Loans to banks: other	454,517,588	1,206,126,987
Loans to customers	(5,027,498,269)	11,753,774,174
Other assets	67,072,068	(1,441,731,351)
3. Cash generated/used by financial liabilities	**6,210,629,382**	**(5,427,789,724)**
Due to banks: other	149,263,364	1,115,550,807
Due to customers	8,520,343,632	(10,077,972,324)
Securities issued	(2,375,877,415)	4,447,785,599
Financial liabilities held for trading	13,714,708	(120,472,015)
Other liabilities	(96,814,907)	(792,681,791)
Cash generated by/used in operating activities	**3,423,170,590**	**8,258,935,218**
B. INVESTING ACTIVITIES		
1. Cash generated by:	**30,454,264,086**	**26,594,969,788**
Sale of equity investments	1,530,000	798,925,680
Sale of financial instruments held to maturity	30,452,734,086	25,796,044,108
2. Cash used in	**(38,390,440,855)**	**(29,180,899,898)**
Purchase of equity investments	(96,355,100)	(108,576,702)
Purchase of financial assets held to maturity	(38,263,833,173)	(29,045,077,714)
Purchase of property, plant and equipment	(24,565,610)	(25,302,337)
Purchase of intangible assets	(5,686,972)	(1,943,145)
Cash generated by/used in investing activities	**(7,936,176,769)**	**(2,585,930,110)**
C. FINANCING ACTIVITIES		
Dividend distribution and other allocations	(852,636,613)	(852,636,613)
Cash generated by/used in financing activities	**(852,636,613)**	**(852,636,613)**
CASH GENERATED/USED DURING THE YEAR	**(5,365,642,792)**	**4,820,368,495**

Reconciliation

Items (*)	31/12/2016	31/12/2015
Cash and cash equivalents at beginning of year	**153,574,514,384**	**148,754,145,889**
Total cash generated/used during the year	(5,365,642,792)	4,820,368,495
Cash and cash equivalents: effects of changes in exchange rates		
Cash and cash equivalents at end of year	**148,208,871,592**	**153,574,514,384**

(*) 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 70 "Loans to customers" and the positive balance on bank accounts reported under item 60 "Loans to banks", net of current accounts with a negative balance reported under item 10 "Due to banks" of liabilities.

Notes to the Separate Financial Statements

INTRODUCTION

Form and content of the separate financial statements

As in previous years, the CDP separate financial statements have been prepared to the extent applicable in accordance with the instructions of the Bank of Italy, which are set out in its circular concerning "Banking and financial service supervision" of 22 December 2005, updated to 15 December 2015, which set out the formats and rules for compiling bank financial statements, incorporating the introduction of International Financial Reporting Standards (IFRS) for bank financial reporting.

With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2006 financial year, to adopt the 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 no. 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 separate 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 separate financial statements and related annexes, as well as the Board of Directors' report on operations.

The separate financial statements provide a clear and fair view of the Company's financial position and operating performance and correspond to the accounting records, which fully reflect the transactions conducted during the financial year.

Basis of presentation

The balance sheet, the income statement and the other separate financial statements are expressed in euros, whereas the tables in the notes to the separate financial statements are stated in thousands of euros, unless otherwise specified.

Items with zero balances for both the current and prior period 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 separate financial statements and in the tables of the notes to the separate financial statements have been rounded as appropriate, while ignoring the fractions of amounts equal to or less than euro 500 and raising fractions greater than euro 500 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 70 "Loans to customers" and the positive balance on bank accounts reported under item 60 "Loans to banks", net of current accounts with a negative balance reported under item 10 "Due to banks" of liabilities.

Comparison and disclosure

As detailed below, the notes to the separate financial statements provide all of the information required by law, as well as any supplemental information deemed necessary in order to provide a true and fair presentation of the company's financial performance and standing.

The tables and other details required by the Bank of Italy have been numbered in accordance with the parts and sections specified in Annex "A" of the supervisory instructions issued by the Bank of Italy.

For the purposes of comparison, the tables in the notes to the separate financial statements present the figures for both the 2016 and 2015 financial years.

Tables with no amounts for either 2016 or 2015 have been omitted.

CDP separate asset pools

KfW separate asset pool

On 29 October 2014, the Board of Directors approved the establishment of a separate asset pool, called "KfW asset pool", exclusively intended to satisfy all current, potential and future rights and claims that Kreditanstalt für Wiederaufbau (KfW) has or will have with respect to CDP, in connection with the loan agreement entered into between CDP and KfW on 28 October 2014 involving a loan to CDP for a maximum amount of euro 300 million (the "Loan Agreement").

By subsequent resolution of the Board of Directors on 29 October 2015, the increase in the funding was approved for a total amount of euro 100 million, bringing it to a total of euro 400 million, in addition to the extension to 18 December 2015 of the period within which CDP could use the loan. The related consequent modifying addendum to the loan agreement was signed between CDP and KfW on 16 November 2015.

This funding is used to finance small and medium Italian enterprises (SMEs) through the banking system and as part of the Separate Account.

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

The total outstanding principal of loans to banks, and the related loans to SMEs sold as guarantee, included in the "KfW asset pool" cannot exceed euro 460 million.

The funding of euro 400 million made available under the Loan Agreement and fully disbursed, was fully repaid in advance by CDP on 30 June 2016. The KfW asset pool will be released in accordance with the procedures set out in the Loan Agreement or subsequent agreements between the parties.

The separate asset pool and the funding guaranteed by it are presented in the separate financial statements by a specific "of which" indication.

Auditing of the financial statements

The financial statements of CDP are subject to statutory audit pursuant to Legislative Decree 39/2010 by the independent auditing firm PricewaterhouseCoopers S.p.A., following award of the audit engagement for the 2011-2019 period by the Shareholders' Meeting of 25 May 2011.

Annexes

In order to provide suitable disclosure, a detailed list of the equity investments held by CDP is annexed to the Annual Report.

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

PART A - ACCOUNTING POLICIES

A.1 - General information

Section 1 - Declaration of conformity with the international financial reporting standards

These separate financial statements at 31 December 2016 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 2016 and endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Journal of the Republic of Italy (Gazzetta Ufficiale) L. 243 on 11 September 2002.

To the extent applicable, these separate financial statements have been prepared on the basis of Circular no. 262 of the Bank of Italy of 22 December 2005 (as amended on 18 November 2009, 21 January 2014, 22 December 2014, and 15 December 2015), which establishes the mandatory financial statement formats and compilation procedures, and also the contents of the notes to the financial statements.

The IFRS applied for preparation of these financial statements are found in the list given in "Section 4 – Other issues".

Section 2 - General preparation principles

The separate financial statements of CDP include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows (prepared according to the "indirect method"), and these notes to the separate financial statements, as well as the directors' report on operations. These documents, the consolidated financial statements and the annexes to both separate and consolidated financial statements, mark up the annual report.

The financial statements and tables in the notes to the separate financial statements present not only the net amounts for the current financial year, but also the corresponding comparative values for the previous financial year.

The balance sheet, the income statement, the statement of comprehensive income and in the statement of cash flows do not contain those items having a zero amount in the reference financial year and the previous financial year.

In the income statement and the statement of comprehensive income, revenues are indicated without sign, while costs are shown in brackets.

For the purposes of interpretation and to provide support in applying these standards, the following documents have also been considered, although they have not been endorsed by the European Commission:
- the Framework for the Preparation and Presentation of Financial Statements, issued by the International Accounting Standards Board (IASB) in 2001;
- Implementation Guidance, Basis for Conclusions, and any other documentation prepared by the IASB or IFRIC to supplement the IFRS issued;
- interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board; OIC) and the Italian Banking Association (ABI).

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 separate financial statements also provide supplemental information for such purpose.

The separate financial statements have been prepared on an accruals and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.

Pursuant to the provisions of joint Bank of Italy/Consob/Isvap document no. 2 of 6 February 2009 concerning disclosures on business continuity and in compliance with the requirements on the same issue contained in IAS 1 Revised, CDP has conducted an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon.

Based on an analysis of the information and the results achieved in previous years, CDP feels that it is appropriate to prepare its financial statements on a going-concern basis.

No assets have been offset with liabilities, nor 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.

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 year.

Changes in the conditions underlying the judgements, assumptions and estimates used could also have an impact on the financial statement items and future earnings results.

The main areas in which management is required to make subjective assessments are:
- the quantification of impairment losses on loans, equity investments and, in general, other financial assets;
- the use of valuation techniques to determine the fair value of financial instruments not quoted on an active market;
- the quantification of provisions for employees and provisions for liabilities and contingencies;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets and interpretative issues concerning accounting treatment;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products.

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

Section 3 - Events subsequent to the reporting date

During the period between the reporting date for these separate financial statements and their approval by the Board of Directors on 31 March 2017, no events occurred that would require an adjustment to the figures recorded in the separate financial statements at 31 December 2016 nor did any significant events occur that would have required providing additional information.

Section 4 - Other issues

IFRS endorsed at 31 December 2016 and in force since 2016

As required by IAS 8 (Accounting policies, changes in accounting estimates and errors), new IFRS are detailed below, together with amendments to standards already in force, endorsed by the EU, whose application became mandatory for the financial statements of the year beginning 1 January 2016:
- European Commission Regulation (EU) no. 2016/1703 of 22 September 2016, published in Official Journal L. 257 of 23 September, 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 Standards (IFRS) 10 and 12 and International Accounting Standard (IAS) 28. The main amendments concern:
  - IFRS 10 – Consolidated Financial Statements. The document aims to restrict the cases for exemption from presentation of the consolidated financial statements, the prerequisites for determination of an investment entity, and the cases of exemptions from consolidation of the investments held by investment entities.
  - IFRS 12 – Disclosure of Interests in Other Entities. The amendments mandate the disclosure that has to be given by the investees that prepare financial statements where their subsidiaries are measured in accordance with IFRS 10;
  - IAS 28 – Investments in Associates and Joint Ventures. The amendments introduce new guidelines for application of the equity method, by restricting the conditions for exemption from its application.
- European Commission Regulation (EU) no. 2015/2173 of 24 November 2015, published in the Official Journal L. 307 of 25 November, adopting the Amendments to IFRS 11 entitled "Accounting for Acquisitions of Interests in Joint Operations". The amendments provide guidance on accounting of acquisitions of interests in joint operations that constitute a business.
- European Commission Regulation (EU) no. 2015/2231 of 2 December 2015, published in the Official Journal L. 317 of 3 December, adopting Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets. The amendment in question clarifies when a revenue-based depreciation or amortisation method, or one based on a plan that depreciates property, plant and equipment and amortises intangible assets based on the revenue that is generated by an activity that includes their use is appropriate.

- European Commission Regulation (EU) no. 2015/2343 of 15 December 2015, published in the Official Journal L. 330 of 16 December, adopting the IFRS Annual improvements cycle 2012-2014. Its principal amendments affect:
  - IFRS 5 - Non-current assets held for sale and discontinued operations.
    The amendment introduced a specific guidance to IFRS 5 for when an entity reclassifies an asset from the held-for-sale category to the held-for-distribution category (or vice-versa), or when the requirements for classification of an asset as held-for-distribution are no longer satisfied. The amendments state that:
    - these reclassifications do not constitute a change to a plan (for sale or distribution) and, therefore, the classification and measurement criteria remain valid;
    - the assets that no longer meet the classification criteria envisaged for held-for-distribution should be treated in the same way as an asset that ceases to be classified as held for sale.
  - IFRS 7 - Financial instruments: disclosures.
    The amendment governs the introduction of further guidance to clarify whether a servicing contract constitutes continuing involvement in a transferred asset for the purposes of the disclosures required for transferred assets. It also clarifies that the disclosure on offsetting of financial assets and liabilities is not explicitly required for all interim financial statements. However, this disclosure might be necessary to comply with the requirements imposed by IAS 34, when material information is involved.
  - IAS 19 – Employee Benefits.
    This document clarifies that the rate used to discount post-employment benefits should be determined by reference to high quality corporate bonds issued in the currency used for the payment of the benefits and the depth of the related market must therefore be defined in terms of currency.
  - IAS 34 - Interim financial reporting.
    This document introduces amendments to clarify that some required information must be included in the interim financial statements or, at a minimum, in other parts of the accounts such as the interim financial report, whilst making sure to include cross references to the other section in the interim financial statements. In this last case, the interim financial report has to be provided to the readers of the financial statements in the same ways and at the same time as the interim financial statements. Otherwise, the latter will have to be considered incomplete.
- European Commission Regulation (EU) no. 2015/2406 of 18 December 2015, published in the Official Journal L. 333 of 19 December, adopting Amendments to IAS 1 – Presentation of Financial Statements: Disclosure initiative. In the broader scope of improving financial statement disclosures, the amendment in question makes several changes to IAS 1 which provide clarification on the elements that may be perceived as impediments to clear and intelligible preparation of the financial statements.
- European Commission Regulation (EU) no. 2015/2441 of 18 December 2015, published in the Official Journal L. 336 of 23 December, adopting Amendments to IAS 27 – Separate Financial Statements: Equity Method in Separate Financial Statements. The amendment in question introduces the possibility of recognising in the investor's separate financial statements those investments in subsidiaries, subsidiaries under joint control or subject to significant influence by using the equity method.
- European Commission Regulation (EU) no. 2015/2113 of 23 November 2015, published in the Official Journal L. 306 of 24 November, adopting Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture: bearer plants. Although this amendment is immaterial for the Company, the change permits application of the same accounting treatment of plants used to grow agricultural products over several years, known as bearer plants, as the method used to account for property, plant and equipment in accordance with IAS 16 – Property, Plant and Equipment.
- European Commission Regulation (EU) no. 29/2015 of 17 December 2014, published in the Official Journal L. 5 of 9 January 2015, adopting Amendments to IAS 19 – Defined Benefits Plans: Employee Contributions. The amendment to IAS 19 became necessary to facilitate, when certain conditions are met, the recognition of defined benefit plans that call for contributions by employees or third parties. In the absence of certain conditions, the recognition of those contributions becomes more complex because they must be allocated to the individual periods of the plan through the actuarial calculation of the related liability.
- Regulation (UE) no. 28/2015 for endorsement: Improvements to the international accounting standards Cycle 2010-2012. The aim of the annual improvements is to address necessary issues related to inconsistencies found in the IFRS Standards or terminological clarifications that are not urgent but have been discussed by the IASB during the project cycle begun in 2011. In certain cases, the amendments represent clarifications or corrections to the standards in question (IFRS 8, IAS 16, IAS 24 and IAS 38), in other cases the amendments entail changes to current provisions or provide additional information on their application (IFRS 2 and 3).

The adoption of the above-mentioned changes to the standards did not result in any significant impacts on the Company's financial statements.

New accounting standards and interpretations issued and approved by the European Commission, but not yet in force (date of entry into effect for financial years beginning from 1 January 2017)

No new accounting standards having an effective date of 1 January 2017 have been issued and endorsed by the European Union.

New accounting standards and interpretations issued and approved by the European Commission, but not yet in force (date of entry into effect for financial years beginning from 1 January 2018)

A list of new accounting standards and interpretations issued but not yet effective is provided below; they are not applicable for the preparation of the financial statements at 31 December 2016 (unless it has been decided to adopt them in advance, where permitted):

- European Commission Regulation (EU) no. 2016/2067 of 22 November 2016, published in Official Journal L. 323 of 29 November 2016, 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 IFRS 9. The standard aims to improve the financial reporting of financial instruments by addressing concerns that arose in this area during the financial crisis. In particular, IFRS 9 addresses the call to move to a more forward-looking model for the recognition of expected losses on financial assets.
- European Commission Regulation (EU) no. 2016/1905 of 22 September 2016, published in Official Journal L. 295 of 29 October 2016, 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 IFRS 15. This standard aims to improve the financial reporting of revenue and to improve comparability of the top line in financial statements globally.

IFRS 9: Financial Instruments

The endorsement of IFRS 9 by the European Union completes and ends the process to replace IAS 39. This process is divided into three phases, named: “classification and measurement”, “impairment”, and “hedge accounting”. Revision of the rules for macro hedge accounting still has to be completed, for which the IASB has decided to undertake a project separated from IFRS 9.

In extreme summary, the main innovations wrought by the new standard involve:

- the classification and measurement of debt instruments, based on the contextual analysis of the adopted business model and the characteristics of the contractual cash flows generated by the instrument, envisages three accounting categories: financial assets measured at amortised cost, financial assets measured at fair value through profit and loss (“FVTPL”), and financial assets measured at fair value through other comprehensive income (“FVOCI”). In contrast with the current IAS 39, the portfolios of financial assets available for sale and financial assets held to maturity, and the possibility of separating the embedded derivatives from hybrid contracts for financial assets alone, are eliminated. Instead, the current classification and measurement rules for financial liabilities as given in IAS 39 are confirmed;
- the classification of equity instruments in the FVTPL category, unless the option is exercised to classify the equity instruments not held for trading in the FVOCI category;
- the recognition of “own credit risk” (i.e. the change in value of the financial liabilities designated under the fair value option attributable to the change in the entity’s own credit quality) through other comprehensive income, instead of in the income statement as currently provided by IAS 39;
- 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 immediate recognition of losses than the present “Incurred Loss” model envisaged in IAS 39, according to which the losses have to be recognised if evidence is found of impairment losses after initial recognition of the asset. In detail, the new model envisages that the financial assets be allocated in three distinct “stages” in increasing order of deterioration of the credit quality:
  - stage 1: this involves the performing financial assets for which no significant credit impairment was recognised in comparison with the date of initial recognition. These assets are recognised on the basis of an expected loss one year out;
  - stage 2: this involves the performing financial assets whose credit quality has deteriorated significantly since initial recognition. These financial assets are measured based on their lifetime expected credit loss;
  - stage 3: this involves the credit-impaired financial assets which, having suffered a significant increase in their credit risk since initial recognition, are measured based on their lifetime expected credit loss;
- hedge accounting, with the aim of guaranteeing greater alignment between accounting hedges and operating (or economic) hedge relationships established by the Risk Management Department;
- the impossibility of voluntarily interrupting a hedge accounting relationship if the aim of the hedge by Risk Management remains.

Mandatory application of the standard is scheduled to begin on 1 January 2018, with the possibility of early application of the entire standard or only of the amendments related to the accounting of own credit risk for financial liabilities measured at fair value.

During the second half of 2016 CDP undertook, with the support of a leading consulting firm, a specific project to implement these new accounting rules.

To ensure uniform implementation of the new accounting rules within the CDP Group, in accordance with the recommendations of international authorities, this project includes the Parent Company and the companies under its management and coordination.

This project is structured in several phases so that the Group may not only implement the accounting changes but also make changes in the business strategies and business operations introduced by the principle itself, and thus design optimal solutions for all the Business Units involved by the mandatory adoption date.

Realisation of the project is based on the convergent involvement of the various organisational units at the Parent Company and the consolidated companies, such as Administration, Accounting and Reporting, Risk Management, Business, Finance, ITC, Planning, Management Control and Organisation.

The process of compliance with the new accounting standard is divided into three parts, consistently with the key features of the new standard, i.e. “Classification & Measurement” (broken down in turn according to the securities and loans and receivables segment), “Impairment” and “Hedge Accounting”.

The same methodological approach is used for each part, which is broken down into three phases: Assessment, Design, and Implementation.

The “Assessment” phase is aimed at identifying the macro accounting impacts on the IT processes and systems.

The aim of the “Design” phase is to identify possible solutions for strategic decisions, definition of the target valuation models, definition of the functional specifications for implementation of the IT systems.

The last phase of “Implementation” is aimed at implementation of the IT systems and calculation of the impact resulting from first time adoption.

The changes in book value of the financial instruments due to first-time application of the new standard will be recognised as a balancing entry in Equity at 1 January 2018.

At the date when these separate financial statements were prepared, the assessment phase for the “Classification & Measurement” and “Impairment” part was completed. The macro impacts resulting from adoption of the new standard were identified in that part.

For the “Classification & Measurement” part, existing portfolios (Loans and Securities) were first analysed at the end date of the previous year. Then they were grouped in uniform sub-categories that would permit an integrated study of products having the same characteristics, as opposed to those characterised by special clauses. Moreover, specific clauses and cases were also analysed.

The “Impairment” part focused on a preliminary analysis of all the material aspects of the accounting standard, including stage allocation, significant deterioration, expected losses, etc.

The analyses conducted thus far have revealed that the loans area will be impacted the most. This discovery confirms the expectations of the banking sector in regard to the significance of the changes wrought by the new accounting standard. This is especially true for the new impairment model, with a consequent increase in impairment from what has been estimated with the current calculation model.

This project, whose “Design” phase is currently under way, will continue with the Implementation phase that will conclude by 31 December 2017, and which shall be disclosed in the subsequent Interim and Annual Financial Reports.

This project will involve coordination in the broader scope of the CDP Group.

IFRS 15: Revenue from Contracts with Customers

The standard, published by the IASB on 28 May 2014, has introduced a single model for measuring all revenue deriving from contracts with customers and replaces the previous standards/interpretations on revenue (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18, SIC 31). According to this model, the entity has to recognise revenue according to the consideration to which it expects to be entitled in exchange for the goods or services provided, determined according to the following five steps:

1) identification of the contract, defined as an agreement having commercial substance between two or more equal parties that can generate rights and obligations;
2) identification of the performance obligations contained in the contract;
3) determination of the transaction price, i.e. the expected consideration for the transfer of goods or services to the customer;
4) allocation of the transaction price to each of the performance obligations, by reference to their standalone selling prices;
5) recognition of the revenue allocated to the individual obligation when it is satisfied, i.e. when the customer obtains control of the goods and services. This recognition acknowledges the fact that certain services may be provided at a specific time or over a period of time.

CDP has not yet started the formal assessment of the impacts of this new standard, which, in any event, are not expected to be significant.

Accounting standards, amendments and interpretations that have not yet been endorsed by the European Union at the reporting date of these separate financial statements

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 separate financial statements:
- IFRS 14 – Regulatory Deferral Accounts;
- IFRS 16 – Leases;
- IFRIC 22: Foreign currency transactions and advance consideration;
- Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments In Associates And Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 12: Income Taxes on Recognition of Deferred Tax Assets for Unrealized Losses;
- Amendments to IAS 7: Statement of Cash Flows on Disclosure Initiative;
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 4: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts;
- Amendments to IAS 40: Investment Property Relating to Transfers of Investment Property;
- Clarifications on IFRS 15: Revenue from Contracts with Customers;
- Annual improvements 2014–2016.

IFRS 16: Leases

On 13 January 2016, the IASB published IFRS 16 (Leases), which is intended to replace the current accounting standard IAS 17, and the interpretations IFRIC 4 (Determining whether an Arrangement contains a Lease), SIC 15 (Operating Leases – Incentives), and SIC 27 (Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The new standard gives a new definition of lease and introduces a principle based on control ("right of use") of an asset, to distinguish finance leases from service agreements, by identifying the following as discriminating elements: identification of the asset, the right to substitute the asset, the right to obtain substantially all of the economic benefits resulting from use of the asset and the right to direct the use of the asset underlying the agreement. The aim is to ensure greater comparability between financial statements due to the different accounting principles applied to operating leases and finance leases. The standard establishes a single model for recognition and measurement of leases by the lessee, which entails recognition of the leased asset, including those held under an operating lease, on the assets side of the balance sheet, with a balancing entry for the financial liability, while also offering the possibility of not recognising as finance leases those agreements whose object are "low-value assets" and leases whose term is 12 months or less. In contrast, the new standard does not envisage significant changes for the lessors. The directors do not expect that the application of IFRS 16 will have a material impact on the recognition of lease agreements or on the related disclosures made in the consolidated financial statements of the Group. Nevertheless, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of the associated agreements.

The new standard applies beginning 1 January 2018, with the envisaged possibility of early application, while the process of endorsement by the European Union is still under way.

The tax consolidation mechanism

At 31 December 2016, the Parent Company, in its capacity as the consolidating entity, had the "tax consolidation mechanism" in place, as introduced by Legislative Decree no. 344 of 12 December 2003. The tax consolidation scope, which consisted of the Parent Company and eight other companies in 2015, was extended in 2016 to other subsidiaries subject to management and coordination. Specifically, CDP's tax consolidation includes: i) CDP Equity S.p.A. (former Fondo Strategico Italiano S.p.A.) and CDP GAS S.r.l. (for the three-year period 2015-2017); ii) CDP RETI S.p.A., Fincantieri S.p.A., Fincantieri Oil & Gas S.p.A., and Isotta Fraschini Motori S.p.A. (for the three-year period 2016-2018); iii) Fintecna S.p.A. and CDP Immobiliare S.r.l. (for the three-year period 2014-2016); and iv) SACE S.p.A., SACE BT S.p.A., SACE FCT S.p.A., SACE SRV S.r.l., SIMEST S.p.A., FSI Investimenti S.p.A., FSIA Investimenti S.r.l., and CDP Investimenti SGR S.p.A. (for the three-year period 2016-2018).

Other information

The Board of Directors meeting of 31 March 2017 approved CDP's draft financial statements for 2016 authorising their publication and disclosure, in accordance with the timing and procedures established by the current regulations applicable to CDP.

Due to requirements relating to the preparation of the consolidated financial statements, in accordance with Article 2364 of the Italian Civil Code and the Articles of Association, approval of the financial statements of CDP and acknowledgement of the consolidated financial statements of the CDP Group by the Shareholders' Meeting will take place within 180 days after the end of the financial year.

A.2 - The main financial statement items

The separate financial statements at 31 December 2016 have been prepared by applying the same accounting standards as those used for preparation of the financial statements for the previous financial year, reflecting the amendments endorsed and in force with effect from the financial year 2016, 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 held for trading

This item consists of financial assets, regardless of their technical form (debt securities, equity securities, units in UCITs, loans, derivatives) having the following characteristics:

- they are purchased for resale in the short-term to realise gains resulting from price changes;
- they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- they are derivatives (except for derivatives designated as hedging instruments for accounting purposes).

These also include the derivative contracts having a positive fair value, which are not part of effective accounting hedge relationships, but are operationally linked to interrelated financial assets/liabilities at fair value whose changes in value are recognised through profit or loss, on the basis of the option granted to companies ("Fair value option").

The item also includes the derivatives embedded in financial instruments or other contracts, which have been split off from the host instrument and recognised separately in the accounts because:

- they have financial characteristics and risks not strictly correlated to the host instrument;
- the embedded instruments, even when separated, meet the definition of derivative; and
- the hybrid instruments that they belong to are not measured at fair value through profit or loss.

In the event of accounting separation, the host instruments are accounted for in their own specific category.

If the conditions exist for splitting off an embedded derivative, but it is not possible to determine separately the value of the embedded derivative from the host instrument, the entire hybrid instrument is treated as a financial asset or liability at fair value.

Financial assets held for trading are initially recognised on the execution date for derivative contracts, at the settlement date for debt securities, equities, and units of UCITs, and on the disbursement date for loans. An exception is represented by those securities whose delivery is governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Upon initial recognition, financial assets held for trading are measured 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 "Net gain (loss) on trading activities" in the income statement. 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, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses. If the fair value of a financial asset becomes negative, it is recognised in the item "Financial liabilities held for trading" of the balance sheet.

Dividends on equity instruments that are held for trading are recognised as "Dividends and similar revenues" in the income statement, when the right to receive payment is established.

Financial assets held for trading are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

The gains and losses realised on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under "Net gain (loss) on trading activities" of the income statement. An exception is represented by the derivative contracts connected with the "Fair value option", whose changes in fair value are recognised in the income statement item "Net gain (loss) on financial assets and liabilities carried at fair value".

2 - Financial assets available for sale

This item consists of bonds (including the host contracts of hybrid instruments after the embedded derivative has been split off), equities (represented by equity investments not held for trading and not qualifying as subsidiaries, associates and joint ventures (including private equity investments and investments in private equity funds), units of UCITs, and loans.

Pursuant to IAS 39, the item in question represents a residual category that does not cover derivatives and financial assets classified as “Loans and Receivables”, “Financial assets held to maturity”, “Financial assets held for trading”, and “Financial assets at fair value”.

Financial assets available for sale are initially recognised on the settlement date for debt securities, equities, and units in UCITs, or on the disbursement date for loans.

The financial assets are initially recognised at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction. Where the amount paid is different from the fair value, the financial asset is nonetheless recognised at fair value, and the difference between the two amounts is recognised through profit or loss.

The financial instruments are measured subsequently at fair value based on the official prices as of the reporting date if they are listed on active markets. For financial instruments, including equity 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. If the fair value of equity instruments not listed on active markets cannot be reliably determined, these instruments are measured at cost and written down in the event of impairment.

Unrealised gains or losses on financial assets available for sale are recorded in a specific equity reserve named the “Valuation reserve”, net of tax effects and also shown in the statement of comprehensive income, until the financial asset is eliminated or impairment is recognised. Interest on the debt instruments and on loans receivable 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 exactly discounts the estimated future receipts during the expected life of the financial instrument at the net carrying value of the financial asset.

Financial assets available for sale undergo impairment testing, at every annual or interim reporting date, to determine whether there is objective evidence of impairment.

When there is objective evidence that the financial asset available for sale might be impaired, the accumulated loss that was initially recognised in the “Valuation reserves” in equity, is transferred to “Net impairment adjustments of financial assets available for sale” in the income statement. Where the decline in the fair value of an equity instrument with respect to its initial cost value is significant or prolonged, an impairment is recognised through profit or loss. CDP considers a reduction in fair value to be significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of over 24 months.

The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of a financial asset available for sale exceeds its fair value estimated at the reference date. Consequently, the amount transferred to the income statement is equal to the difference between the carrying value of the asset and the estimate of its current fair value.

Reclassifications are allowed exclusively to the category “Financial assets held to maturity” and the category “Loans and Receivables” if the conditions for their recognition are met. The transfer value is represented by the fair value at the time of reclassification.

If, after impairment is recognised in the income statement, the fair value of a debt instrument available for sale increases as a result of an improvement in the counterparty’s credit rating, a writeback is recognised in the income statement item “Net impairment adjustments of financial assets available for sale”. Any writebacks of investments in equity instruments are recognised in an equity reserve. The value of the instrument after the writeback shall in any event not exceed the amortised cost that the instrument would have had in the absence of the prior adjustments.

Dividends on equity instruments that are available for sale are recognised as “Dividends and similar revenues” in the income statement when the right to receive payment is established.

Financial assets available for sale are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

Where an available-for-sale security is disposed of or eliminated, the related cumulative unrealised change in value recorded in equity is recognised in the income statement under “Gains (losses) on disposal or repurchase of financial assets available for sale”. In the event of a partial disposal, the valuation reserve is reversed to profit or loss on a FIFO basis.

3 - Financial assets held to maturity

Financial assets held to maturity include financial assets listed on regulated markets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

If a change in intention or ability leads to premature sales or reclassifications in another asset portfolio of a significant portion of the financial assets held to maturity as compared with the portfolio as a whole, the entire portfolio has to be reclassified under “Financial assets available for sale” and that same portfolio cannot be used for at least two years (“Tainting rule”).

The sole exceptions allowed by the tainting rule are as follows:
a) financial assets close to maturity, for which fluctuations in market rates could not cause significant changes in price;
b) financial assets that are sold after substantially full repayment of the principal has already occurred (planned or premature repayment);
c) financial assets whose sale depended on isolated, unplanned events beyond the control of the company.

Financial assets held to maturity are initially recognised on the settlement date for debt securities and equities or on the disbursement date for loans.

Initial recognition is at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is recognised in the income statement.

After initial recognition, these assets are recognised at their amortised cost, equal to the initial recognition amount, net of principal repayments and amortisation of the difference between the initial amount and the amount repayable on maturity calculated by using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future payment flows for the expected duration of the financial asset, in order to obtain the precise net carrying amount upon initial recognition, which includes directly attributable transaction costs, as well as the fees paid or received by the contracting parties.

When there is objective evidence that the asset is impaired, the amount of that impairment is recognised in the income statement item “Net impairment adjustments of financial assets held to maturity”. This loss is measured as the difference between the carrying value of the asset and the discounted value of the estimated future cash flows, discounted at the original effective interest rate of the financial asset. If, in a subsequent year, the amount of the impairment diminishes and the reduction is due to improvement in the solvency of the counterparty after it was recognised, the previous recognised impairment is reversed. However, the reversal of impairment never results in a book value higher than what would result from application of the amortised cost if no impairment had occurred, and it is recognised in the same item on the income statement.

If the financial asset held to maturity is a hedge instrument used in a hedging relationship, only the credit risk and exchange rate risk may be hedged.

Financial assets held to maturity are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers to a third party all the risks and rewards connected with ownership of the transferred asset. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

4 - Loans and receivables

“Loans and Receivables” refer to the portfolio of financial instruments contracted with customers and banks, having fixed or determinable payments, and which are not listed on an active market. This item also includes the debt instruments having the same characteristics, while excluding derivative contracts.

As envisaged in Circular no. 262 of the Bank of Italy, updated on 15 December 2015, the item in question is divided between “Loans to banks” and “Loans to customers”.

The item “Loans to customers” includes unlisted financial assets in respect of customers (loans, repo transactions, debt securities, operating receivables, etc.) that are allocated to the “Loans and Receivables” portfolio. The item also contains the liquidity represented by the balance on the current account held with the Central State Treasury. It also includes receivables due from Italian post offices and variation margins with clearing houses in respect of derivatives transactions.

The item "Loans to banks" includes unlisted financial assets in respect of banks (current accounts, repo transactions, security deposits, debt securities, operating receivables, etc.) that are allocated to the "Loans and Receivables" portfolio. This also includes the amounts receivable from Central Banks other than free deposits (such as the reserve requirement).

Loans are recognised when the contract is executed, i.e. upon the unconditional acquisition of a right to payment of the amounts agreed. Debt instruments are recognised instead at the settlement date. If the contract date and the disbursement date are not the same, a commitment to disburse funds is recognised, and it terminates when the disbursement is made. Where the net amount disbursed does not equal the loan's fair value because the interest rate is lower than the market rate or the rate normally applied for similar loans, initial measurement is carried out by discounting the future cash flows using an appropriate rate.

The initial recognition value is the fair value, corresponding to the amount disbursed inclusive of the transaction costs and commissions directly attributable to the disbursement or purchase as can be determined from the beginning of the transaction.

The loans made to public entities and public-law bodies under CDP's Separate Account portfolio have a number of features that distinguish them from loans granted by banks, which normally disburse the entire amount of the loan to its beneficiary at the time the loan is granted. Such loans are special-purpose loans generally granted to public entities for public works and are disbursed to the beneficiaries only after verification of the progress of the works in question. Therefore, disbursements are intended to meet the debts actually accumulated by the entities in respect of suppliers as the work is performed.

Upon signing the 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 rate agreed upon by contract. The short-term receivable for advances on loans in their grace period is measured at cost in accordance with international accounting standards.

When repayment begins on a loan that has not yet been disbursed, both a payable and a receivable are recognised for the same amount in respect of the party responsible for repaying the loan. In accordance with IFRS, 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 by CDP to borrowers other than public entities or public-law bodies are treated in a manner analogous to that for loans granted by banks.

After initial recognition at fair value, the relationships classified under the loan portfolio are measured at amortised cost, equal to the initial recognition amount plus or minus principal repayments, write-downs and write-backs, and amortisation of the difference between the amount disbursed and the amount repayable on maturity calculated using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future payment flows for the expected duration of the loan, in order to obtain the precise net carrying amount upon initial recognition which includes both directly attributable transaction costs and fees paid or received by the contracting parties. The economic effect of the transaction costs and commissions is spread out over the entire expected life of the loan.

The amortised cost method is not used for loans whose short-term duration means that discounting is considered to have a negligible effect. These loans are measured at their historic cost. This measurement rule is also used for loans without a specific expiration date or demand loans.

Loans are periodically monitored to identify non-performing positions, namely those that have objective evidence of impairment that can give rise to a reduction in their expected realisable value. The non-performing exposures are classified into the different risk categories (bad debt, unlikely to pay, and non-performing past-due exposures) based on the provision of the Bank of Italy Circular no. 272 of 30 July 2008 updated on 20 December 2016.

The amount of the adjustment is determined based on an individual or collective assessment of the level of impairment of the loans.

Impaired loans are measured individually. The amount of the write-downs to be made to the loans is determined as the difference between the carrying amount of the loan at the time of measurement and the discounted value of the expected future cash flows, net of collection costs, taking account of any guarantees securing the positions and any advances received, calculated by applying the original effective interest rate. However, for certain loans that are insignificant when considered individually, a collective measurement may be permitted. The expected cash flows reflect the estimated time of recovery, the realisation value of any enforced guarantees, and the costs of credit recovery.

Performing loans are not subject to analytical testing (because they do not show objective signs of loss or because they are for an insignificant amount), but they do undergo collective/portfolio valuation. This type of measurement is used for uniform categories of exposures, in terms of credit risk, whose scope has been extended in the financial year, and the method used is based on the internal parameters used for pricing loans. The estimate of the incurred loss for the portfolio is determined by applying a number of corrective parameters to the 1-year expected loss. These corrective parameters are determined by considering the degree of concentration of the loan portfolio ("concentration adjustments") and the expected time between the default event and the emergence of confirmation of default ("loss confirmation period").

The specific write-downs and portfolio write-downs are recognized in the income statement under the item "Net impairment adjustments of loans".

When the solvency of the counterparty improves to the extent that there is reasonable certainty of greater expected recovery of the loan and/or receipts exceeding the value of the previously recognised loan, the previously recognised impairment is reversed. Write-backs are made up to the amount of the amortised cost that the loan would have had in the absence of write-downs. In any event, given the method used to measure impairment losses, as the due dates for credit collection approach with the passing of time, the value of the loan is "written back" (time value), given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans. Recovery of all or a part of previously written down loans is recognised as a reduction to "Net impairment adjustments of loans".

Loans are derecognised when payment is received, when the contractual rights to the cash flows expire, when they are considered definitively irrecoverable or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

6 - Hedging transactions

Hedging transactions are executed to neutralise contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, if that particular risk should effectively materialise.

In accordance with IAS 39, hedging instruments are derivatives or (solely for hedges of foreign currency risk) non-derivative financial assets or liabilities whose fair value or cash flows offset the changes in fair value or cash flows of a designated hedge position (paragraphs 72-77 and Annex A, paragraph AG94). A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that:
a) exposes the company to the risk of a change in fair value or future cash flows, and
b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101).

The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk are offset by the change in fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105-AG113).

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:
- the relationship between the hedging instrument and the 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 effectiveness of the hedge.

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged 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 hedges, 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 "Net gain (loss) on hedging activities", 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 an available-for-sale financial asset; if there were no hedging, this change would be recognised in equity;
- for cash flow hedges, 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 "Net gain (loss) on hedging activities". 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 "Net gain (loss) on hedging activities".

If, during the life of a derivative, the expected hedged cash flows are no longer considered as highly probable, the portion of that instrument recognized in the "Valuation reserves" of equity is immediately recycled through profit or loss. Conversely, if the hedging instrument is transferred or no longer qualifies as an effective hedge, the portion of the item "Valuation reserves" representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the manifestation of the financial effects of the transaction originally hedged.

Asset item 80 and liability item 60 report financial and credit hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the reporting date have either a positive or negative fair value.

For macro hedges, IAS 39 allows the object of a fair value hedge against interest rate risk to be not only an individual financial asset or liability, but also a monetary amount, containing multiple financial assets and liabilities (or their portions), so that a set of derivatives may be used to reduce the fair value fluctuations of the hedged items in response to changes in market interest rates. Net amounts resulting from the mismatch of assets and liabilities cannot be designated as subject to macro hedging. In the same way, as for micro fair value hedges, a macro hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the monetary amount hedged are offset by changes in the fair value of the hedge derivatives and if the actual results are within a range of 80% to 125%. The positive or negative amount of the fair value changes, respectively, of the assets and liabilities subject of fair value macro hedges measured with the reference to the risk hedged is recognised in Items 90 of the Assets or 70 of the Liabilities, with a balancing entry at "Net gain (loss) on hedging activities" of the income statement.

The ineffectiveness of the hedge 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 ineffective portion of the hedge is in any case included in "Net gain (loss) on hedging activities" of the income statement.

If the hedging relationship ends, for reasons other than the sale of the hedged items, the accumulated write-back/write-down recognised in Items 90 of balance sheet assets or 70 of balance sheet liabilities is recognised through profit or loss under interest income or expense, over the remaining lifetime 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" of the income statement.

7 - Equity investments

"Equity investments" means 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 Shareholder's meeting or, in any event, when CDP exercises the power to determine financial and operating policies (including situations of de facto control).

Associates are companies in which CDP holds, 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 exclusive 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 the purchase cost, at the settlement date of the transaction, including costs and 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 amount to determine the recognition of any impairment losses.

The following are possible indicators of impairment:
- the recognition of losses or significantly lower results than budgeted or forecast in multi-year plans;
- the announcement or commencement of insolvency proceedings or restructuring plans;
- the receipt of a dividend that exceeds the total comprehensive income of the investee for the year or its accumulated income from previous years;
- a carrying amount of the equity investment in the separate financial statements that exceeds the amount, in the consolidated financial statements, of the corresponding portion of equity, including any goodwill.

In addition, for equity investments in listed companies, CDP also considers the following as evidence of impairment:
- equity higher than market capitalisation;
- a reduction in the market price exceeding the carrying amount by over 40% or for more than 24 months.

The recoverable amount is the higher of the fair value of the unit, less costs to sell, and its value in use, being the present value of the future cash flows that the equity investment may generate, including the final disposal value of the investment.

If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. If the reasons causing the adjustment cease to exist, the impairment losses are reversed. These reversals have to be recognised in the income statement up to the amount of the previous write-down. Consequently, the reduction in the previously recognised impairment upon write-back of the value of the equity investment may not exceed the book value that would have recorded if no impairment had been previously recognised. Both the adjustments and the reversals of impairment are recognised in the income statement at "Gains (losses) on equity investments".

The investor's interest in any losses of the investee that exceed the carrying amount of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or implicit 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 in the balance sheet when the contractual rights to the cash flows deriving from ownership of the equity investments themselves expire or when they are sold, transferring substantially all risks and rewards connected with them.

8 - Property, plant and equipment

"Property, plant and equipment" includes the assets used in operations governed by IAS 16 and investment property (land and buildings) governed by IAS 40. These include assets under finance leases (for the lessee) and operating leases (for the lessor). In order to determine whether a contract contains a lease, the provisions of IFRIC 4 are applied. The item includes the leasehold improvement costs, which can be separated from the assets and have their own functionality and utility.

In the separate financial statements of CDP, this item is composed only of functional assets represented by real estate, plant, machinery, land, and buildings owned for use in the production or provision of goods and services, or for administrative purposes, which are expected to be used for more than one year.

Property, plant and equipment are recognised for the first time at purchase cost including incidental expenses directly related to the purchase, non-deductible VAT and costs for bringing the asset to working condition, increased by revaluations carried out under the provisions of specific laws. Borrowing costs directly attributable to the acquisition, construction or production of an asset have to be added to the value of the asset itself and capitalised pursuant to IAS 23.

Special maintenance and repair costs, incurred after initial recognition, which result in an increase in the future economic benefits, are recognised as an addition to the value of the assets. Instead, ordinary maintenance costs that do not generate future economic benefits are recognised in the income statement.

Property, plant and equipment are subsequently recognised at their purchase cost net of depreciation and impairment.

Newly acquired non-current assets are depreciated on a straight-line basis from the period in which they enter service and are, therefore, ready for use. They are depreciated on a straight-line basis over their residual life. Therefore, the depreciation allowances are calculated according to rates deemed adequate to represent the residual useful life of each asset.

Buildings are depreciated over a 33-year period, which is considered to be the useful life of the buildings themselves.

Land and art works are not depreciated instead, insofar as they have an indefinite useful life.

At every annual or interim reporting date, the recognised book value of the asset is tested for impairment. If such signals exist, the carrying amount of the asset is compared with its recoverable amount, the higher of the fair value less costs to sell, and the 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 item "Net adjustments of property, plant and equipment". 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 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. Therefore, with the transition to IFRS, the value of the land has been separated from that of the buildings. This was done by using the value determined in appraisals previously used in 2005 for the revaluation of corporate real estate carried on the 2004 financial statements, pursuant to the 2006 Italian Budget Act.

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.

"Assets under construction and advances" are composed of advances or expenses incurred in respect of non-current assets and materials that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company's production cycle, depreciation is suspended.

The carrying amount of a capital tangible asset is eliminated from the balance sheet upon disposal or when no future economic benefits are expected from its use or disposal.

9 - Intangible assets

The item "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. Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a business combination and the fair value of identifiable net assets acquired.

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 that it is incurred.

The intangible assets in CDP's financial statements essentially consist of software.

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 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 at "Net adjustments of 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 development 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.

11 - Current and deferred taxes

Tax assets and liabilities are recognised in the balance sheet respectively under Asset Item 130 "Tax assets" and Liability Item 80 "Tax liabilities".

The accounting entries related to current and deferred taxation 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 temporarily deductible 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 the regional tax on business activities (IRAP), are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year and are calculated on the basis of the tax rates currently in force, amounting, for the financial year 2016, to 27.5% for IRES tax and 5.57% for IRAP tax.

Deferred tax assets and liabilities are recognised based on 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: i) 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; and ii) 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.

12 - Provisions for liabilities and charges

This item consists of the provisions 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/expected that a cost will have to be incurred to meet an obligation, or use of resources capable of producing economic benefits, and
- a reliable estimate can be made of the amount of the obligation.

When the financial impact of the time factor is significant and the dates of payment of the obligation can be estimated reliably, the provision is measured as the present value (discounted at market rates as of the reporting date) of the charges that are expected to be incurred in order to settle the obligation.

Contingent - not probable - liabilities are not provided for. However, they are disclosed in the notes, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The 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 does not include the write-downs resulting from impairment of the commitments to disburse funds, of the guarantees granted, and the credit derivatives assimilated to them pursuant to IAS 39, to the extent that they are included, if applicable, in “Other liabilities”.

This item also includes the company pension plans, i.e. the provisions for long-term employment and benefits after termination of the employment relationship. However, no value has been recognised for the sub-item in question because there were no such amounts attributable to that item at the reporting date of these financial statements. For more information see the comments of the “Staff severance pay” in paragraph 17 “Other information”.

13 - Debt and securities issued

The items “Due to banks” and “Due to customers” include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans, repo transactions) other than “Financial liabilities held for trading”, “Financial liabilities at fair value through profit or loss”, and debt securities under “Securities issued”. This includes operating payables. In particular, CDP includes in these items the amounts still to be disbursed for loans being repaid, as well as liabilities in respect of postal funding products.

Postal savings bonds issued by CDP are reported under “Due to banks” and “Due to customers”, including those that have matured but have not yet been repaid at the reporting date. These instruments are zero-coupon securities (where the interest accrued is paid when the principal is repaid) 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 repaid 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 financial instruments such as postal savings bonds, IAS 39 calls for the adoption of the amortised cost method and states that the effective interest rate to be used in calculating amortised cost must be equal to the internal rate of return of the estimated (not contractual) cash flows throughout the expected (and not contractual) life of the instrument. Given the aforementioned option of early redemption, the expected life of postal savings bonds is, on average, less than their contractual life. CDP has therefore developed a statistical model for forecasting early redemption of postal savings bonds based on a time series of redemptions, which is used to price the new issues. The forecasting model used at the time of the bond issue is also used to determine the initial estimated amortisation plan for each series of postal savings bonds. Based on these estimated flows, the effective interest rate and the amortised cost to be recognised in the balance sheet are then calculated. Differences between the actual early redemptions and these estimates result in an adjustment to the remaining amortisation schedule. In such cases, the 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.

“Securities issued”, both listed and unlisted, are measured at amortised cost. The item does not include the portion of the company’s own debt securities issued but not yet placed with third parties.

These liabilities are recognised for the first time on the date that the raised funds are received or the debt instruments are issued. These items are recognised at their fair value upon first-time recognition. That value normally corresponds to the amount received or the issue price, inclusive of the costs directly attributable to the individual funding 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 envisaged in IAS 39 apply, and is recognised at its fair value under financial assets/liabilities for trading. The related changes in value are recognised in the income statement. 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 items “Due to banks”, “Due to customers”, and “Securities issued” are eliminated when they mature or are extinguished. The elimination 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 amount of the liability and the amount paid to purchase it is recognised in the income statement.

14 - 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 does not include the portion of the company’s own debt securities issued but not yet placed with third parties.

In particular, this category of liabilities includes the negative value of the trading derivatives, which are not part of effective hedging relationships but are held to meet operating hedging requirements where the company wishes to standardise the measurement criterion between related assets and liabilities.

They also include the derivatives embedded in other financial instruments or contracts, which have financial and risk characteristics that are not strictly correlated with the host instrument or which meet the requirements to be classified themselves as derivatives. They are, therefore, recognised separately, after the embedded derivative has been separated from the host contract, which instead follows the accounting rules for its classification category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

The financial 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 the fair value, the financial liability is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is effected at the contract date for derivative contracts and at the settlement date for debt securities, with the exception of those for which delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Measurement after initial recognition is made at fair value, with recognition of the measurement results through profit or loss. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial liability are retained, the asset remains on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under “Net gain (loss) on trading activities” (Item 80) of the income statement. The income components are recognised following the results of the measurement of the financial liability held for trading.

15 - 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 exchange rate quoted at the preparation date of the financial statements, by recognising exchange rate differences under “Net gain (loss) on trading activities” in the income statement (except for financial assets and liabilities at fair value, those subject to fair value and cash flow hedges, and the related hedges, whose exchange rate differences are recognised in item 110 of the income statement and item 90 of the income statement, respectively);
- 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 recognised 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.

17 - Other information

Staff severance pay

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements.

In accordance with IAS 19, staff severance pay is treated as a “Post-employment benefit” and is classified as:
- a “Defined benefit plan” for the portion of staff severance pay accrued by employees until 31 December 2006,
- a “Defined contribution plan” for the portion of staff severance pay accrued by employees beginning 1 January 2007.

This accounting standard requires the staff severance pay amounts to be recognised based on the actuarial value of the accruing and accrued obligations (these obligations are, respectively, the actuarial value of the expected future payments related to benefits accrued during the current financial year and the actuarial value of future payments resulting from amounts accrued in previous financial years).

It should be noted that the provision for staff severance pay is negligible given that employees on staff prior to the transformation of CDP into a joint-stock company maintained their participation in the INPDAP pension scheme after the transformation; therefore, contributions are paid to that institution. As such, the amount shown for staff severance pay is related solely to employees hired after the date of transformation (under the INPS pension scheme) for amounts accrued until 2006, given that the amounts accrued subsequently were not applied to this fund, but to the supplemental pension fund or to INPS in accordance with the applicable legislation.

Accordingly, in view of the insignificance of the effects of adopting IAS 19, the staff severance pay continues to be calculated on the basis of Italian statutory provisions (Article 2120 of the Italian Civil Code).

Interest income and expense

Interest income and expense is recognised in the income statement, on a pro-rated basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

Interest also includes the net positive or negative balance of the differences and margins related to financial hedging derivatives.

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. When the amortised cost method is used, the commissions considered in calculating the effective interest rate are recognised instead as interest.

Dividends

As previously described, the dividends received from investees are recognised as income in the financial year in which they are approved for distribution.

A.4 - Disclosures on fair value measurement

Qualitative disclosures

This section contains the disclosures on fair value measurement in accordance with the requirements of IFRS 13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The assumption is that this refers to an ordinary transaction between independent counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded.

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

The international accounting standards have established three levels of classification for a financial instrument (known as the "hierarchy of fair value inputs"). The level of fair value measurement assigned depends on the observability and significance of the inputs used in the valuation model.

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1). 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 small amount and number of transactions at the quoted price, 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.

The level 2 inputs may need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it (through the use of statistical or "expert-based" techniques by those carrying out the measurement), the fair value measurement is classified under Level 3, or the inputs not observable in the market and not directly available. This category also includes the parameters estimated on the basis of proprietary models or historic data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

Valuation techniques used for Level 2 and Level 3 measurements are validated by the Risk Management and Anti-Money Laundering unit of CDP. The development and validation of the techniques, and their application, are set out in specific process documentation.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

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 integrated into the corporate systems of CDP.

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 quoted on active markets.

Specifically, the financial statements of CDP use fair value measurements assigned to level 2 for bonds receivable or payable whose measurement depends exclusively on observable market parameters, and 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.

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

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. However, in view of the generalised use of framework netting arrangements that provide for the exchange of collateral, 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 2016. With regard to the embedded derivatives in postal savings bonds which are separated out, the adjustment for the joint credit risk of CDP and the Italian Government is considered to be nil. An adjustment of this type, if made, would result in a reduction in the fair value of those liabilities.

With regard to the assets and liabilities measured at fair value on a recurring basis, the following are classified as Level 3 in CDP's financial statements:
- the valuations of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- certain bonds whose valuation depends on the conditions of use by CDP established from time to time and/or spreads that are not directly observable or representative of the creditworthiness of the issuer/debtor;
- equity interests and other unlisted equity instruments that are measured using non-market parameters.

Portfolios measured at fair value on a recurring basis: details of the significant non-observable inputs for level 3 assets and liabilities

Category of financial instruments	Fair value assets (thousands of euros)	Fair value liabilities (thousands of euros)	Measurement techniques	Non-observable parameters
Financial derivatives - Equity		(99,046)	Option pricing models	Redemption profiles (ratio of expected principal at maturity to remaining payable)
Equity securities	11,634		Equity multiple	Equity multiple
Units in collective investment undertakings	1,642,840		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 contained in methodological documents updated on half-yearly basis by the Financial Engineering and Fair Value Measurement department, within the Risk Management and Anti-Money Laundering Unit. 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 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

Fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted to obtain a range of possible and reasonable alternative valuations. In general, the impact of unobservable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

Redemption profiles

The redemption of postal savings bonds is a central estimate of the nominal amount of the bonds that will be redeemed within a series of future dates, between the valuation date and the final maturity date. The estimate is made by CDP through statistical analyses and expert-based valuations. This non-observable figure is significant for the Level 3 measurement of the fair value of the options separated out from the postal savings bonds linked to the performance of the Dow Jones Euro Stoxx 50 index. If the investor redeems the bond in advance they lose the entitlement to receive any component of remuneration linked to the index and as a result the equity option granted by CDP lapses. For this category of financial instrument, higher redemptions therefore result in a lower value of liabilities for CDP. Although the redemption profiles are non-observable inputs on the market, the changes in those profiles over time are closely linked to the changes in actual redemptions observed.

The sensitivity analysis considered changes of 10% in the remaining principal, applied to the relevant expected percentage for the expiry of each option. If redemptions are lower than estimated, a condition has been established that the current level of remaining principal cannot be exceeded, and so the results of the analysis are asymmetric.

Sensitivity analysis to the redemption profile

(millions of euros)

Change in fair value resulting from the use of possible reasonable alternatives	+10% (higher redemptions)	-10% (lower redemptions)
Embedded options in Premia and Europa bonds	(9)	12

Equity multiple

Equity investments in unlisted companies are valued by applying a multiplication factor to the equity in line with what is estimated would be applied for a market transaction. At 31/12/2016, all the multiples, set based on expert appraisal, were 100%. Given that this parameter acts directly on the final fair value on the final fair value in a proportional manner, no sensitivity analysis has been reported.

NAV Adjustment

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. An increase in NAV coincides with an increase in fair value. For funds classified in Level 3, fair value adjustments may be needed to take account of certain specific characteristics; such adjustments would result in a transaction being priced below NAV. At 31/12/2016 adjustments of this kind were made to the NAVs of the some UCITs held in the portfolio determined on the basis of expert appraisal, taking into account the characteristics of limited liquidity of the units.

A.4.3 Hierarchy of fair value

IFRS 13 requires the provision of a description, with regard to the financial and non-financial assets and liabilities measured at fair value on a recurring basis, of the policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred separately for financial assets and liabilities and non-financial assets and liabilities (IFRS 13, paragraph 95). For all classes of assets and liabilities, the policies adopted by CDP require that the transfer from one level to another take place at the end of the reporting period.

The transfers are motivated by whether it becomes possible or impossible to reliably measure fair value, respectively, at Level 1, Level 2 or Level 3: for example, if the measurement of an instrument is classified as "Level 3" due to the non-observability of a significant input, if that input becomes observable in the market or if it becomes common to use a model that requires only observable inputs, 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 at fair value on a recurring basis: breakdown by level of fair value inputs

(thousands of euros) Assets/liabilities measured at fair value	31/12/2016 Level 1	Level 2	Level 3	31/12/2015 Level 1	Level 2	Level 3
1. Financial assets held for trading		207,650			199,292	1,210
2. Financial assets at fair value						
3. Financial assets available for sale	7,941,919		1,654,474	6,146,975		1,431,578
4. Hedging derivatives		733,273			789,378	
5. Property, plant and equipment						
6. Intangible assets						
Total	**7,941,919**	**940,923**	**1,654,474**	**6,146,975**	**988,670**	**1,432,788**
1. Financial liabilities held for trading		84,240	99,046		72,181	97,391
2. Financial liabilities at fair value						
3. Hedging derivatives		831,894			493,287	41,960
Total		**916,134**	**99,046**		**565,468**	**139,351**

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 Annual changes in financial assets at fair value on a recurring basis (Level 3)

(thousands of euros)	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**1,210**		**1,431,578**			
2. Increases			**781,567**			
2.1 Purchases			725,715			
2.2 Profits taken to:			55,852			
2.2.1 Income statement						
- *of which: capital gains*						
2.2.2 Equity	X	X	55,852			
2.3 Transfers from other levels						
2.4 Other increases						
3. Decreases	**1,210**		**558,671**			
3.1 Sales						
3.2 Repayments			296,586			
3.3 Losses taken to:	160		258,685			
3.3.1 Income statement	160		215,949			
- *of which: capital losses*	*91*		*215,949*			
3.3.2 Equity	X	X	42,736			
3.4 Transfers to other levels	1,050					
3.5 Other decreases			3,400			
4. Closing balance			**1,654,474**			

The transfers to other levels of fair value relates to derivatives linked to inflation, transferred to level 2, because parameters directly observable in the market are used, also in view of the fact that they are approaching their maturity.

A.4.5.3 Annual changes in financial liabilities at fair value on a recurring basis (Level 3)

(thousands of euros)	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
1. Opening balance	**97,391**		**41,960**
2. Increases	**48,565**		**2,972**
2.1 Issues	15,230		
2.2 Losses taken to:	33,335		2,972
2.2.1 Income statement	33,335		2,972
- *of which: capital losses*	*33,251*		
2.2.2 Equity	X	X	
2.3 Transfers from other levels			
2.4 Other increases			
3. Decreases	**46,910**		**44,932**
3.1 Repayments	17,732		5,179
3.2 Repurchases			
3.3 Profits taken to:	29,178		5,831
3.3.1 Income statement	29,178		
- *of which: capital gains*	*8,927*		
3.3.2 Equity	X	X	5,831
3.4 Transfers to other levels			33,922
3.5 Other decreases			
4. Closing balance	**99,046**		

The transfers to other levels of fair value relates to derivatives linked to inflation, transferred to level 2, because parameters directly observable in the market are used, also in view of the fact that they are approaching their maturity.

A.4.5.4 Assets and liabilities not carried at fair value or carried at fair value on a non-recurring basis: breakdown by level of fair value inputs

(thousands of euros)	31/12/2016				31/12/2015			
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 held to maturity	32,268,680	35,184,576			24,577,265	28,078,638		
2. Loans to banks	23,964,632			24,450,043	25,207,955			29,831,520
3. Loans to customers	258,642,911	463,313	9,676,646	258,949,687	257,105,038		4,827,966	264,170,689
4. Investment property, plant and equipment								
5. Non-current assets and disposal groups held for sale								
Total	**314,876,223**	**35,647,889**	**9,676,646**	**283,399,730**	**306,890,258**	**28,078,638**	**4,827,966**	**294,002,209**
1. Due to banks	14,487,458			14,405,347	14,336,702			14,344,578
2. Due to customers	305,798,520			305,798,520	294,843,708			294,843,708
3. Securities issued	12,031,654		12,350,551		14,381,591		14,847,839	
4. Liabilities associated with assets held for sale								
Total	**332,317,632**		**12,350,551**	**320,203,867**	**323,562,001**		**14,847,839**	**309,188,286**

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 at fair value through profit or loss, the fair value at the recognition date is normally assumed to be equal to the amount received or paid.

In the case of financial instruments at fair value through profit or loss classified as Level 3, any difference with respect to the amount received or paid could in principle be recognised through profit or loss under the appropriate items, generating a "day one profit/loss".

Such difference may only be recognised through profit or loss if it is generated by a change in the factors on which market participants base their valuations in determining prices (including the time effect).

If the instrument has a specified maturity and a model that monitors changes in the factors on which operators base prices is not immediately available, the day one profit/loss can be recognised through profit or loss over the life of the financial instrument.

CDP has not recognised any "day one profit/loss" on financial instruments in accordance with the provisions of paragraph 28 of IFRS 7 and other related 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 euros)	31/12/2016	31/12/2015
a) Cash	3	3
b) Free deposits with central banks		
Total	**3**	**3**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: breakdown by type

(thousands of euros)	31/12/2016			31/12/2015		
Items	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		207,650			199,292	1,210
1.1 Trading						
1.2 Associated with fair value option						
1.3 Other		207,650			199,292	1,210
2. Credit derivatives						
2.1 Trading						
2.2 Associated with fair value option						
2.3 Other						
Total B		207,650			199,292	1,210
Total (A + B)		**207,650**			**199,292**	**1,210**

The financial derivatives shown in the table include:

- the value (approximately euro 122.7 million) of the options purchased as a hedge, for operational purposes, of the embedded option component of bonds indexed to baskets of shares. This option component was separated from the host instrument and was classified among financial liabilities held for trading;
- the positive fair value of interest rate derivatives (approximately euro 85 million).

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

(thousands of euros)

Items	31/12/2016	31/12/2015
A. On-balance-sheet assets		
1. Debt securities		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
2. Equity securities		
a) Banks		
b) Other issuers:		
- insurance undertakings		
- financial companies		
- non-financial companies		
- others		
3. Units in collective investment undertakings		
4. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total A		
B. Derivatives		
a) Banks	181,111	186,716
b) Customers	26,539	13,786
Total B	207,650	200,502
Total (A + B)	207,650	200,502

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by type

(thousands of euros)

Items	31/12/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	7,941,919			6,146,975		
1.1 Structured securities						
1.2 Other debt securities	7,941,919			6,146,975		
2. Equity securities			11,634			12,565
2.1 At fair value			9,568			10,499
2.2 At cost			2,066			2,066
3. Units in collective investment undertakings			1,642,840			1,419,013
4. Loans						
Total	7,941,919		1,654,474	6,146,975		1,431,578

The increase in the item against the previous year mainly reflects the investment in Italian government bonds.

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

(thousands of euros) Items	31/12/2016	31/12/2015
1. Debt securities	**7,941,919**	**6,146,975**
a) Governments and central banks	6,704,204	4,995,106
b) Other government agencies		
c) Banks	886,885	810,690
d) Other	350,830	341,179
2. Equity securities	**11,634**	**12,565**
a) Banks	2,066	2,066
b) Other issuers	9,568	10,499
- insurance undertakings		
- financial companies	3,801	4,513
- non-financial companies	5,767	5,986
- other		
3. Units in collective investment undertakings	**1,642,840**	**1,419,013**
4. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**9,596,393**	**7,578,553**

This item includes Italian government securities with a value of approximately euro 6,704 million (up approximately euro 1,709 million on 2015).

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by type

	31/12/2016				31/12/2015			
	Carrying amount	Fair value			Carrying amount	Fair value		
(thousands of euros)		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	32,268,680	35,184,576			24,577,265	28,078,638		
- structured								
- other	32,268,680	35,184,576			24,577,265	28,078,638		
2. Loans								
Total	**32,268,680**	**35,184,576**			**24,577,265**	**28,078,638**		

This item consists entirely of Italian government securities, of which fixed-rate securities with a carrying amount of euro 28,389 million, and inflation-linked securities with a carrying amount of about euro 3,880 million, the latter held to hedge the exposure to Italian inflation arising from postal savings bonds linked to inflation.

5.2 Financial assets held to maturity: debtors/issuers

(thousands of euros) Type of operation	31/12/2016	31/12/2015
1. Debt securities	32,268,680	24,577,265
a) Governments and central banks	32,268,680	24,577,265
b) Other government agencies		
c) Banks		
d) Other issuers		
2. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	32,268,680	24,577,265
Total fair value	35,184,576	28,078,638

The increase in the balance against the previous year mainly reflects the investment of part of the cash and cash equivalents in Italian government bonds.

Section 6 - Loans to banks - Item 60

6.1 Loans to banks: breakdown by type

(thousands of euros) Type of operation	31/12/2016				31/12/2015			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Claims on central banks	8,036,062			8,036,062	3,949,073			3,949,073
1. Fixed-term deposits		X	X	X		X	X	X
2. Reserve requirement	8,036,062	X	X	X	3,949,073	X	X	X
3. Repurchase agreements		X	X	X		X	X	X
4. Other		X	X	X		X	X	X
B. Loans to banks	15,928,570			16,413,981	21,258,882			25,882,447
1. Loans	15,779,128			16,264,722	21,258,882			25,882,447
1.1 Current accounts and free deposits	362,970	X	X	X	1,176,528	X	X	X
1.2 Fixed-term deposits	408,549	X	X	X	269,613	X	X	X
1.3 Other financing	15,007,609	X	X	X	19,812,741	X	X	X
- repurchase agreements	510,560	X	X	X	5,343,153	X	X	X
- finance leasing		X	X	X		X	X	X
- other	14,497,049	X	X	X	14,469,588	X	X	X
2. Debt securities	149,442			149,259				
2.1 Structured		X	X	X		X	X	X
2.2 Other debt securities	149,442	X	X	X		X	X	X
Total	23,964,632			24,450,043	25,207,955			29,831,520

"Loans to banks" are composed of:
- loans of around euro 14,497 million, essentially stable (approximately +euro 27 million) on 2015;
- repurchase agreements of approximately euro 511 million, down (approximately -euro 4,833 million) on 2015;
- the balance on the management account of the reserve requirement of approximately euro 8,036 million, up (approximately +euro 4,087 million) on 2015;
- current account balances of approximately euro 363 million, down (approximately -euro 814 million) on 2015;

- deposits for Credit Support Annexes (cash collateral) held with banks hedge counterparty risk on derivatives of euro 409 million, up (approximately +euro 139 million) on 2015;
- debt securities of approximately euro 149 million, relating to the subscription made in the first half of 2016 (this item was not present at the end of 2015).

6.2 Loans to banks: assets hedged specifically

(thousands of euros) Type of transactions/Securities	31/12/2016	31/12/2015
1. Loans with specific fair value hedges	**327,468**	**206,288**
a) Interest rate risk	327,468	206,288
b) Exchange rate risk		
c) Credit risk		
d) Multiple risks		
2. Loans with specific cash flow hedges		
a) Interest rate risk		
b) Exchange rate risk		
c) Other		
Total	**327,468**	**206,288**

Section 7 - Loans to customers - Item 70

7.1 Loans to customers: breakdown by type

(thousands of euros)	31/12/2016						31/12/2015					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Non-performing		Level 1	Level 2	Level 3	Performing	Non-performing		Level 1	Level 2	Level 3
Type of operation		Acquired	Other					Acquired	Other			
Loans	247,323,928		233,946			257,917,367	250,637,231		249,049			262,503,529
1. Current accounts	337			X	X	X	259			X	X	X
1.1 Liquidity held with Central State Treasury	147,845,566			X	X	X	152,397,757			X	X	X
2. Repurchase agreements	4,037,652			X	X	X	5,165,503			X	X	X
3. Loans	93,096,930		233,945	X	X	X	89,514,842		243,062	X	X	X
4. Credit cards, personal loans and loans repaid by automatic deductions from wages				X	X	X				X	X	X
5. Finance leasing				X	X	X				X	X	X
6. Factoring				X	X	X				X	X	X
7. Other	2,343,443		1	X	X	X	3,558,870		5,987	X	X	X
Debt securities	11,085,037			463,313	9,676,646	1,032,320	6,218,758				4,827,966	1,667,160
8. Structured				X	X	X				X	X	X
9. Other debt securities	11,085,037			X	X	X	6,218,758			X	X	X
Total	**258,408,965**		**233,946**	**463,313**	**9,676,646**	**258,949,687**	**256,855,989**		**249,049**		**4,827,966**	**264,170,689**

"Loans to customers" regard lending operations under the Separate Account and Ordinary Account. The item also reports liquidity held with the Central State Treasury. The above table provides a breakdown of the positions by technical form.

With respect to the cash and cash equivalents held with the Central State Treasury, account no. 29814, called “Cassa DP SPA - Gestione Separata”, which comprises the liquidity generated by Separate Account transactions, since 1 January 2016 the Ministry for the Economy and Finance has paid CDP interest at a floating 6-month rate equal to the weighted average (using weightings at 20% and 80%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs.

The increase from euro 257,105 million at 31 December 2015 to euro 258,643 million at 31 December 2016 is mainly due to the rise in debt securities trading (up euro 4.866 million on 2015) and loans (up euro 2,352 million on 2015). It was partly offset by the decrease in the volume of repurchase agreement transactions (down euro 1,128 million on 2015) and the (expected) decrease in the cash and cash equivalents held with the Central State Treasury (down euro 4,552 million on 2015).

Non-performing loans amount to approximately euro 234 million, slightly down on the 2015 year-end balance (roughly euro 15 million).

The positive difference between the fair value and the carrying amount of loans to customers reflects the lower interest rates prevailing on the market.

7.2 Loans to customers: breakdwon by debtor/issuer

(thousands of euros)	31/12/2016			31/12/2015		
	Performing	Non-performing		Performing	Non-performing	
Type of operation		Acquired	Other		Acquired	Other
1. Debt securities	**11,085,037**			**6,218,758**		
a) Governments	8,661,382			4,895,450		
b) Other government agencies	418,661			412,453		
c) Other issuers:	2,004,994			910,855		
- non-financial companies	1,224,353			393,847		
- financial companies	780,641			517,008		
- insurance undertakings						
- other						
2. Loans to	**247,323,928**		**233,946**	**250,637,231**		**249,049**
a) Governments	184,101,374			188,618,684		
b) Other government agencies	47,150,709		16,581	45,911,633		37,593
c) Others:	16,071,845		217,365	16,106,914		211,456
- non-financial companies	9,154,813		215,181	9,167,238		209,289
- financial companies	6,892,796			6,916,479		
- insurance undertakings						
- other	24,236		2,184	23,197		2,167
Total	**258,408,965**		**233,946**	**256,855,989**		**249,049**

Debt securities include Italian government securities of approximately euro 8,661 million (up euro 3,766 million on 2015).

7.3 Loans to customers: assets hedged specifically

(thousands of euros) Type of operation	31/12/2016	31/12/2015
1. Loans with specific fair value hedges:	**29,736,493**	**20,203,934**
a) Interest rate risk	29,615,065	20,078,950
b) Exchange rate risk		
c) Credit risk		
d) Multiple risks	121,428	124,984
2. Loans with specific cash flow hedges:	**458,264**	**421,833**
a) Interest rate risk		
b) Exchange rate risk		
c) Other	458,264	421,833
Total	**30,194,757**	**20,625,767**

Section 8 - Hedging derivatives - Item 80

8.1 Hedging derivatives: breakdown by type of hedge and levels of inputs

(thousands of euros)	Fair value 31/12/2016			Notional value 31/12/2016	Fair value 31/12/2015			Notional value 31/12/2015
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives		**733,273**		**18,822,487**		**789,378**		**18,193,661**
1) Fair value		644,090		18,336,263		665,487		17,735,890
2) Cash flow		89,183		486,224		123,891		457,771
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**733,273**		**18,822,487**		**789,378**		**18,193,661**

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

(thousands of euros) Operations/Type of hedging	Fair value						Cash flows		Investment in foreign operation
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale						X		X	X
2. Loans	155,782			X		X	89,183	X	X
3. Financial assets held to maturity	X			X		X		X	X
4. Portfolio	X	X	X	X	X		X		X
5. Other						X		X	
Total assets	**155,782**						**89,183**		
1. Financial liabilities	488,308			X		X		X	X
2. Portfolio	X	X	X	X	X		X		X
Total liabilities	**488,308**								
1. Forecast transactions	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X		X		

Section 10 - Equity investments - Item 100

10.1 Equity investments: information on equity investments

(thousands of euros) Company name	Registered office	Headquarters	% holding	% of votes	Carrying amount
A. Wholly-owned subsidiaries					
SACE S.p.A.	Rome	Rome	100.00%	100.00%	4,584,074
CDP Equity S.p.A.	Milan	Milan	97.13%	97.13%	3,419,512
CDP RETI S.p.A.	Rome	Rome	59.10%	59.10%	2,017,339
Fintecna S.p.A.	Rome	Rome	100.00%	100.00%	1,864,000
CDP GAS S.r.l.	Rome	Rome	100.00%	100.00%	467,366
CDP Immobiliare S.r.l.	Rome	Rome	100.00%	100.00%	322,206
CDP Investimenti SGR S.p.A.	Rome	Rome	70.00%	70.00%	1,400
B. Joint ventures					
FSI SGR S.p.A.	Milan	Milan	49.00%	49.00%	1,470
AcciaItalia S.p.A.	Milan	Milan	27.50%	27.50%	1,389
Risparmio Holding S.p.A.	Rome	Rome	20.00%	20.00%	-
C. Companies under significant influence					
ENI S.p.A.	Rome	Rome	25.76%	25.76%	15,281,632
Poste Italiane S.p.A.	Rome	Rome	35.00%	35.00%	2,930,258
Fondo Italiano d'Investimento SGR S.p.A.	Milan	Milan	25.00%	25.00%	3,400
Galaxy S.àr.l. SICAR	Luxembourg	Luxembourg	40.00%	40.00%	2,348
QuattroR SGR S.p.A.	Milan	Milan	29.40%	29.40%	250
Europrogetti & Finanza S.p.A. in liquidazione	Rome	Rome	31.80%	31.80%	-
Total					**30,896,644**

At 31 December 2016, equity investments amount to approximately euro 30,897 million, slightly up on the 2015 year-end balance (+euro 2,758 million).

The equity investment in Poste Italiane S.p.A., contributed by the MEF, was assigned to CDP's Separate Account pursuant to article 5.8 of Decree Law 269/2003 and is subject to the management criteria set out in MEF's decree dated 18 June 2004 (which also governs management of CDP's equity investment in ENI S.p.A.).

These criteria also cover the governance of the equity investments transferred and/or contributed whereby, specifically, CDP is required to first consult the MEF about management operations and comply with the MEF's reasoned indications when different from the proposal put forward by CDP. Based on these management criteria, the MEF has full control over Poste. Consequently, in CDP's financial statements, the equity investment in Poste Italiane S.p.A. is classified as an associate in accordance with IAS 28.

10.2 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.

10.3 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.

10.4 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.

10.5 Equity investments: changes for the year

(thousands of euros)	31/12/2016	31/12/2015
A. Opening balance	**28,138,171**	**29,037,563**
B. Increases	**3,262,513**	**108,576**
B.1 Purchases	3,259,113	108,576
- *of which: business combinations*	*232,500*	
B.2 Writebacks		
B.3 Revaluations		
B.4 Other increases	3,400	
C. Decreases	**504,040**	**1,007,968**
C.1 Sales	234,030	
- *of which: business combinations*	*232,500*	
C.2 Writedowns	270,010	209,042
C.3 Other decreases		798,926
D. Closing balance	**30,896,644**	**28,138,171**
E. Total revaluations		
F. Total writedowns	**1,653,488**	**1,383,478**

The following transactions took place in 2016 that had an impact on the value of the investment portfolio:

- the acquisition of 35% of Poste Italiane S.p.A. on 20 October 2016 contributed by the MEF against the subscription of CDP's capital increase of euro 2,930,257,785, including share premium. The transaction had been approved by CDP's shareholders in their extraordinary meeting of 24 June 2016;
- the incorporation of FSI SGR S.p.A., with a share capital of euro 3 million fully paid up by CDP, to launch and manage a new AIF focusing on investments in mid-market companies with a potential for growth. In the second half of the year, CDP decreased its equity investment to 49% to enable Magenta 71 S.r.l. – a vehicle owned by the managers identified to manage the initiative - and Poste Vita S.p.A. to join the shareholding structure with a 41.1% and 9.9% investment, respectively. On 6 December 2016, the Bank of Italy, subject to Consob's favourable opinion, granted FSI SGR the authorisation to carry out asset management activities pursuant to article 34 of Legislative decree 58 of 24 February 1998 (Consolidated Law on Finance);
- following the MEF's decree registered by the Italian Court of Auditors on 22 June 2016, CDP acquired an additional 12.5% of Fondo Italiano di Investimento SGR S.p.A. held by the MEF, against a consideration of euro 1.7 million (CDP already held 12.5% of the company, recognised under financial assets available for sale). Following this acquisition, CDP holds 25% of the company's shares whose amount (euro 3.4 million) was transferred to companies subject to significant influence;
- capital increases by CDP in CDP Immobiliare, totalling approximately euro 91.7 million to support the development of real estate projects by the company and its investees and to cover ordinary requirements. At the reporting date, checks were carried out on the qualitative and quantitative indicators for impairment testing purposes. This was necessary as a result of the negative performance of the markets in which CDP Immobiliare operates. The test, carried out pursuant to IAS 36, resulted in the recognition of an impairment loss of euro 270 million;
- the payment of the original share capital and the subsequent capital increase (for a total of euro 1,388,700) for the equity investment in AccialItalia S.p.A., a company incorporated on 27 June 2016 and in which CDP has a 27.5% stake;
- the incorporation of QuattroR SGR S.p.A. on 4 August 2016, with a share capital of euro 850 thousand at 31 December 2016, of which euro 250 thousand is subscribed by CDP (29.4%) and the residual portion by the managers identified to manage the initiative. On 30 December 2016, the Bank of Italy, subject to Consob's favourable opinion, granted QuattroR the authorisation to carry out asset management activities pursuant to article 34 of Legislative decree 58 of 24 February 1998 (Consolidated Law on Finance);
- the incorporation of Risparmio Holding S.p.A., with a share capital of euro 50 thousand, a company in which Poste Italiane S.p.A. and CDP have a stake of 80% and 20%, respectively. The company was set up to participate in the competitive procedure launched by UniCredit S.p.A. in connection with the sale of the asset management activities of Pioneer Global Asset Management S.p.A. On 5 December 2016, UniCredit and Amundi announced that they had entered into exclusive negotiations in relation to the possible sale of the Pioneer Investments business to Amundi. Following the impairment test, the carrying amount of the equity investment was impaired by euro 10 thousand.

The "*of which business combinations*" line in the above table refers to CDP's contribution of the equity investment in SIMEST to SACE on 30 September 2016 comprised of 240,652,174 ordinary shares, accounting for 76.005% of the company's share capital, for a total of euro 232.5 million. As a result of this transaction, the carrying amount of the equity investment in SIMEST was written off and that of SACE was increased by the same amount, with a nil effect on the total value of CDP's investment portfolio. For additional information on the goal of the transaction, reference should be made to paragraph 4.3.1.2 of the Report on operations.

10.7 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.

Impairment testing of equity investments

In compliance with the provisions of the reference accounting standards, at every reporting date, the Company checks the existence of objective evidence that may give it reason to believe that the carrying amount of the assets is no longer fully recoverable.

The identification of this evidence, based on the existence of qualitative and quantitative indicators, as described in the accounting policies, and set out in detail in the internal policies, differs according to whether or not they are equity investments in companies whose shares are listed in active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment. The recoverable amount is the higher of the fair value of the equity investment, net of any sales costs and value in use, being the present value of the future cash flows that the equity investment may generate, including the final disposal value of the investment. If the recoverable amount is lower than the carrying amount an impairment loss is recognised.

This led to the recognition, during the year, of impairment losses on the equity investments in CDP Immobiliare (euro 270 million) and Risparmio Holding S.p.A. (euro 10 thousand) mainly as a result of the losses for the year incurred by these companies.

For equity investments on which impairment losses were recognised in previous years, the possibility of recognising any reversals of impairment losses following changes to the estimates used to determine previous impairment losses was checked. However, no impairment losses were reversed.

Section 11 - Property, plant and equipment - Item 110

11.1 Operating property, plant and equipment: breakdown of assets measured at cost

(thousands of euros)

Assets	31/12/2016	31/12/2015
1. Owned	**272,567**	**252,558**
a) Land	117,406	117,406
b) Buildings	60,014	62,301
c) Movables	1,874	2,005
d) Electrical plant	1,225	877
e) Other	92,048	69,969
2. Acquired under finance leases		
a) Land		
b) Buildings		
c) Movables		
d) Electrical plant		
e) Other		
Total	**272,567**	**252,558**

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

(thousands of euros)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**117,406**	**90,630**	**13,466**	**10,933**	**92,836**	**325,271**
A.1 Total net writedowns		(28,329)	(11,461)	(10,056)	(22,867)	(72,713)
A.2 Opening net balance	**117,406**	**62,301**	**2,005**	**877**	**69,969**	**252,558**
B. Increases:		**435**	**386**	**782**	**23,234**	**24,837**
B.1 Purchases			377	597	23,234	24,208
B.2 Capitalised improvement costs		362				362
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes		73	9	185		267
C. Decreases:		**2,722**	**517**	**434**	**1,155**	**4,828**
C.1 Sales						
C.2 Depreciation		2,722	514	434	887	4,557
C.3 Writedowns for impairment recognised in:						
a) equity						
b) income statement						
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) investment property						
b) assets held for sale						
C.7 Other changes			3		268	271
D. Closing net balance	**117,406**	**60,014**	**1,874**	**1,225**	**92,048**	**272,567**
D.1 Total net writedowns		(31,051)	(11,712)	(10,428)	(23,753)	(76,944)
D.2 Closing gross balance	**117,406**	**91,065**	**13,586**	**11,653**	**115,801**	**349,511**
E. Measurement at cost						

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: breakdown by category

(thousands of euros) Assets	31/12/2016 Definite life	31/12/2016 Indefinite life	31/12/2015 Definite life	31/12/2015 Indefinite life
A.1 Goodwill	x		x	
A.2 Other intangible assets	**8,571**		**5,349**	
A.2.1 Assets carried at cost:	8,571		5,349	
a) internally generated intangible assets				
b) other assets	8,571		5,349	
A.2.2 Assets carried at fair value:				
a) internally generated intangible assets				
b) other assets				
Total	**8,571**		**5,349**	

12.2 Intangible assets: changes for the year

(thousands of euros)	Goodwill	Other intangible assets: internally generated Definite life	Other intangible assets: internally generated Indefinite life	Other intangible assets: other Definite life	Other intangible assets: other Indefinite life	Total
A. Opening gross balance				**27,237**		**27,237**
A.1 Total net writedowns				(21,888)		(21,888)
A.2 Opening net balance				**5,349**		**5,349**
B. Increases:				**5,688**		**5,688**
B.1 Purchases				5,687		5,687
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				1		1
C. Decreases				**2,466**		**2,466**
C.1 Sales						
C.2 Writedowns:				2,466		2,466
- Amortisation				2,466		2,466
- Impairment:	X					
+ equity						
+ income statement	X					
C.3 Fair value losses:						
- equity						
- income statement	X					
C.4 Transfer to non-current assets held for sale	X					
C.5 Negative exchange rate differences						
C.6 Other changes						
D. Closing net balance				**8,571**		**8,571**
D.1 Total net writedowns				(24,354)		(24,354)
E. Closing gross balance				**32,925**		**32,925**
F. Measurement at cost						

12.3 Other information

As required by IFRS, the following is noted:
a) no intangible assets have been revalued;
b) no intangible assets were purchased using government grants (IAS 38.122.c);
c) no intangible assets were used to guarantee debts (IAS 38.122.d);
d) there are no commitments to purchase particularly significant intangible assets (IAS 38.122.e);
e) no intangible assets are under lease.

Section 13 - Tax assets and liabilities - Item 130 of assets and item 80 of liabilities

13.1 Deferred tax assets: breakdown

(thousands of euros)	31/12/2016	31/12/2015
Deferred tax assets recognised in income statement	**278,079**	**283,249**
Loss carryforwards	9,825	32,938
Loss carryforwards from subsidiaries	19,974	67,509
Provisions for risks and charges	8,610	18,306
Writedowns on loans	84,214	56,424
Property, plant and equipment/intangible assets	2,732	3,690
Realignment of values pursuant to Decree Law 98/2011	98,051	98,051
Other temporary differences	54,673	6,331
Deferred tax assets recognised in equity	**66,608**	**59,116**
Financial assets available for sale	64,514	55,275
Cash flow hedge	1,913	3,841
Other	181	
Total	**344,687**	**342,365**

Deferred tax assets are calculated on temporary differences between tax values and those used for financial reporting that will become deductible in years following that in which they are recognised.

These are mainly: i) adjustments to receivables and commitments; ii) realignment of the greater values – allocated to goodwill and other intangible assets in the consolidated financial statements – of majority investments pursuant to Decree Law 98/2011; iii) accruals to the provision for risks and the provision for future charges related to personnel; iv) IRES tax losses related to CDP and some of the companies which participate in the tax consolidation mechanism, incurred in 2015 and not absorbed during the year, and which can be carried forward in subsequent tax years; v) fair value measurement of financial assets available for sale and cash flow hedging derivatives.

13.2 Deferred tax liabilities: breakdown

(thousands of euros)	31/12/2016	31/12/2015
Deferred tax liabilities recognised in income statement	**55**	**55**
Other temporary differences	55	55
Deferred tax liabilities recognised in equity	**116,979**	**106,970**
Financial assets available for sale	104,445	91,508
Other	12,534	15,462
Total	**117,034**	**107,025**

13.3 Changes in deferred tax assets (balancing entry in the income statement)

(thousands of euros)	31/12/2016	31/12/2015
1. Opening balance	**283,249**	**174,010**
2. Increases	**76,450**	**115,809**
2.1 Deferred tax assets recognised during the year:	76,450	48,300
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	76,450	48,300
2.2 New taxes or increases in tax rates		
2.3 Other increases		67,509
3. Decreases	**81,620**	**6,570**
3.1 Deferred tax assets derecognised during the year:	34,086	6,570
a) reversals	34,086	6,570
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:	47,534	
a) transformation into tax credits under Law 214/2011		
b) other	47,534	
4. Closing balance	**278,079**	**283,249**

13.4 Change in deferred tax liabilities (balancing entry in the income statement)

(thousands of euros)	31/12/2016	31/12/2015
1. Opening balance	**55**	
2. Increases		**55**
2.1 Deferred tax liabilities recognised during the year:		55
a) in respect of previous periods		
b) due to change in accounting policies		
c) other		55
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised during the year:		
a) reversals		
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**55**	**55**

13.5 Changes in deferred tax assets (recognised in equity)

(thousands of euros)	31/12/2016	31/12/2015
1. Opening balance	**59,116**	**51,776**
2. Increases	**62,960**	**12,439**
2.1 Deferred tax assets recognised during the year:	62,960	12,439
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	62,960	12,439
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**55,468**	**5,099**
3.1 Deferred tax assets derecognised during the year:	55,468	5,099
a) reversals	55,468	5,099
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		
4. Closing balance	**66,608**	**59,116**

13.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euros)	31/12/2016	31/12/2015
1. Opening balance	**106,970**	**165,849**
2. Increases	**35,898**	**23,591**
2.1 Deferred tax liabilities recognised during the year:	35,898	23,591
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	35,898	23,591
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**25,889**	**82,470**
3.1 Deferred tax liabilities derecognised during the year:	25,889	82,470
a) reversals	25,889	82,470
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**116,979**	**106,970**

SECTION 15 - OTHER ASSETS - ITEM 150

15.1 Other assets: breakdown

(thousands of euros)

Type of operation	31/12/2016	31/12/2015
Payments on account for withholding tax on postal saving passbooks	102,949	205,550
Receivables due from investees	20,731	12,962
Other	15,444	1,653
Trade receivables and advances to public entities	4,729	12,805
Accrued income and prepaid expenses	1,213	981
Advances to suppliers	515	265
Advances to personnel	19	11
Other tax receivables	2	8
Total	**145,602**	**234,235**

This item includes assets that cannot be classified under the previous items.

In particular:

- "Payments on account for withholding tax on postal saving passbooks": the balance refers to the payments on account net of the withholding tax on postal saving passbooks;
- "Receivables due from investees": the balance refers to services provided, expense reimbursements and receivables from the adoption of the so-called tax consolidation mechanism;
- "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;
- "Other" mainly refer to items being processed which were completed after the reporting date.

Liabilities

Section 1 - Due to banks - item 10

1.1 Due to banks: breakdown by type

(thousands of euros)

Type of operation	31/12/2016	31/12/2015
1. Due to central banks	2,474,850	4,677,343
2. Due to banks	12,012,608	9,659,359
2.1 Current accounts and demand deposits		
2.2 Fixed-term deposits	2,113,843	2,362,513
2.3 Loans:	9,898,765	7,296,846
2.3.1 Repurchase agreements	4,977,383	2,270,553
2.3.2 Other	4,921,382	5,026,293
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.5 Other payables		
Total	**14,487,458**	**14,336,702**
Fair value - Level 1		
Fair value - Level 2		
Fair value - Level 3	14,405,347	14,344,578
Total fair value	**14,405,347**	**14,344,578**

The amounts "Due to central banks", totalling approximately euro 2,475 million, relating to the credit facilities granted by the ECB decreased on the previous year (-euro 2,202 million), also due to the replacement of this type of funding (at a 0% rate on standard transactions and on the TLTRO credit facility), with the most economical funding currently available for CDP at negative rates.

"Repurchase agreements" amount to approximately euro 4,977 million, up by roughly euro 2,707 million on 2015, due to the particularly low market rates.

"Loans - Other" for about euro 4,921 million are slightly down on 2015 (-euro 105 million) and mainly refer to the loans granted by the EIB.

"Fixed-term deposits" of approximately euro 2,114 million comprise:
- the balance of passbook savings accounts and postal savings bonds held by banks of roughly euro 1,286 million (down by approximately euro 74 million on the 2015 year-end balance);
- the amounts referred to Credit Support Annex contracts to hedge counterparty risk on derivative contracts of roughly euro 441 million (down by approximately euro 135 million on the 2015 year-end balance);
- the balance of interbank deposits of roughly euro 387 million (down by approximately euro 40 million on the 2015 year-end balance).

1.3 Details of item 10 "Due to banks": structured debts

The structured debts to banks totalled about euro 496 thousand at 31 December 2016 and are represented by postal savings bonds indexed to equity baskets from which the embedded derivative has been separated.

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by type

(thousands of euros)

Type of operation	31/12/2016	31/12/2015
1. Current accounts and demand deposits	2,794,043	18,934
2. Fixed-term deposits	284,113,740	284,732,031
3. Loans:	13,718,223	4,409,596
3.1 Repurchase agreements	13,718,223	4,409,596
3.2 Other		
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	5,172,514	5,683,147
Total	**305,798,520**	**294,843,708**
Fair value - Level 1		
Fair value - Level 2		
Fair value - Level 3	305,798,520	294,843,708
Total fair value	305,798,520	294,843,708

This item mainly consists of:

- postal savings bonds at amortised cost of approximately euro 130,553 million (down by euro 1,421 million on the 2015 year-end balance), net of those held by banks;
- the balance of passbook savings accounts of approximately euro 118,857 million (up by euro 332 million on the 2015 year-end balance), net those held by banks;
- the balance of MEF's liquidity management transactions (OPTES) of around euro 32,996 million (up by approximately euro 2,996 million on the 2015 year-end balance). This current funding was mainly used: i) to meet reserve requirements; ii) to invest in Italian government securities, iii) to carry out repurchase transactions with Italian government securities as collateral;
- repurchase agreements of approximately euro 13,718 million; a considerable increase on the 2015 year-end balance (roughly up by euro 9,309 million), due to the particularly low market rates;
- the amounts not yet disbursed at year end on loans being repaid granted to public bodies and public-law bodies, of approximately euro 5,012 million (down by roughly euro 397 million on the 2015 year-end balance), recognised under sub-item "5. Other payables";
- deposits of investees of approximately euro 4,478 million, up by euro 764 million on the 2015 year-end balance as a result of the progress of the centralisation of liquidity with the Parent CDP, as part of management and coordination activities, through the irregular deposit arrangement between CDP and its subsidiaries;
- the balance of the Government Securities Amortisation Fund of around euro 0.4 million (down by approximately euro 512 million on the 2015 year-end balance).

For the part relating to postal savings bonds issued by the Parent Company, the fair value reported above is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium (spread) in line with that on medium/long-term government securities. The application of these valuation techniques would lead to a fair value greater than the carrying amount in cases where the rates paid to savers are higher than market rates, when also taking into account early redemption options.

The net effect of these differences may fully or partially offset the positive differences recognised between the fair value and the carrying amount of loans.

However, the fair value assessments based on a combination of statistical forecasts on redemptions and technical assessment of the options, are not very reliable due to the uncertainty affecting market conditions at 31 December 2016. These elements are represented by the high percentage impact of credit spreads on overall interest rates, given that interest rates, net of credit spreads, are very low. Taking into account the considerable uncertainty about redemption forecasts in the presence of these conditions, it was decided that the best estimate of the fair value of postal savings bonds is their carrying amount.

2.3 Details of item 20 "Due to customers": structured debts

Structured debts amount to approximately euro 6,569 million at 31 December 2016 (down by roughly euro 149 million on 2015) and comprise postal savings bonds indexed to equity baskets from which the embedded derivative has been separated.

2.4 Due to customers: liabilities hedged specifically

(thousands of euros)	31/12/2016	31/12/2015
1. Liabilities covered specifically by fair value hedges		
a) Interest rate risk		
b) Exchange rate risk		
c) Multiple risks		
2. Liabilities covered specifically by cash flow hedges	**355,960**	**449,231**
a) Interest rate risk	355,960	449,231
b) Exchange rate risk		
c) Other		
Total	**355,960**	**449,231**

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

Section 3 - Securities issued - Item 30

3.1 Securities issued: breakdown by type

(thousands of euros) Type of securities	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3	31/12/2015 Carrying amount	31/12/2015 Fair value Level 1	31/12/2015 Fair value Level 2	31/12/2015 Fair value Level 3
A. Securities								
1. Bonds	11,991,639		12,310,536		12,417,747		12,883,995	
1.1 Structured	51,333		46,215		51,212		51,748	
1.2 Other	11,940,306		12,264,321		12,366,535		12,832,247	
2. Other securities	40,015		40,015		1,963,844		1,963,844	
2.1 Structured								
2.2 Other	40,015		40,015		1,963,844		1,963,844	
Total	**12,031,654**		**12,350,551**		**14,381,591**		**14,847,839**	

Securities issued at 31 December 2016 amount to around euro 12,032 million (down by approximately euro -2,350 million on the 2015 year-end balance).

The balance mainly refers to the bonds issued under the “Euro Medium Term Notes” and “Debt Issuance Programme” programmes, with a stock of roughly euro 9,008 million (down by euro 432 million on the 2015 year-end balance). During the year, as part of the “Debt Issuance Programme”, new issues were made for a total nominal value of euro 320 million, (of which euro 70 million as part of the Separate Account and euro 250 million as part of the Ordinary Account).

Furthermore, this item also comprises:
- the first bond for retail issued in March 2015 for approximately euro 1,467 million, with a view to diversifying the source of funding for the development of public interest projects (fully part of the Separate Account);
- two bonds issued in December 2015, guaranteed by the Italian State, fully underwritten by Poste Italiane S.p.A., with a carrying amount of euro 1,517 million (part of the Separate Account);
- the stock of commercial paper with a carrying amount of about euro 40 million (down by euro 1,924 million on the 2015 year-end balance) related to the “Multi-Currency Commercial Paper Programme”.

3.3 Securities issued: securities hedged specifically

(thousands of euros)	31/12/2016	31/12/2015
1. Securities hedged by specific fair value hedges	**10,980,418**	**12,073,969**
a) Interest rate risk	10,980,418	12,073,969
b) Exchange rate risk		
c) Multiple risks		
2. Securities hedged by specific cash flow hedges		
a) Interest rate risk		
b) Exchange rate risk		
c) Other		
Total	**10,980,418**	**12,073,969**

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by type

(thousands of euros) Type of operation	31/12/2016					31/12/2015				
	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			84,240	99,046				72,181	97,391	
1.1 Trading	X				X	X				X
1.2 Associated with fair value option	X				X	X				X
1.3 Other	X		84,240	99,046	X	X		72,181	97,391	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**		**84,240**	**99,046**	**X**	**X**		**72,181**	**97,391**	**X**
Total (A + B)	**X**		**84,240**	**99,046**	**X**	**X**		**72,181**	**97,391**	**X**

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

This item comprises:
- the option component of bonds linked to baskets of shares that were separated from the host contract (approximately euro 99 million);
- the negative fair value of interest rate derivatives (approximately euro 84 million).

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedge and hierarchical levels

(thousands of euros)	Fair value 31/12/2016 Level 1	Fair value 31/12/2016 Level 2	Fair value 31/12/2016 Level 3	Notional value 31/12/2016	Fair value 31/12/2015 Level 1	Fair value 31/12/2015 Level 2	Fair value 31/12/2015 Level 3	Notional value 31/12/2015
A. Financial derivatives		831,894		12,630,696		493,287	41,960	6,949,484
1) Fair value		797,972		12,323,696		493,287		6,563,484
2) Cash flow		33,922		307,000			41,960	386,000
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**831,894**		**12,630,696**		**493,287**	**41,960**	**6,949,484**

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

(thousands of euros) Operations/Type of hedging	Fair value – Specific – Interest rate risk	Fair value – Specific – Exchange rate risk	Fair value – Specific – Credit risk	Fair value – Specific – Price risk	Fair value – Specific – Multiple risks	Fair value – Generic	Cash flow – Specific	Cash flow – Generic	Investment in foreign operation
1. Financial assets available for sale						X		X	X
2. Loans	788,218			X	5,179	X		X	X
3. Financial assets held to maturity	X			X		X		X	X
4. Portfolio	X	X	X	X	X		X		X
5. Other						X		X	
Total assets	**788,218**				**5,179**				
1. Financial liabilities	4,575			X		X	33,922	X	X
2. Portfolio	X	X	X	X	X		X		X
Total liabilities	**4,575**						**33,922**		
1. Forecast transactions	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X		X		

Section 7 - Adjustment of financial liabilities hedged generically - Item 70

7.1 Value adjustments of hedged financial liabilities

(thousands of euros) Value adjustment of hedged financial liabilities	31/12/2016	31/12/2015
1. Positive adjustments of financial liabilities	38,206	43,273
2. Negative adjustment of financial liabilities		
Total	**38,206**	**43,273**

7.2 Liabilities covered by macro-hedges against interest rate risk: breakdown

This item shows the net change in the postal savings bonds portfolio hedged generically against interest rate risk. The hedging relationship was terminated in 2009 in view of the closure of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of the validity of the hedging relationship, was subsequently transferred to profit or loss on the basis of the amortised cost of the originally hedged bonds.

Section 8 - Tax liabilities - Item 80

For more information concerning this item, please see Section 13 of "Assets".

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

(thousands of euros) Type of operation	31/12/2016	31/12/2015
Charges for postal funding service	363,975	396,696
Tax payables	190,724	352,342
Amounts due to subsidiaries on tax consolidation mechanism	138,579	73,052
Adjustments to guarantees issued and commitments	95,314	17,386
Other	48,301	56,060
Trade payables	23,130	24,774
Items being processed	10,148	18,837
Due to social security institutions	3,718	3,327
Amounts due to employees	3,261	3,184
Total	**877,150**	**945,658**

This item shows liabilities that cannot be classified under the previous items. It is analysed as follows:

- the payable to Poste Italiane of about euro 364 million, relating to the portion of commissions due in respect of the postal savings funding service not yet paid at the reporting date;
- tax payables totalling about euro 191 million, mainly regarding the substitute tax levied on interest paid on postal savings products;
- the payables to other group companies as part of consolidated taxation mechanism (approximately euro 139 million).

Section 11 - Staff severance pay - Item 110

11.1 Staff severance pay: change for the year

(thousands of euros)	31/12/2016	31/12/2015
A. Opening balance	**930**	**887**
B. Increases	**78**	**53**
B.1 Provision for the year	19	14
B.2 Other increases	59	39
C. Decreases	**3**	**10**
C.1 Severance payments		7
C.2 Other decreases	3	3
D. Closing balance	**1,005**	**930**

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

(thousands of euros) Items	31/12/2016	31/12/2015
1. Company pension plans		
2. Other provisions	42,813	38,893
2.1 Legal disputes	22,314	22,191
2.2 Staff costs	16,709	13,919
2.3 Other	3,790	2,783
Total	**42,813**	**38,893**

12.2 Provisions for risks and charges: changes for the year

(thousands of euros)	Pensions	Other provisions	Total
A. Opening balance		**38,893**	**38,893**
B. Increases		**14,982**	**14,982**
B.1 Provision for the year		1,124	1,124
B.2 Changes due to passage of time		33	33
B.3 Changes due to changes in discount rate			
B.4 Other increases		13,825	13,825
C. Decreases		**11,062**	**11,062**
C.1 Use during the year		9,567	9,567
C.2 Changes due to changes in discount rate			
C.3 Other decreases		1,495	1,495
D. Closing balance		**42,813**	**42,813**

12.4 Provisions for risks and charges - Other provisions

Other provisions 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 4 – Operational risks of these notes.

Section 14 - Equity - Items 130, 150, 160, 170, 180, 190 and 200

14.1 "Share capital" and "Treasury shares": breakdown

At 31 December 2016, the fully paid-up share capital amounts to euro 4,051,143,264 and is composed of 342,430,912 ordinary shares, without par value.

On 20 October 2016, CDP's capital increase reserved to the Ministry of Economy and Finance (MEF) was subscribed for euro 2,930,257,785, including the share premium. The transaction had been approved by the shareholders of CDP at their extraordinary meeting on 24 June 2016. The capital increase was released with MEF transferring a 35% stake in the share capital of Poste Italiane S.p.A. to CDP.

In detail, the share capital of CDP has risen from euro 3,500,000,000 to euro 4,051,143,264, with a change of euro 551,143,264, to which are added euro 2,379,114,521 as the share premium (euro 2,378,517,244 net of costs and related tax benefits that are directly allocable to the transaction). The newly issued 45,980,912 ordinary shares of CDP have been subscribed and released by MEF through the transfer of 457,138,500 ordinary shares in Poste Italiane S.p.A., representing 35% of the share capital. The equity investment in Poste Italiane S.p.A., classified under equity investments subject to significant influence, has been assigned to the Separate Accounts of CDP, while MEF continues to set the policy and manage that equity investment. For further information on balance sheet classification see Part B – Assets, Section 10 of the notes to the separate financial statements.

As a result of the transaction, the MEF's equity interest in CDP rose from 80.1% to 82.8% of the share capital.

At 31 December 2016, the Company held treasury shares with a value of euro 57,220,116.

14.2 Share capital - Number of shares: change for the year

Items	Ordinary	Other
A. Shares at start of the year	**296,450,000**	
- fully paid	296,450,000	
- partly paid		
A.1 Treasury shares (-)	(4,451,160)	
A.2 Shares in circulation: opening balance	**291,998,840**	
B. Increases	**45,980,912**	
B.1 New issues	45,980,912	
- for consideration:	45,980,912	
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other	45,980,912	
- 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		

14.4 Income reserves: additional information

(thousands of euros) Items	31/12/2016	31/12/2015
Income reserves	**14,225,166**	**14,184,832**
Legal reserve	700,000	700,000
Other	13,525,166	13,484,832

The following information is provided in accordance with article 2427.7-bis of the Italian Civil Code.

(thousands of euros) Items	Balance at 31/12/2016	Possible uses (*)	Amount available
Share capital	4,051,143		
Share premium reserve	2,378,517	A, B, C (**)	2,268,288
Reserves			
- Legal reserve	700,000	B	700,000
- Other income reserves (net of treasury shares)	13,467,946	A, B, C	13,467,946
Valuation reserves			
- AFS reserve	757,469		
- Property revaluation reserve	167,572	A, B	167,572
- CFH reserve	21,496		
Total	**21,544,143**		**16,603,806**

(*) A = capital increase; B = loss coverage; C = distribution to shareholders.
(**) Pursuant to article 2431 of the Italian Civil Code, the share premium reserve can be distributed in its entirety only when the legal reserve has reached one fifth of share capital (as set out in article 2430 of the Italian Civil Code). The difference between the share premium and the available portion is the missing amount that is necessary to reach the above threshold.

The share premium reserve of approximately euro 2,378,517 thousand refers to the share premium of roughly euro 2,379,115 thousand resulting from the above-mentioned capital increase, net of the transactions costs incurred and directly attributable to the transaction, pursuant to IAS 32.37 (net of any related tax benefit).

Other information

1. Guarantees issued and commitments

(thousands of euros) Operations	31/12/2016	31/12/2015
1) Financial guarantees issued	2,803,630	2,719,853
a) Banks	1,546,736	1,550,000
b) Customers	1,256,894	1,169,853
2) Commercial guarantees issued	49,335	
a) Banks		
b) Customers	49,335	
3) Irrevocable commitments to disburse funds	14,778,961	18,751,943
a) Banks	125,834	413,979
i) certain use	125,834	413,979
ii) uncertain use		
b) Customers	14,653,127	18,337,964
i) certain use	14,653,127	18,337,964
ii) uncertain use		
4) Commitments underlying credit derivatives: sales of protection		
5) Assets pledged as collateral for third-party debts		
6) Other commitments	2,695,292	2,389,230
Total	**20,327,218**	**23,861,026**

2. Assets pledged as collateral for own debts and commitments

(thousands of euros) Portfolios	31/12/2016	31/12/2015
1. Financial assets held for trading		
2. Financial assets at fair value		
3. Financial assets available for sale	1,584,400	766,000
4. Financial assets held to maturity	20,774,500	14,518,000
5. Loans to banks	1,074,943	1,035,836
6. Loans to customers	42,519,976	39,862,303
7. Property, plant and equipment		

Assets pledged as collateral for own debts mainly refer to the receivables and securities pledged as collateral in refinancing operations with the ECB. The remainder are securities against repurchase agreements used for funding and receivables pledged as security for loans granted by the EIB.

4. Management and intermediation on behalf of third parties

(thousands of euros) Type of service	31/12/2016
1) Order execution on behalf of customers	
a) Purchases:	
1. settled	
2. not yet settled	
b) Sales:	
1. settled	
2. not yet settled	
2) Asset management	
a) Individual	
b) Collective	
3) Custody and administration of securities	
a) Third-party securities held as part of depository bank services (excluding asset management):	
1. securities issued by the reporting bank	
2. other securities	
b) Other third-party securities on deposit (excluding asset management) - other:	4,216,000
1. securities issued by the reporting bank	
2. other securities	4,216,000
c) Third-party securities deposited with third parties	4,216,000
d) Securities owned by bank deposited with third parties	49,854,353
4) Other transactions	
- Management on behalf of third parties on the basis of specific agreements:	
- Postal savings bonds managed on behalf of the MEF (1)	69,841,317
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	6,573,224
- Payment of public administration debts (Law Decree no. 35 of 8 April 2013; Law Decree no. 66 of 24 April 2014; Law Decree no. 78 of 19 June 2015) (3)	6,302,146
- Revolving Fund for development cooperation (3)	4,103,455
- Funds for Social and Public Residential Building (4)	2,827,898
- Funds of Public Entities and Other Entities deposited pursuant to Legislative Decree no. 1058/1919 and Law no. 1041/1971 (4)	910,609
- Kyoto Fund (3)	627,669
- Funds for Territorial Agreements and Area Contracts - Law no. 662/1996, Article 2 (203) (4)	529,575
- Funds for the natural gas infrastructure programme for the South - Law no. 784/1980, Law no. 266/1977 and Law no. 73/1998 (4)	204,579
- Ministry of Universities and Research - Student Housing - Law no. 388/2000 (4)	90,918
- Minimal Environmental Impact Fund (4)	28,116
- MEPLS Fund - contributions by the Ministry of Environment and Protection of the Land and Sea for international cooperation (4)	23,300
- Residential Building Loans - Law no. 179/1992 Article 5 (2)	11
- Other funds (4)	232,012

(1) The figure shown represents the amount at the reporting date.
(2) The figure shown represents the outstanding principal, at the reporting date, of the loans managed on behalf of the MEF.
(3) The figure shown represents the sum of outstanding principal of the loans disbursed and the remaining funds available on the dedicated current accounts at the reporting date.
(4) The figure shown represents the remaining funds available on the dedicated current accounts at the reporting date.

5. Financial assets offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euros) Type	Gross amount of financial assets (a)	Amount of financial liabilities offset in balance sheet (b)	Net amount of financial assets reported in balance sheet (c = a - b)	Related amounts not offset in balance sheet		Net amount 31/12/2016 (f = c - d - e)	Net amount 31/12/2015
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	927,914		927,914	467,593	452,450	7,871	15,543
2. Repurchase agreements	4,548,212		4,548,212	4,548,212			
3. Stock lending							
4. Other							
Total 31/12/2016	5,476,126		5,476,126	5,015,805	452,450	7,871	X
Total 31/12/2015	**11,490,480**		**11,490,480**	**10,902,037**	**572,900**	**X**	**15,543**

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the balance sheet:

(thousands of euros) Type	Balance sheet items	Net amount of financial assets reported in balance sheet
1. Derivatives		927,914
	20. Financial assets held for trading	194,641
	80. Hedging derivatives	733,273
2. Repurchase agreements		4,548,212
	60. Loans to banks	510,560
	70. Loans to customers	4,037,652
3. Stock lending		
4. Other		

For details of the valuation criteria used for the financial assets shown in the table above, see Part A of the Accounting Policies.

6. Financial liabilities offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euros) Type	Gross amount of financial liabilities (a)	Amount of financial assets offset in balance sheet (b)	Net amount of financial liabilities reported in balance sheet (c = a - b)	Related amounts not offset in balance sheet		Net amount 31/12/2016 (f = c - d - e)	Net amount 31/12/2015
				Financial instruments (d)	Cash collateral pledged (e)		
1. Derivatives	916,134		916,134	467,593	402,271	46,270	407
2. Repurchase agreements	18,695,605		18,695,605	18,641,679	53,926		
3. Stock lending							
4. Other							
Total 31/12/2016	**19,611,739**		**19,611,739**	**19,109,272**	**456,197**	**46,270**	**X**
Total 31/12/2015	**7,287,576**		**7,287,576**	**6,961,971**	**325,198**	**X**	**407**

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the balance sheet.

(thousands of euros) Type	Balance sheet items	Net amount of financial liabilities reported in balance sheet
1. Derivatives		916,134
	40. Financial liabilities held for trading	84,240
	60. Hedging derivatives	831,894
2. Repurchase agreements		18,695,605
	10. Due to banks	4,977,382
	20. Due to customers	13,718,223
3. Stock lending		
4. Other		

For details of the valuation criteria used for the financial liabilities shown in the table above, see Part A of the Accounting Policies.

PART C - INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST - ITEMS 10 AND 20

1.1 Interest income and similar income: breakdown

(thousands of euros)

Items/Type	Debt securities	Loans	Other	31/12/2016	31/12/2015
1. Financial assets held for trading					
2. Financial assets available for sale	101,465			101,465	82,752
3. Financial assets held to maturity	888,846			888,846	921,061
4. Loans to banks	1,105	264,998		266,103	301,244
5. Loans to customers	184,251	5,069,010		5,253,261	4,594,663
6. Financial assets at fair value					
7. Hedging derivatives	X	X	49,996	49,996	
8. Other assets	X	X	163,242	163,242	7,213
Total	**1,175,667**	**5,334,008**	**213,238**	**6,722,913**	**5,906,933**

Interest income accrued in 2016 amounts to approximately euro 6,723 million (up by roughly euro 816 million on 2015) and mainly comprises:

- interest income on loans to banks and customers, amounting to about euro 3,627 million (down by euro 255 million on 2015);
- interest income on cash and cash equivalents held with the Central State Treasury, account no. 29814, amounting to about euro 1,706 million (up by euro 808 million on 2015) [30];
- interest income on debt securities, amounting to about euro 1,176 million (up by euro 30 million on 2015);
- interest income on current accounts amounting to about euro 0.5 million (down by euro 1.3 million on 2015);
- interest income on repurchase agreements amounting to about euro 0.1 million (down by euro 1.7 million on 2015);
- the positive differential on hedging transactions amounting to about euro 50 million (at the end of 2015, the interest differential on hedging transactions was negative by euro 55 million);
- interest income on "other assets" amounting to about euro 163 million (up by approximately euro 156 million on 2015).

Sub-item "8. Other assets" includes, inter alia, interest accrued on financial liabilities which, due to negative remuneration, gave rise to a charge (interest expense). This is in line with EBA's instructions where the sign of the economic component prevails over the nature of the balance sheet item.

The item includes interest income on non-performing assets of approximately euro 8.6 million.

1.2 Interest income and similar income: differences on hedging transactions

(thousands of euros)

Items/Type	31/12/2016	31/12/2015
A. Positive differences on hedging transactions	150,397	
B. Negatives differences on hedging transactions	(100,401)	
C. Balance (A - B)	**49,996**	

In 2015, the interest difference related to hedging transactions was negative by approximately euro 55 million and was therefore recognised in table 1.5 "Interest expense and similar expenses: differences on hedging transactions".

[30] In 2016, in its decree dated 12 May 2016, the MEF, pursuant to article 17-quater of Law decree no. 18 of 14 February 2016, converted by Law no. 49 of 8 April 2016, reviewed the method of remuneration of the treasury current account no. 29814, which since 1 January 2016 has equalled the weighted average (using weightings at 20% and 80%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs.

1.3 Interest income and similar income: additional information

1.3.1 Interest income on financial assets in foreign currency

The item includes interest income accrued on financial assets in foreign currency of about euro 3,804 thousand.

1.4 Interest expense and similar expenses: breakdown

(thousands of euros)

Item/type	Payables	Securities	Other	31/12/2016	31/12/2015
1. Due to central banks	870	X		870	3,296
2. Due to banks	68,995	X		68,995	71,233
3. Due to customers	3,919,483	X		3,919,483	4,536,482
4. Securities issued	X	295,681		295,681	298,063
5. Financial liabilities held for trading					
6. Financial liabilities at fair value					
7. Other liabilities and funds	X	X	69,321	69,321	37,342
8. Hedging derivatives	X	X			55,390
Total	**3,989,348**	**295,681**	**69,321**	**4,354,350**	**5,001,806**

This item of approximately euro 4,354 million (down by roughly euro 647 million on 2015) mainly consists of the following:

- interest expense on passbook savings accounts and postal savings bonds amounting to about euro 3,914 million (down by approximately euro 583 million on 2015);
- interest expense on securities issued amounting to around euro 296 million (substantially in line with 2015);
- interest expense on deposits of investees of approximately euro 45 million (down by around euro 23 million on 2015);
- interest expense on credit facilities granted by the EIB amounting to approximately euro 23 million (down by around euro 4 million on 2015);
- interest expense on “other liabilities and provisions” amounting to about euro 69 million (up by approximately euro 32 million on 2015).

Sub-item “7. Other liabilities and provisions” includes, inter alia, interest accrued on financial assets that, due to negative remuneration, gave rise to a charge (interest expense). This is in line with EBA’s instructions where the sign of the economic component prevails over the nature of the balance sheet item.

Interest on amounts due to central banks refer to financing from the ECB.

1.5 Interest expense and similar expenses: differences on hedging transactions

(thousands of euros)

Items	31/12/2016	31/12/2015
A. Positive differences on hedging transactions		131,864
B. Negatives differences on hedging transactions		(187,254)
C. Balance (A – B)		**(55,390)**

In 2016, the interest difference related to hedging transactions was positive by approximately euro 50 million and was therefore recognised in table 1.2 “Interest income and similar income: differences on hedging transactions”.

1.6 Interest expense and similar expenses: other information

1.6.1 Interest expense on liabilities in foreign currencies

The item includes interest expense on liabilities in foreign currency of about euro 1,165 thousand.

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

(thousands of euros) Type of services	31/12/2016	31/12/2015
a) Guarantees issued	42,668	12,328
b) Credit derivatives		
c) Management, intermediation and advisory services:		
1. Trading in financial instruments		
2. Foreign exchange		
3. Asset management:		
3.1 individual		
3.2 collective		
4. Securities custody and administration		
5. Depository services		
6. Securities placement		
7. Order collection and transmission		
8. Advisory services:		
8.1 Concerning investments		
8.2 Concerning financial structure		
9. Distribution of third-party services:		
9.1 Asset management:		
9.1.1 individual		
9.1.2 collective		
9.2 Insurance products		
9.3 Other		
d) Collection and payment services		
e) Servicing activities for securitisations		
f) Services for factoring transactions		
g) Tax collection services		
h) Management of multilateral trading systems		
i) Holding and management of current accounts		
j) Other services	54,287	49,038
Total	**96,955**	**61,366**

In 2016, CDP commission income mainly refers to the disbursement of loans of approximately euro 49 million (up by roughly euro 4 million on 2015) and the issue of guarantees of about euro 43 million (up by about euro 30 million on 2015).

The item also includes commissions for:
- agreements signed with the Ministry of Economy and Finance covering the management of the MEF's assets and liabilities (euro 2.6 million);
- management of the Rotating Fund for Development Cooperation (euro 1 million);
- management of the Kyoto Fund (approximately euro 0.6 million);
- management of the Revolving Fund supporting enterprises and investment in research (FRI) (approximately euro 0.5 million);
- other services provided (approximately euro 0.3 million).

2.3 Commission expense: breakdown

(thousands of euros) Type of services	31/12/2016	31/12/2015
a) Guarantees received	2,150	1,744
b) Credit derivatives		
c) Management and intermediation services:	1,576,680	1,610,418
1. Trading in financial instruments		
2. Foreign exchange		
3. Asset management:		
3.1 Own portfolio		
3.2 Third-party portfolio		
4. Securities custody and administration		
5. Placement of financial instruments	1,576,680	1,610,418
6. Off-premises distribution of securities, products and services		
d) Collection and payment services	1,952	1,903
e) Other services	378	792
Total	**1,581,160**	**1,614,857**

Commission expense is mainly attributable to the current portion of the remuneration paid to Poste Italiane S.p.A., based on the current agreement, for managing postal savings products amounting to approximately euro 1,577 million (down by euro 34 million on 2015).

The agreement between CDP and Poste Italiane S.p.A. no longer provides for a commission directly attributable to the issue of new postal bonds, but rather a comprehensive fee for the activities involved in providing the service, which is fully expensed in the year in which it accrues. The fee structure is consistent with the developments in the service provided by Poste Italiane S.p.A., which now emphasises the overall management of postal savings rather than merely providing placement services.

Section 3 - Dividends and similar revenues - Item 70

3.1 Dividends and similar revenues: breakdown

	31/12/2016		31/12/2015	
(thousands of euros) Items	Dividends	Income from units in collective investment undertakings	Dividends	Income from units in collective investment undertakings
A. Financial assets held for trading				
B. Financial assets available for sale		4,451	36	6,346
C. Financial assets at fair value				
D. Equity investments	1,566,318	X	1,532,062	X
Total	**1,566,318**	**4,451**	**1,532,098**	**6,346**

This item comprises dividends and similar revenues whose distribution was approved in 2016. They mainly arise from the equity investments held in ENI (approximately euro 749 million), CDP Reti (approximately euro 361 million), SACE (approximately euro 310 million), CDP Equity (approximately euro 77 million), CDP GAS (approximately euro 41 million) and Fintecna (euro 25 million).

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

4.1 Net gain (loss) on trading activities: breakdown

(thousands of euros) Type of operation/P&L items	Capital gains (a)	Trading profits (b)	Capital losses (c)	Trading losses (d)	Net result [(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	16
4. Derivatives	55,354	37,250	46,979	39,975	5,650
4.1 Financial derivatives:	55,354	37,250	46,979	39,975	5,650
- on debt securities and interest rates	13,072	12,174	13,091	12,315	(160)
- on equity securities and equity indices	42,282	25,076	33,888	27,660	5,810
- on foreign currencies and gold	X	X	X	X	
- other					
4.2 Credit derivatives					
Total	**55,354**	**37,250**	**46,979**	**39,975**	**5,666**

Net gains on trading activities of approximately euro 6 million are almost entirely related to operational hedges of the embedded option in the postal savings bonds indexed to equity baskets, made through open-market purchase of mirror options.

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

5.1 Net gain (loss) on hedging activities: breakdown

(thousands of euros) P&L items	31/12/2016	31/12/2015
A. Income on:		
A.1 Fair value hedges	207,267	354,582
A.2 Hedged financial assets (fair value)	389,691	80,852
A.3 Hedged financial liabilities (fair value)	45,120	89,828
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	29,491	37,935
Total income on hedging activities (A)	**671,569**	**563,197**
B. Expense on:		
B.1 Fair value hedges	437,254	165,940
B.2 Hedged financial assets (fair value)	115,199	339,216
B.3 Hedged financial liabilities (fair value)	88,920	15,568
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	29,439	37,969
Total expense on hedging activities (B)	**670,812**	**558,693**
C. Net gain (loss) on hedging activities (A - B)	**757**	**4,504**

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

6.1 Gains (losses) on disposal or repurchase: breakdown

(thousands of euros) P&L items	31/12/2016 Gains	31/12/2016 Losses	31/12/2016 Net gain (loss)	31/12/2015 Gains	31/12/2015 Losses	31/12/2015 Net gain (loss)
Financial assets						
1. Loans to banks	268		268	245		245
2. Loans to customers	19,099	(227)	18,872	70,926	(3,887)	67,039
3. Financial assets available for sale:	9,152	(3,688)	5,464	332,692		332,692
3.1 Debt securities	9,152	(3,688)	5,464	332,692		332,692
3.2 Equity securities						
3.3 Units in collective investment undertakings						
3.4 Loans						
4. Financial assets held to maturity	2		2	10		10
Total assets	**28,521**	**(3,915)**	**24,606**	**403,873**	**(3,887)**	**399,986**
Financial liabilities						
1. Due to banks						
2. Due to customers						
3. Securities issued						
Total liabilities						

This item mainly refers to the indemnities received from customers upon early repayment of long-term loans. The residual balance refers to income accrued on the sale of debt securities recognised under financial assets available for sale. The decrease in this item, which fell from approximately euro 400 million in 2015 to about euro 25 million in 2016 (down by roughly euro 375 million), is mainly attributable to the reduction in the sale of debt securities compared to the previous year.

Section 8 - Net impairment adjustments - Item 130

This item, totalling approximately euro -457.1 million, refers to the net balance between writedowns and writebacks on loans, available-for-sale financial assets and other financial transactions, calculated on an analytically and collective basis. The recovery from interest refer to the write-backs connected with the passage of time, deriving from the accrual of interest during the year on the basis of the original effective interest rate used to calculate the value adjustments.

8.1 Net impairment adjustments of loans: breakdown

(thousands of euros) Type of operation/P&L items	Writedowns Specific Writeoffs	Writedowns Specific Other	Writedowns Portfolio	Writebacks Specific Interest	Writebacks Specific Other	Writebacks Portfolio Interest	Writebacks Portfolio Other	31/12/2016	31/12/2015
A. Loans to banks			(77,279)					(77,279)	(4,847)
- Loans			(77,036)					(77,036)	(4,847)
- Debt securities			(243)					(243)	
B. Loans to customers		(16,375)	(73,234)	353	3,299			(85,957)	(96,981)
Purchased impaired receivables:									
- loans			X				X		
- debt securities			X				X		
Other receivables:									
- loans		(16,375)	(71,956)	353	3,299			(84,679)	(96,638)
- debt securities			(1,278)					(1,278)	(343)
C. Total		**(16,375)**	**(150,513)**	**353**	**3,299**			**(163,236)**	**(101,828)**

8.2 Net impairment losses on financial assets available for sale: breakdown

(thousands of euros) Type of operation/P&L items	Writedowns Specific Writeoffs	 Other	Writebacks Specific Interest	 Other	31/12/2016	31/12/2015
A. Debt securities						
B. Equity securities			X	X		(27)
C. Units in collective investment undertakings		(215,949)	X		(215,949)	
D. Loans to banks						
E. Loans to customers						
F. Total		**(215,949)**			**(215,949)**	**(27)**

The impairment loss on units in collective investment undertakings (approximately euro 216 million) refers to the unit held in the Fondo Atlante.

8.4 Net impairment adjustments of other financial transactions: breakdown

(thousands of euros) Type of operation/P&L items	Writedowns Specific Writeoffs	 Other	 Portfolio	Writebacks Specific Interest	 Other	 Portfolio Interest	 Other	31/12/2016	31/12/2015
A. Guarantees issued		(1,182)	(3,485)					(4,667)	63
B. Credit derivatives									
C. Commitments to disburse funds		(2,916)	(1,002)		223		8,635	4,940	6,163
D. Other transactions		(78,201)						(78,201)	
E. Total		**(82,299)**	**(4,487)**		**223**		**8,635**	**(77,928)**	**6,226**

This item mainly refers to the impairment loss on CDP's subscription commitments vis-à-vis the Fondo Atlante.

Fondo Atlante

CDP holds 500 units of the alternative investment fund Fondo Atlante (out of a total of 4,249), against a total commitment of euro 500 million. Of this amount, approximately euro 298 million was paid in 2016, roughly euro 108 million was called up in 2016 and paid on 3 January 2017 and euro 94 million is still to be called up.

The investment in this fund is classified under financial assets available for sale. In line with IFRS, it is measured at fair value.

At 31 December 2016, the fair value of the investment, measured using valuation techniques based in part on the application of stock market multiples on a basket of banks, and on estimates of the NPL portfolio of banks held by the Fondo Atlante and connected capital requirements, fell considerably below the carrying amount, thereby indicating the existence of objective evidence of impairment.

The fair value of the investment, measured in this way, fell within the valuation range provided by a leading consultancy company engaged for the purpose.

For further information see paragraph 4.3.2.3 of the Report on operations.

Section 9 - Administrative expenses - Item 150

9.1 Staff costs: breakdown

(thousands of euros) Type of expense	31/12/2016	31/12/2015
1) Employees	80,425	68,449
a) Wages and salaries	57,316	48,223
b) Social security contributions	190	138
c) Severance pay	594	394
d) Pensions	14,213	12,375
e) Allocation to staff severance pay provision	19	14
f) Allocation to provision for pensions and similar liabilities:		
- defined contribution		
- defined benefit		
g) Payments to external pension funds:	3,254	3,234
- defined contribution	3,254	3,234
- defined benefit		
h) Costs in respect of agreements to make payments in own equity instruments		
i) Other employee benefits	4,839	4,071
2) Other personnel in service	311	867
3) Board of Directors and Board of Statutory Auditors	1,395	3,214
4) Retired personnel		
5) Recovery of expenses for employees seconded to other companies	(1,844)	(1,019)
6) Reimbursement of expenses for third-party employees seconded to the company	246	143
Total	**80,533**	**71,654**

9.2 Average number of employees by category

(numero)	
Employees	**649**
a) Senior management	64
b) Middle management	302
- *of which: 3rd and 4th grade*	*170*
c) Other employees	283
Other personnel	**20**

9.4 Other employee benefits

(thousands of euros) Type of benefits	31/12/2016	31/12/2015
Lunch vouchers	1,902	951
Staff insurance	1,203	1,594
Interest subsidies on loans	983	144
Early retirement incentives	511	988
Other benefits	240	394
Total	**4,839**	**4,071**

9.5 Other administrative expenses: breakdown

(thousands of euros) Type of expense	31/12/2016	31/12/2015
Professional and financial services	12,593	10,953
IT costs	22,751	21,198
General services	8,935	7,799
Advertising and marketing	2,417	9,067
- *of which: mandatory publicity*	*611*	*1,230*
Information resources and databases	1,194	1,794
Utilities, duties and other expenses	6,070	6,466
Corporate bodies	296	475
Other personnel costs	1,374	1,317
Total	**55,630**	**59,069**

As required by article 149-duodecies of Consob Issuers' Regulation, the 2016 audit fees of PricewaterhouseCoopers S.p.A. are given below:

Audit fees and fees for non-audit services

(thousands of euros)	Service provider	Fees for the year
Auditing and financial statements	PricewaterhouseCoopers S.p.A.	707
Certification	PricewaterhouseCoopers S.p.A.	37
Total		**744**

The fees paid in 2016 to PricewaterhouseCoopers S.p.A. refer to the audit of the annual separate and consolidated financial statements, the review of the condensed interim financial report, the certification of unbundling schedules and the issue of comfort letters about the updating of the "Debt Issuance Programme" (DIP).

Section 10 - Net provisions - Item 160

10.1 Net provisions: breakdown

	31/12/2016			31/12/2015
(thousands of euros) Type	Accruals	Reversal of excess	Total	Total
Review of existing provision for litigation	(123)		(123)	(18,428)
Losses of investees	(977)		(977)	
Provision for tax liabilities	(58)		(58)	(58)
Total	**(1,158)**		**(1,158)**	**(18,486)**

This item mainly refers to the accrual to the cover the losses incurred by the investee Risparmio Holding S.p.A. equal to the net deficit portion pertaining to CDP at 31 December 2016.

SECTION 11 - NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT - ITEM 170

11.1. Net adjustments of property, plant and equipment: breakdown

(thousands of euros) Assets/P&L items	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Property, plant and equipment				
A.1 Owned:	(4,557)			(4,557)
- operating assets	(4,557)			(4,557)
- investment property				
A.2 Acquired under finance leases:				
- operating assets				
- investment property				
Total	**(4,557)**			**(4,557)**

SECTION 12 - NET AJDUSTMENTS OF INTANGIBLE ASSETS - ITEM 180

12.1 Net adjustments of intangible assets: breakdown

(thousands of euros) Assets/P&L items	Amortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Intangible assets				
A.1 Owned:	(2,466)			(2,466)
- internally generated				
- other	(2,466)			(2,466)
A.2 Acquired under finance leases				
Total	**(2,466)**			**(2,466)**

SECTION 13 - OTHER OPERATING INCOME (COSTS) - ITEM 190

13.1 Other operating costs: breakdown

(thousands of euros) Type	31/12/2016	31/12/2015
Operating costs in respect of supply chain	4	2
Charges from adjustment of asset items	54	46
Other costs	5	21,959
Total	**63**	**22,007**

The 2015 corresponding figure of the sub-item "Other costs" mainly includes the one-off costs related to the return of the 2015 portion of the stamp duty in excess of the net interest credited to the passbook savings account to the holders of an ordinary registered passbook savings account, upon meeting certain conditions.

13.2 Other operating income: breakdown

(thousands of euros) Type	31/12/2016	31/12/2015
Income for corporate offices paid to employees	997	749
Recovery of expenses	262	497
Other income	2,556	2,378
Total	**3,815**	**3,624**

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

14.1 Gains (losses) on equity investments: breakdown

(thousands of euros) P&L Items	31/12/2016	31/12/2015
A. Gains		
1. Revaluations		
2. Gains on disposals		
3. Writebacks		
4. Other		
B. Losses	**(270,010)**	**(209,042)**
1. Writedowns		
2. Impairments	(270,010)	(209,042)
3. Losses on disposals		
4. Other		
Net gain (loss)	**(270,010)**	**(209,042)**

This item reflects the impairment losses recognised on the equity investments in CDP Immobiliare (euro 270 million) and Risparmio Holding S.p.A. (euro 10 thousand), as a result of the impairment test carried out thereon.

Section 17 - Gains (losses) on disposal of investments - Item 240

17.1 Gains (losses) on disposal of investments: breakdown

(thousands of euros) P&L items	31/12/2016	31/12/2015
A. Property		
Gains from disposal		
Losses from disposal		
B. Other assets		
Gains from disposal		
Losses from disposal	(4)	(5)
Net gain (loss)	**(4)**	**(5)**

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

18.1 Income tax for the year on continuing operations: breakdown

(thousands of euros) Items	31/12/2016	31/12/2015
1. Current taxes (-)	(114,989)	(33,854)
2. Change in current taxes from previous years (+/-)	116,858	
3. Reduction of current taxes for the year (+)		
3.*bis* Reduction of current taxes for tax credits pursuant to Law no. 214/2011 (+)		
4. Change in deferred tax assets (+/-)	42,364	41,730
5. Change in deferred tax liabilities (+/-)		(55)
6. Taxes for the year (-) (-1 +/- 2 + 3 + 3.bis + /- 4 + /- 5)	**44,233**	**7,821**

In 2016, current taxes refer to the corporate income tax (IRES) and the regional tax on business activities (IRAP). They are calculated using the ruling tax rates (27.5% and 5.57%, respectively).

The increase in current taxes on previous years is due to the effects of the ACE incentive for the 2012-2014 tax years following some clarifications provided by the Tax authorities to the company during the year.

In 2016, the increase in deferred tax assets is mainly due to impairment losses on loans and receivables and commitments vis-à-vis investment funds units, accruals to provisions and the provision for future charges related to personnel.

18.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euros)	31/12/2016	Tax rate
Income (loss) before taxes	**1,618,439**	
IRES Theoretical tax liability (27.5% rate)	**(445,071)**	**-27.5%**
Permanent increases:		
- non-deductible interest expense	(47,898)	-3.0%
- writedowns on equity investments	(74,253)	-4.6%
- other non-deductible costs	(1,417)	-0.1%
Temporary increases:		
- impairment adjustments of loans		
- other temporarily non-deductible costs	(59,429)	-3.7%
Permanent decreases:		
- tax exempt dividends	409,200	25.3%
- ACE benefit	162,563	10.0%
- income from the national and global tax consolidation mechanism	23,163	1.4%
- other changes	981	0.1%
Temporary decreases	9,644	0.6%
IRES Actual tax liability	**(22,517)**	**-1.4%**

(thousands of euros)	31/12/2016	Tax rate
Taxable income for IRAP purposes	**1,560,652**	
IRAP Theoretical tax liability (5.57% rate)	**(86,928)**	**-5.57%**
Non-deductible interest 4%	(9,701)	-0.6%
Deductible costs from prior years	366	0.02%
Deductible costs in respect of staff	3,935	0.3%
Other non-deductible costs	(144)	-0.01%
IRAP Actual tax liability	**(92,472)**	**-5.9%**

SECTION 20 - OTHER INFORMATION

Nothing to report in addition to that described in the previous sections.

PART D - COMPREHENSIVE INCOME

Analytical statement of comprehensive income

(thousands of euros) Items	Gross amount	Income taxes	Net amount
10. Income (loss) for the year	**1,618,439**	**44,233**	**1,662,672**
Other comprehensive income not transferred to income statement			
20. Property, plant and equipment			
30. Intangible assets			
40. Defined-benefit plans			
50. Non-current assets held for sale			
60. Valuation reserves of equity investments accounted for with equity method			
Other comprehensive income transferred to income statement			
70. Hedging of investment in foreign operation:			
a) Fair value changes			
b) Reversal to income statement			
c) Other changes			
80. Exchange rate differences:			
a) Changes in values			
b) Reversal to income statement			
c) Other changes			
90. Cash flow hedges:	(3,025)	1,001	(2,024)
a) Fair value changes	(3,025)	1,001	(2,024)
b) Reversal to income statement			
c) Other changes			
100. Financial assets available for sale:	11,789	(3,698)	8,091
a) Fair value changes	19,570	(6,271)	13,299
b) Reversal to income statement:	(7,781)	2,573	(5,208)
- impairment adjustments			
- gain/loss on realisation	(7,781)	2,573	(5,208)
c) Other changes			
110. Non-current assets held for sale:			
a) Fair value changes			
b) Reversal to income statement			
c) Other changes			
120. Valuation reserves of equity investments accounted for with equity method:			
a) Fair value changes			
b) Reversal to income statement:			
- impairment adjustments			
- gain/loss on realisation			
c) Other changes			
130. Total other comprehensive income	**8,764**	**(2,697)**	**6,067**
140. Comprehensive income (items 10 + 130)	**1,627,203**	**41,536**	**1,668,739**

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Within CDP's organizational structure, 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 the clear representation of CDP's overall risk profile and solidity to the top management and the Board of Directors. As part of this mandate, the CRO coordinates the activities of the Risk Management and Anti-Money Laundering (RMA) Area, of the Compliance Service and the Credit Area. RMA is responsible for supporting the CRO with the governance and monitoring of all types of risks, making CDP's overall risk profile and the capital requirements associated with each risk category transparent.

These types of risk are defined by the Risk Policy approved by the Board of Directors in 2010 and subsequently updated as necessary. They are classifiable in terms of market risks (which include equity risk, interest rate risk, inflation risk, and currency risk), liquidity risk, credit risk (which includes concentration and counterparty risks), operational risks, and reputation risks. The Risk Policy is updated semi-annually and includes the Risk Management Rules and the related documents, each of which focuses on a specific category of risks (e.g. interest rate risk) or area exposed to those risks (e.g. treasury operations and investment in securities). The Risk Policy represents a key tool used by the Board of Directors to define the risk appetite of CDP, the tolerance thresholds, risk limits, risk management policies, and framework of related organisational processes.

The guidelines governing CDP's risk management policies are summarised in the Risk Management Rules and they envisage:
- the segregation of roles and responsibilities in the assumption and control of risks;
- organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

The Risk Management and Anti-Money Laundering area is structured into the following Services:
- Credit and Counterparty Risk;
- Financial Engineering and Fair Value Measurement;
- Market and Liquidity Risks (ALM);
- Operational risks;
- Equity Investment Risks;
- Loan monitoring and control;
- Anti-Money Laundering.

The Head of the Equity Investments Risk Service is also responsible for coordinating risk management at Group level.

The Risk Committee is set up within the Board of Directors and has control and guidance functions with respect to risk management and the assessment of the adoption of new products. The CEO is supported by the Internal Risk Committee. This technical and advisory body expresses opinions on policy and control issues concerning the overall risk profile of CDP and operating assessment of especially important risks.

The RMA checks compliance with the limits set by the Board of Directors and the operational limits established by the CEO, recommending correction actions to the Risk Committee that might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and participating in capital management activities.

The Financial Engineering and Fair Value Measurement unit is also responsible for providing the company with certified calculation models.

Section 1 - Credit risk

Qualitative disclosures

1. General aspects

Credit risk arises primarily in relation to 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 (counterparty risk).

The Separate Account, which easily has the largest stock of assets, is primarily exposed to General Government and local authorities.

In the last three years, an increasingly important role was played by exposures under the Separate Account to the main banking groups operating in Italy, through which CDP channels various types of financing, in particular loans to SMEs and in support of the 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, which at present are essentially immunised for credit risk (as they are secured by the General Government as the guarantor of last resort), and those assumed under "Export Bank" operations. The Separate Account may also have a role in energy efficiency projects and in loans granted to support international development cooperation activities.

The Ordinary Account grants corporate and project financing for initiatives concerning the delivery of public services, in competition with banks. Loans from the Ordinary Account are mainly aimed at the provision of public services and at investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and green economy.

2. Credit risk management policies

2.1 Organisational aspects

The principles followed by CDP in its lending activities are set out in the Lending Rules, which also govern the lending process and the roles of the units involved.

The Lending Department, which reviews loans, is responsible inter alia for issuing the internal rating and estimate of the Loss Given Default. These parameters are used for management purposes and are determined in accordance with the Risk Policy and the Rating and Recovery Rate Policy. This latter document is approved by the CEO, who applies the methods adopted by CDP for the assignment of internal ratings to counterparties and in producing internal estimates of the recovery rate for individual financing operations. The Lending Department is also responsible for monitoring existing loans, as regards performance of the loans themselves and the evolution of the counterparty's financial situation and developments in their industry.

RMA is responsible for the methods used to determine the risk-adjusted pricing, monitoring the risk-adjusted return, and the measured portfolio concentration. RMA regularly monitors the overall performance of loan portfolio risk, inter alia to identify those corrective measures designed to optimise the risk/return profile.

The RMA's responsibilities concerning credit risk also include:
- performing specific controls to ensure that the performance of individual exposures is properly monitored, and especially the performance of non-performing loans, that the classifications are consistent, that the accrued provisions are adequate, and that the recovery process is adequate;
- the preparation of Guidelines, Regulations and Policies on ratings and recovery rate;
- the definition, selection, and implementation of models, methods, and instruments of the internal rating system, guaranteeing that it is constantly monitored and updated.

With regard to non-performing counterparties, the Lending Department reviews any proposals made for restructuring — possibly with the support of other departments for more complex cases — while RMA performs second level control which basically consists in expressing an opinion on the proposals put forward. Contractual amendment requests for performing loans (so-called waivers), instead, are managed by the Loan Management Area.

The Credit Committee is a technical and advisory body supporting the Policymaking Bodies. One of its duties is to give mandatory, non-binding opinions on financing operations, both in regard to creditworthiness and the adequacy of the applied conditions. The composition of the Credit Committee includes both members of the Credit Area, RMA and of the Legal and Financial Areas.

Where predetermined concentration thresholds are exceeded and the Credit Committee does not express a unanimous opinion, a non-binding opinion of the CRO is also required on lending transactions.

The Risk Policy was updated in 2016. This activity reinforced protections against the risks assumed by the Group, consistently with what is envisaged in the Business Plan. In particular, the Board of Directors has approved the policies for subsidiaries included in the "credit group",[31] which establish a specific governance process for the most important transactions in terms of risk. The risk policies applied to the credit portfolio of the Parent Company are based on modular structure, consisting of a hierarchical structure for the adopted protections. The same structure was used to define the guidelines for tracing responsibility back to the Parent Company for specific transactions that are the most critical in terms of risk. A non-binding opinion by the Parent Company has to be obtained in these cases.

2.2 Management, measurement and control systems

With regard to the credit risk management and control policies of the Separate Account, CDP adopts a system for approving loans to local entities. This system can be used to classify each loan in uniform risk categories, by adequately defining the risk level associated with the individual entities, with the aid of quantitative parameters that are differentiated by type of entity and their individual dimensions.

[31] CDP's credit group, as defined internal management purposes, comprises CDP S.p.A., SACE S.p.A., SACE FCT S.p.A., SACE BT S.p.A. and SIMEST S.p.A.

This loan approval system uses qualitative and quantitative criteria to identify the cases where the debtor's creditworthiness merits further study.

For the Ordinary Account and lending for projects promoted by public entities pursuant to Decree Law 185 of 29/11/2008, CDP uses a validated proprietary model to calculate portfolio credit risk. With the same system CDP also calculates the economic capital associated with the entire loan portfolio, with the sole exception of positions associated with country risk.

RMA monitors compliance with the limits framework and the guidelines for the composition of the loan portfolio, which are in integral part of the Risk Policy. The limits are set according to the credit rating of each counterparty, and become more rigorous as the rating and recovery rate decrease, according to proportions based on the extent of capital being used.

RMA also conducts stress tests on the level of risk in the loan portfolio, based on assumptions of generalized deterioration in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increase in correlation parameters.

RMA regularly monitors the net current and contingent exposure to banks in respect of derivatives transactions in order to prevent concentrated exposures. RMA also checks compliance with the minimum rating limits of the counterparty and the limits associated with the maximum notional amount and maximum credit equivalent, by counterparty or group of related counterparties, as stipulated in the CDP Risk Policy. Similarly, RMA provides for the monitoring of exposures to counterparties in treasury activities, checking compliance with the limits and criteria set out in the Risk Policy.

The methods adopted for the allocation of internal ratings aim to ensure compliance with an adequate level of transparency and consistency, including through traceability of the allocation process.

In the internal rating assignment process, CDP makes use of rating models developed by specialized external providers, which are applied as benchmark instruments and are broken down by CDP's major customer types on the basis of size, legal form and industry.

Consistently with agency rating practice, the scale of ratings adopted by CDP is broken down into 21 classes, of which 10 are for "investment grade" positions and 11 for "speculative grade". A class is also used for counterparties in default. Given the types of borrowers and the limited number of historical defaults on CDP's portfolio, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using data bases acquired from a specialized provider.

Default is defined in accordance with supervisory regulations issued by the Bank of Italy for banks.

The internal estimates of Loss Given Default take into account the different types of guarantees, as well as recovery times, and are differentiated by category of customer.

The rating system is used in the loan approval process (for private individuals also in the setting of risk-adjusted prices), for monitoring loan performance, to calculate general provisions, within the limits framework and to measure the use of capital. The risk assessment assigned to the counterparty is updated at least annually, and in any case is reviewed during the year whenever events occur or information is acquired that significantly affect the credit rating.

2.3 Credit risk mitigation techniques

CDP mitigates the credit risk in respect of lending operations using techniques commonly adopted in the banking industry.

A significant number of the credit exposures of CDP in the Separate Account consist of special-purpose cash loans supported by payment orders.

Financing under the Ordinary Account and that involving non-public entities under the Separate Account can be secured by security interests in property or unsecured guarantees. Specifically, some of the products in support of the economy, which are channelled through the banking system and targeted at SMEs (e.g. the New SME Fund), and in support of the housing market, are secured through the sale of the underlying loans to CDP and the creation of pledges on government bonds in favour of CDP. A system of limits imposed 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, largely in transactions under the Ordinary Account and in those with non-public entities under the Separate Account, there exists the possibility of including a clause in the loan agreements, obligating the counterparty to satisfy appropriate financial covenants and other typical contractual clauses in similar transactions, that allow CDP to monitor its credit risk more effectively over the life of the transaction.

With reference to loans to private-sector parties, in order to reduce the risk of involvement of criminal organizations, CDP takes part in the financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

The support provided by sponsors of the deal assumes special importance in project finance transactions, and particularly during the construction phase. This support is realised both in terms of the commitment to provide additional resources, as necessary, and by remaining a shareholder until construction is completed and operations commence.

During 2016, the Watch List tool also made it possible to monitor a group of performing loans more strictly. These performing loans are broken down into categories comprised of banks, public entities, and corporate entities, having a risk profile requiring special attention and for which, in certain cases, actions were taken to mitigate the critical situation.

Pursuant to the executed ISDA agreements, netting is used in hedge transactions with the bank counterparties of the Company. All the contracts are based on the 2002 ISDA agreement.

Credit Support Annexes, which involve the periodic exchange of collateral, are also used to strengthen credit risk mitigation.

The arrangement is based on the standard format recommended by ISDA.

Securities financing deals utilise GMRAs (Global Master Repurchase Agreement, ISMA 2000 format). CDP has also joined the Cassa di Compensazione e Garanzia (Clearing House), through which it transacts in repo agreements while benefiting from robust protections against counterparty risk.

2.4 Non-performing financial assets

Non-performing financial assets are measured and classified in accordance with supervisory regulations issued by the Bank of Italy for banks.

The main events monitored in analysing the financial soundness of counterparties and the consequent valuation of the credit exposure in the financial statements regard failure to make payments (or other contractual breaches), declarations of financial crisis by local authorities or the initiation of bankruptcy proceedings for other borrowers.

The measurement of non-performing positions is based on an estimate of the loan recovery plan, discounted at the effective interest rate of the specific loan. The estimate made in the recovery plan and consequent adjustment of the value of loans and receivables consider any collateral or unsecured guarantees received. In particular, these consider 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.

The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery of the credit exposure. So that these events are promptly recorded, available information on the financial position and results 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.

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 positions to be reported under bad debts, unlikely to pay and non-performing past-due exposures.

Before litigation, non-performing loans are monitored and handled by the Credit Department, which coordinates with the other organisational units involved. The recovery of these exposures is aimed at maximising the financial position and results, by pursuing extra-judicial actions as deemed appropriate. These may include settlement agreements having a positive impact on recovery times and the level of costs incurred.

The restoration of non-performing exposures to performing status is subject to verification that the problem conditions or insolvency have been eliminated and to the binding opinion, where envisaged, of the credit monitoring unit.

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.

After interposition by the European Union on 9 January 2015 of the "Implementing Technical Standards" that the European Banking Authority (EBA) had issued in 2013, which contains the definition of "non-performing exposures" and "forbearance", and subsequent updates to the applicable banking regulations issued by the Bank of Italy, CDP has implemented appropriate methods for proper identification of "forborne" relationships. These methods call for identification of the nature of changes to the original contractual terms and conditions (i.e. total or partial refinancing of the debt) granted to a debtor, and consider the evidence of continuous monitoring, such as the number of days past due, in addition to the expert opinion of the competent units of the Credit Department, for assessment of the effective financial difficulty of the debtor.

Quantitative disclosures

A. Credit quality

A.1 Non-performing and performing credit exposures: balances, writedowns, changes, economic and geographical distribution

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

(thousands of euros) Portfolios/Quality	Bad debts	Unlikely to pay	Non-performing past-due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets available for sale					7,941,919	7,941,919
2. Financial assets held to maturity					32,268,680	32,268,680
3. Loans to banks					23,964,632	23,964,632
4. Loans to customers	29,541	180,287	24,118	61,807	258,347,158	258,642,911
5. Financial assets at fair value						
6. Financial assets held for disposal						
Total at 31/12/2016	**29,541**	**180,287**	**24,118**	**61,807**	**322,522,389**	**322,818,142**
Total at 31/12/2015	**30,371**	**153,992**	**64,686**	**119,685**	**312,668,499**	**313,037,233**

The following table shows the breakdown of credit exposures for on-balance-sheet forborne credit exposures (non-performing and performing loans).

Forborne exposures: breakdown by portfolio and credit quality

(thousands of euros) Type of exposure	Gross exposure	Specific writedowns	Portfolio adjustments	Net exposure at 31/12/2016	Net exposure at 31/12/2015
Forborne loans to customers:					
Bad debts			X		
Unlikely to pay	74,058	(42,871)	X	31,187	35,896
Non-performing past-due exposures			X		
Performing past-due exposures		X			
Other performing exposures	776,069	X	(131,045)	645,024	35,126
Total forborne exposures at 31/12/2016	**850,127**	**(42,871)**	**(131,045)**	**676,211**	**X**
Total forborne exposures at 31/12/2015	**110,382**	**(39,034)**	**(326)**	**X**	**71,022**

The following table shows the breakdown by portfolio and period overdue of performing past-due exposures. The amounts shown refer to the whole exposure reported in the separate financial statements, including amounts not yet due, relationships that have a past-due payment but do not meet the prerequisites for classification as a non-performing past-due exposure.

Past-due performing credit exposures: breakdown by period overdue

(thousands of euros) Portfolios	Performing past-due exposures				Total performing past-due net exposures 31/12/2016	Total performing past-due net exposures 31/12/2015
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year		
1. Financial assets available for sale						
2. Financial assets held to maturity						
3. Loans to banks						
4. Loans to customers	17,426	19,052	2,273	23,056	61,807	119,685
- *of which: forborne exposures*						
5. Financial assets at fair value						
6. Financial assets held for disposal						
Total 31/12/2016	**17,426**	**19,052**	**2,273**	**23,056**	**61,807**	**X**
Total 31/12/2015	**53,468**	**45,176**	**165**	**20,876**	**X**	**119,685**

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

(thousands of euros) Portfolios/Quality	Non-performing assets			Performing assets			Total (net exposure)
	Gross exposure	Specific writedowns	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets available for sale				7,941,919		7,941,919	7,941,919
2. Financial assets held to maturity				32,268,680		32,268,680	32,268,680
3. Loans to banks				24,076,014	(111,382)	23,964,632	23,964,632
4. Loans to customers	404,254	(170,308)	233,946	258,612,439	(203,474)	258,408,965	258,642,911
5. Financial assets at fair value				X	X		
6. Financial assets held for disposal							
Total at 31/12/2016	**404,254**	**(170,308)**	**233,946**	**322,899,052**	**(314,856)**	**322,584,196**	**322,818,142**
Total at 31/12/2015	**404,882**	**(155,833)**	**249,049**	**312,952,529**	**(164,345)**	**312,788,184**	**313,037,233**

(thousands of euros) Portfolios/Quality	Assets with markedly poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading			207,650
2. Hedging derivatives			733,273
Total at 31/12/2016			**940,923**
Total at 31/12/2015			**989,880**

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

(thousands of euros) Type of exposure	Gross exposure					Specific writedowns	Portfolio adjustments	Net exposure
	Non-performing assets				Performing assets			
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year				
A. On-balance-sheet exposures								
a) Bad debts					X		X	
- *of which: forborne exposures*					*X*		*X*	
b) Unlikely to pay					X		X	
- *of which: forborne exposures*					*X*		*X*	
c) Non-performing past-due exposures					X		X	
- *of which: forborne exposures*					*X*		*X*	
d) Performing past-due exposures	X	X	X	X		X		
- *of which: forborne exposures*	*X*	*X*	*X*	*X*		*X*		
e) Other performing exposures	X	X	X	X	24,962,899	X	(111,382)	24,851,517
- *of which: forborne exposures*	*X*	*X*	*X*	*X*		*X*		
Total A					**24,962,899**		**(111,382)**	**24,851,517**
B. Off-balance-sheet exposures								
a) Non-performing					X		X	
b) Performing	X	X	X	X	1,784,209	X	(5,038)	1,779,171
Total B					**1,784,209**		**(5,038)**	**1,779,171**
Total (A + B)					**26,747,108**		**(116,420)**	**26,630,688**

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

(thousands of euros) Type of exposure	Gross exposure					Specific writedowns	Portfolio adjustments	Net exposure
	Non-performing assets				Performing assets			
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year				
A. On-balance-sheet exposures								
a) Bad debts			531	82,562	X	(53,552)	X	29,541
- *of which: forborne exposures*					*X*		*X*	
b) Unlikely to pay	61,823	42,733	21,663	170,771	X	(116,703)	X	180,287
- *of which: forborne exposures*	*61,746*		*12,312*		*X*	*(42,871)*	*X*	*31,187*
c) Non-performing past-due exposures	371	11,670	11,915	215	X	(53)	X	24,118
- *of which: forborne exposures*					*X*		*X*	
d) Performing past-due exposures	X	X	X	X	61,888	X	(81)	61,807
- *of which: forborne exposures*	*X*	*X*	*X*	*X*		*X*		
e) Other performing exposures	X	X	X	X	297,874,265	X	(203,393)	297,670,872
- *of which: forborne exposures*	*X*	*X*	*X*	*X*	*776,069*	*X*	*(131,045)*	*645,024*
Total A	**62,194**	**54,403**	**34,109**	**253,548**	**297,936,153**	**(170,308)**	**(203,474)**	**297,966,625**
B. Off-balance-sheet exposures								
a) Non-performing	18,368				X	(4,179)	X	14,189
b) Performing	X	X	X	X	16,146,572	X	(7,895)	16,138,677
Total B	**18,368**				**16,146,572**	**(4,179)**	**(7,895)**	**16,152,866**
Total (A + B)	**80,562**	**54,403**	**34,109**	**253,548**	**314,082,725**	**(174,487)**	**(211,369)**	**314,119,491**

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

(thousands of euros) Items/Categories	Bad debts	Unlikely to pay	Non-performing past-due exposures
A. Opening gross exposure	**88,208**	**251,988**	**64,686**
- *of which: exposures assigned but not derecognised*			
B. Increases	**5,327**	**68,763**	**26,140**
B.1 Transfers from performing positions	189	42,802	23,379
B.2 Transfers from other categories of non-performing positions	4,134	22,306	1,279
B.3 Other increases	1,004	3,655	1,482
C. Decreases	**10,442**	**23,761**	**66,655**
C.1 To performing loans		7,185	45,266
C.2 Writeoffs			
C.3 Repayments	2,288	11,163	7,237
C.4 Credit disposals			
C.5 Losses from disposals			
C.6 Transfers to o ther categories of non-performing positions	8,154	5,413	14,152
C.7 Other decreases			
D. Closing gross exposure	**83,093**	**296,990**	**24,171**
- *of which: exposures assigned but not derecognised*			

A.1.7 *bis* On-balance-sheet exposures to customers: changes in gross forborne exposures by credit quality

(thousands of euros) Items/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**74,930**	**35,452**
- *of which: exposures assigned but not derecognised*		
B. Increases	**6,477**	**757,622**
B.1 Transfers from non-forborne performing loans		695,160
B.2 Transfers from forborne performing loans		X
B.3 Transfers from forborne non-performing loans	X	1,599
B.4 Other increases	6,477	60,863
C. Decreases	**7,349**	**17,005**
C.1 Transfers to non-forborne performing loans	X	986
C.2 Transfers to forborne performing loans	1,599	X
C.3 Transfers to forborne non-performing loans	X	
C.4 Writeoffs		
C.5 Repayments	5,750	16,019
C.6 Credit disposals		
C.7 Losses from disposals		
C.8 Other decreases		
D. Closing gross exposure	**74,058**	**776,069**
- *of which: exposures assigned but not derecognised*		

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

(thousands of euros) 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. Total opening adjustments	57,837		97,996	39,034		
- *of which: exposures assigned but not derecognised*						
B. Increases	2,195		19,149	4,066	53	
B.1 Writedowns	1,635		14,688	2,073	53	
B.2 Losses on disposal						
B.3 Transfers from other categories of non-performing positions			3,269			
B.4 Other increases	560		1,192	1,993		
- *of which: transfers from non-forborne non-performing positions*				*1,984*		
C. Decreases	6,480		442	229		
C.1 Writebacks from valuations	2,251		442	229		
C.2 Writebacks from collection	960					
C.3 Gains on disposal						
C.4 Writeoffs						
C.5 Transfers to other categories of non-performing positions	3,269					
C.6 Other decreases						
D. Total closing adjustments	53,552		116,703	42,871	53	
- *of which: exposures assigned but not derecognised*						

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

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

(thousands of euros) Exposures	External rating grades						Not rated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance-sheet credit exposures	35,489	2,409,524	259,005,938	7,957,474	3,877,312	46,104	51,129,141	324,460,982
B. Derivatives		6,033	1,838				13,009	20,880
B.1 Financial derivatives		6,033	1,838				13,009	20,880
B.2 Credit derivatives								
C. Guarantees issued			791,423	157,287			1,854,919	2,803,629
D. Commitments to disburse funds		4,106,130	6,021,858	3,560	48,782	568	4,926,630	15,107,528
E. Other								
Total	35,489	6,521,687	265,821,057	8,118,321	3,926,094	46,672	57,923,699	342,393,019

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 Distribution of secured exposures by type of guarantee

A.3.1 Secured credit exposures to banks

(thousands of euros) Exposures/Counterparties	Net exposure	Collateral (1)				Unsecured guarantees (2)									Total (1) + (2)
						Credit derivatives					Guarantees				
							Other derivatives								
		Land and buildings - mortgages	Land and buildings - finance lease	Securities	Other assets	CLN	Governments and central banks	Other government agencies	Banks	Other	Governments and central banks	Other government agencies	Banks	Other	
1. Secured on-balance-sheet credit exposures															
1.1 Fully secured	13,975,721			1,117,018	8,608,273						4,179,101			71,329	13,975,721
- *of which: non-performing*															
1.2 Partially secured	7,504										7,502				7,502
- *of which: non-performing*															
2. Secured off-balance-sheet credit exposures															
1.1 Fully secured	14,462				5,780						8,682				14,462
- *of which: non-performing*															
1.2 Partially secured															
- *of which: non-performing*															

A.3.2 Secured credit exposures to customers

(thousands of euros) Exposures/Counterparties	Net exposure	Collateral (1)				Unsecured guarantees (2)									Total (1) + (2)
						Credit derivatives					Guarantees				
							Other derivatives								
		Land and buildings - mortgages	Land and buildings - finance lease	Securities	Other assets	CLN	Governments and central banks	Other government agencies	Banks	Other	Governments and central banks	Other government agencies	Banks	Other	
1. Secured on-balance-sheet credit exposures															
1.1 Fully secured	11,598,573	287,230		4,962,109	1,955,461						1,113,025	663,246	207,434	2,410,068	11,598,573
- *of which: non-performing*	*42,495*	*33,444*		*5,631*	*2,061*						*1,009*			*350*	*42,495*
1.2 Partially secured	1,112,661	40,031			57,459						149,140	11,633	53,113	496,447	807,823
- *of which: non-performing*	*119,626*										*102,350*		*8,738*		*111,088*
2. Secured off-balance-sheet credit exposures															
2.1 Fully secured	6,652,884	65,674		62,490	113,104						421,371		1,372	5,988,873	6,652,884
- *of which: non-performing*	*8,055*	*678*		*110*							*7,238*			*29*	*8,055*
2.2 Partially secured	420,131				40,821							120,000	403		161,224
- *of which: non-performing*															

B. Distribution and concentration of credit exposures

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

(thousands of euros) Exposures/ Counterparties	Governments			Other government agencies			Financial companies			Insurance undertakings			Non-financial companies			Other		
	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments
A. On-balance-sheet exposures																		
A.1 Bad debts			X	2,688	(2,127)	X		(4,128)	X			X	26,853	(47,178)	X		(119)	X
- of which: forborne exposures			*X*			*X*			*X*			*X*			*X*			*X*
A.2 Unlikely to pay			X	1,597	(43,193)	X		(10)	X			X	176,506	(73,500)	X	2,184		X
- of which: forborne exposures			*X*			*X*		*(10)*	*X*			*X*	*30,346*	*(42,861)*	*X*	*841*		*X*
A.3 Non-performing past-due positions			X	12,296	(53)	X			X			X	11,822		X			X
- of which: forborne exposures			*X*			*X*			*X*			*X*			*X*			*X*
A.4 Performing exposures	231,735,640	X		47,569,370	X	(62,509)	8,024,267	X	(1,057)		X		10,379,166	X	(139,908)	24,236	X	
- of which: forborne exposures		*X*			*X*			*X*			*X*		*645,024*	*X*	*(131,045)*		*X*	
Total A	231,735,640			47,585,951	(45,373)	(62,509)	8,024,267	(4,138)	(1,057)				10,594,347	(120,678)	(139,908)	26,420	(119)	
B. Off-balance-sheet exposures																		
B.1 Bad debts			X			X		(81)	X			X			X			X
B.2 Unlikely to pay			X			X			X			X	11,107	(4,098)	X	2,144		X
B.3 Other non-performing assets			X			X			X			X	938		X			X
B.4 Performing exposures	2,184,144	X		2,929,924	X	(1,241)	279,944	X			X		10,729,099	X	(6,654)	15,566	X	
Total B	2,184,144			2,929,924		(1,241)	279,944	(81)					10,741,144	(4,098)	(6,654)	17,710		
Total (A + B) at 31/12/2016	**233,919,784**			**50,515,875**	**(45,373)**	**(63,750)**	**8,304,211**	**(4,219)**	**(1,057)**				**21,335,491**	**(124,776)**	**(146,562)**	**44,130**	**(119)**	
Total (A + B) at 31/12/2015	**230,590,659**			**49,636,967**	**(44,241)**	**(2)**	**8,046,195**	**(4,220)**	**(287)**				**18,468,135**	**(107,533)**	**(146,243)**	**40,167**	**(143)**	

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

	Italy		Other European countries		Americas		Asia		Rest of world	
(thousands of euros) Exposures/Geographical area	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures										
A.1 Bad debts	29,541	(53,552)								
A.2 Unlikely to pay	180,287	(116,703)								
A.3 Non-performing past-due positions	24,118	(53)								
A.4 Performing exposures	296,144,089	(203,051)	971,458	(423)	266,407		225,427		125,298	
Total A	296,378,035	(373,359)	971,458	(423)	266,407		225,427		125,298	
B. Off-balance-sheet exposures										
B.1 Bad debts		(81)								
B.2 Unlikely to pay	13,251	(4,098)								
B.3 Other non-performing assets	938									
B.4 Performing exposures	10,602,300	(7,895)	401,215		4,927,757		207,405			
Total B	10,616,489	(12,074)	401,215		4,927,757		207,405			
Total (A + B) at 31/12/2016	**306,994,524**	**(385,433)**	**1,372,673**	**(423)**	**5,194,164**		**432,832**		**125,298**	
Total (A + B) at 31/12/2015	**301,967,597**	**(302,669)**	**1,114,451**		**3,332,225**		**234,557**		**133,293**	

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

	Italy		Other European countries		Americas		Asia		Rest of world	
(thousands of euros) Exposures/Geographical area	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures										
A.1 Bad debts										
A.2 Unlikely to pay										
A.3 Non-performing past-due positions										
A.4 Performing exposures	24,482,631	(111,382)	368,886							
Total A	24,482,631	(111,382)	368,886							
B. Off-balance-sheet exposures										
B.1 Bad debts										
B.2 Unlikely to pay										
B.3 Other non-performing assets										
B.4 Performing exposures	1,770,276	(5,038)	8,895							
Total B	1,770,276	(5,038)	8,895							
Total (A + B) at 31/12/2016	**26,252,907**	**(116,420)**	**377,781**							
Total (A + B) at 31/12/2015	**24,940,478**	**(29,716)**	**2,324,664**							

C. Securitisations

Qualitative disclosures

At the end of 2002, CDP, then a public entity, carried out a securitisation with the assignment without recourse of six portfolios of claims on customers in respect of loans to the following types of borrowers:

1) special corporations or consortiums operated by local authorities, consortiums of local authorities, and public or private limited companies operating public services (portfolio extinguished);
2) departments of the State, the regions, the autonomous provinces or local authorities (portfolio extinguished);
3) A2A S.p.A. (portfolio extinguished);
4) Acea Distribuzione S.p.A. (portfolio extinguished);
5) RFI S.p.A.;
6) Poste Italiane S.p.A. (portfolio extinguished).

At 31 December 2016, there was only one portfolio of securitised loans (RFI S.p.A.) outstanding. The transaction and the associated cash flows are proceeding as envisaged.

The loans underlying this transaction were fully derecognised, since CDP availed itself of the exemption permitted by paragraph b2, appendix B, of IFRS 1, which allows first-time adopters to apply the 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 (period-end figure)		Collections in the year		% of securities redeemed (period-end figure)					
					Senior		Mezzanine		Junior	
(thousands of euros) Securitisation vehicle	Non-performing	Performing	Non-performing	Performing	Non-performing assets	Performing assets	Non-performing assets	Performing assets	Non-performing assets	Performing assets
CPG - Società di cartolarizzazione a r.l.		170,895		15,902						

E. Asset disposals

A. Financial assets assigned but not derecognised

Qualitative disclosures

Financial assets assigned but not derecognised mainly refer to Government securities classified as “Financial assets available for sale” and “Financial assets held to maturity”. The residual amounts refer to debt securities classified under “Loans to customers”, underlying repurchase agreements.

Quantitative disclosures

E.1 Financial assets assigned but not derecognised: carrying amount and total value

(thousands of euros)	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale			Financial assets held to maturity			Loans to banks			Loans to customers			Total	
Type/portfolio	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2016	31/12/2015
A. On-balance-sheet assets							1,620,803			15,572,567						100,874			17,294,244	5,627,689
1. Debt securities							1,620,803			15,572,567						100,874			17,294,244	5,627,689
2. Equity securities										X	X	X	X	X	X	X	X	X		
3. Units in collective investment undertakings										X	X	X	X	X	X	X	X	X		
4. Loans																				
B. Derivatives				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Total 31/12/2016							1,620,803			15,572,567						100,874			17,294,244	X
- *of which: non-performing*																				*X*
Total 31/12/2015							680,093			4,947,596									X	5,627,689
- *of which: non-performing*																			*X*	

Key:
A = assigned financial assets fully recognised (carrying amount).
B = assigned financial assets partially recognised (carrying amount).
C = assigned financial assets partially recognised (total value).

E.2 - Financial liabilities in respect of financial assets assigned but not derecognised: carrying amount

(thousands of euros) Liabilities/Assets Portfolio	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Total
1. Due to customers			1,101,268	12,584,329			13,685,597
a) In respect of assets fully recognised			1,101,268	12,584,329			13,685,597
b) In respect of assets partially recognised							
2. Due to banks			514,790	4,360,488		102,104	4,977,382
a) In respect of assets fully recognised			514,790	4,360,488		102,104	4,977,382
b) In respect of assets partially recognised							
Total 31/12/2016			**1,616,058**	**16,944,817**			**18,662,979**
Total 31/12/2015			**679,134**	**5,892,725**			**6,571,859**

E.3 Disposals with liabilities with recourse only on divested assets: fair value

(thousands of euros) Type/portfolio	Financial assets held for trading		Financial assets at fair value		Financial assets available for sale		Financial assets held to maturity (fair value)		Loans to banks (fair value)		Loans to customers (fair value)		Total	
	A	B	A	B	A	B	A	B	A	B	A	B	31/12/2016	31/12/2015
A. On-balance-sheet assets					1,620,803		16,939,200				101,990		18,661,993	6,568,589
1. Debt securities					1,620,803		16,939,200				101,990		18,661,993	6,568,589
2. Equity securities							X	X	X	X	X	X		
3. Units in collective investment undertakings							X	X	X	X	X	X		
4. Loans														
B. Derivatives			X	X	X	X	X	X	X	X	X	X		
Total assets					1,620,803		16,939,200				101,990		18,661,993	6,568,589
C. Associated liabilities					1,616,058		16,944,817				102,104		X	X
1. Due to customers					1,101,268		12,584,329						X	X
2. Due to banks					514,790		4,360,488				102,104		X	X
Total liabilities					1,616,058		16,944,817				102,104		18,662,979	6,571,859
Net value 31/12/2016					4,745		(5,617)				(114)		(986)	X
Net value 31/12/2015					959		(4,229)						X	(3,270)

Key:
A = assigned financial assets fully recognised.
B = assigned financial assets partially recognised.

B. Financial assets assigned and derecognised with recognition of continuing involvement

Qualitative disclosures

There 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 are 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 2016, CDP did not undertake any transactions qualifying for allocation to the supervisory trading book.

2.2 Interest rate and price risk - banking book

Qualitative disclosures

A. General aspects, management and measurement methods of interest rate risk and price risk

As part of its activities, CDP is exposed to interest rate risk in all its forms: repricing, yield curve, basis and optionality. CDP also monitors inflation risk within the same conceptual and analytical framework as interest rate risk on the banking book.

These risks can affect the profitability and economic value of CDP.

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

CDP's basic approach to measuring and managing interest rate risk is an "economic value perspective", which complements the "profitability perspective". The economic value perspective corresponds to the long-term representation of the profitability perspective, as economic value is essentially equal to the discounted sequence of future net income.

From this perspective, CDP analyses its exposure and risk profile by assessing balance sheet items that are sensitive to interest rates, quantifying their reaction to small changes (sensitivity analysis) and major shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and composite indicators representing the economic capital necessary for the risks involved.

This monitoring structure is translated into the calculation of value at risk (VaR), which CDP calculates using methods based on historical simulation.

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 internal assessment of capital adequacy, with particular regard to risk pertaining to the banking book. The short-term and annual measures of VaR share the same combination of models for valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is used for backtesting, because there is a larger pool of figures available over that interval.

VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. While aware of the limits of any composite metric based on historical scenarios, VaR also has two significant strengths:
- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry) in a single value;
- it makes it possible, by way of backtesting, to check the hypotheses underpinning not only the calculation of the daily VaR but also the entire simulation.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risk. More specifically, limits have been established on the impact on the economic value of parallel shifts (+/- 100 basis points) in the yield curve and the inflation curve. In addition to these limits, further, more granular limits are in place, which are set by the Chief Executive Officer.

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

CDP's ALM approach seeks to limit the volume of hedging derivatives by exploiting "operational hedges" between fixed-rate assets and liabilities. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance Area.

The measurement and the monitoring of interest rate risk are performed by the RMA and are discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methods and receives periodic reports on the results achieved.

Price risk regards the possibility that the net economic value, profitability or the equity of CDP could be adversely affected by variables associated with shares, in particular the market prices of such securities and related derivatives, or changes in the current and future profitability of the investment in such instruments.

In line with the net economic value approach, equity risk is quantified in terms of VaR (with a one-year time horizon). The VaR gives a proxy of the risk that the listed and liquid securities – even when they are not recognised at their current fair value – do not recover any impairment over time. It is calculated on the basis of hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments for the long term.

An additional source of price risk lies in CDP's funding operations, namely the issue of indexed postal bonds and Premia bonds, whose yield is linked to developments in the Dow Jones Euro Stoxx 50 index. The RMA monitors the net exposure to such risk.

B. Fair value hedges

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

The Ordinary Account is normally hedged against interest rate risk at the origination stage.

On the liability side of the Ordinary Account, this hedging involves specific hedges of fixed-rate, variable-rate and/or structured issues in Euro and other currencies, carried out using Interest Rate Swaps (IRS) and Cross Currency Swaps (CCS) indexed to 6-month Euribor.

As regards assets, fixed-rate loans are generally hedged using amortising IRSs in which CDP pays fixed and receives floating. In this case, the hedge may regard a homogeneous aggregate of loans.

The hedges in place as of today are classified as micro fair value hedges.

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

With respect to financial liabilities, fair value hedges are currently in place for bonds issued to Institutional and Retail Customers, in some cases supported by State guarantees, established through IRSs indexed to 6-month Euribor. These hedges are accounted for as micro fair value hedges, in which a hedge is contracted to match a bond issue.

The hedging of assets under the Separate Account depends on interest rates. CDP implements fair value micro hedge programmes for specific fixed-rate loans (or homogeneous groups of items), realised with bullet or amortising IRSs indexed to 6-month Euribor. These hedges are prematurely terminated mainly after renegotiation of the hedged loan agreements that amend their terms and duration.

In 2016, interest rate hedging activity continued with the establishment of new hedges for renegotiated and new loans, in some cases favouring the partial designation of cash flows (of individual items or homogeneous groups) identified over time ("partial-term hedges"), in order to put in place targeted exchange rate hedges for particular portions of the discount curve.

Moreover, interest rate and exchange rate risks linked to a loan granted within the Export Bank activity that entails repayment in US Dollars are hedged. The hedge through a cross currency swap is classed as a micro fair value hedge for accounting.

The equity risk linked to bonds indexed to the Euro Stoxx 50 Index ("Index Linked at maturity", "Premia" and "Europe") is immunised through the purchase of options that mirror those embedded in the bonds, taking into account the risk profile resulting from the periodic monitoring and putting in place hedges from a portfolio perspective. The financial characteristics of the most recent issues make it possible to take advantage of partial over-hedges on other positions in the portfolio with the same characteristics. More specifically, the hedges of options embedded in the Europa bonds, issued starting from June 2013, are put in place by either purchasing matching options [32], or through long positions in options already in the portfolio for the pre-existing Premia bonds, where the financial characteristics in terms of strike, fixing dates, expiration coincide. The metrics introduced in the monitoring of the risk arising from equity options enable the verification of hedges both on a "one to one" basis and on an aggregated basis for similar positions according to the above characteristics.

C. Cash flow hedges

During 2010, CDP launched a hedging programme for the issue of postal bonds indexed to the consumer price index (FOI), a leading source of exposure to inflation that is only partially mitigated by the operational hedge against loans with the same type of indexing. The hedges, which are classified as cash flow hedges, are implemented using zero-coupon inflation swaps with the notional determined on a conservative basis, while using the proprietary model of customer repayment behaviour to estimate the nominal amount that CDP expects to reach at maturity for each series of hedged bond. In most of the transactions in this category, CDP retains the basis risk in respect of any differences between European and Italian inflation. Several of these hedges reached their natural maturities in 2016.

CDP has also used derivatives to hedge exchange rate risk, which were designated as cash flow hedging relationships.

As regards the assets of the Separate Account, two hedges are currently in place through cross currency swaps in which CDP converts the cash flows of two floating-rate securities in yen (issued by the Republic of Italy) into fixed rate securities in euros.

[32] The notional purchased as hedge is estimated on the basis of the proprietary model of customer redemption behaviour.

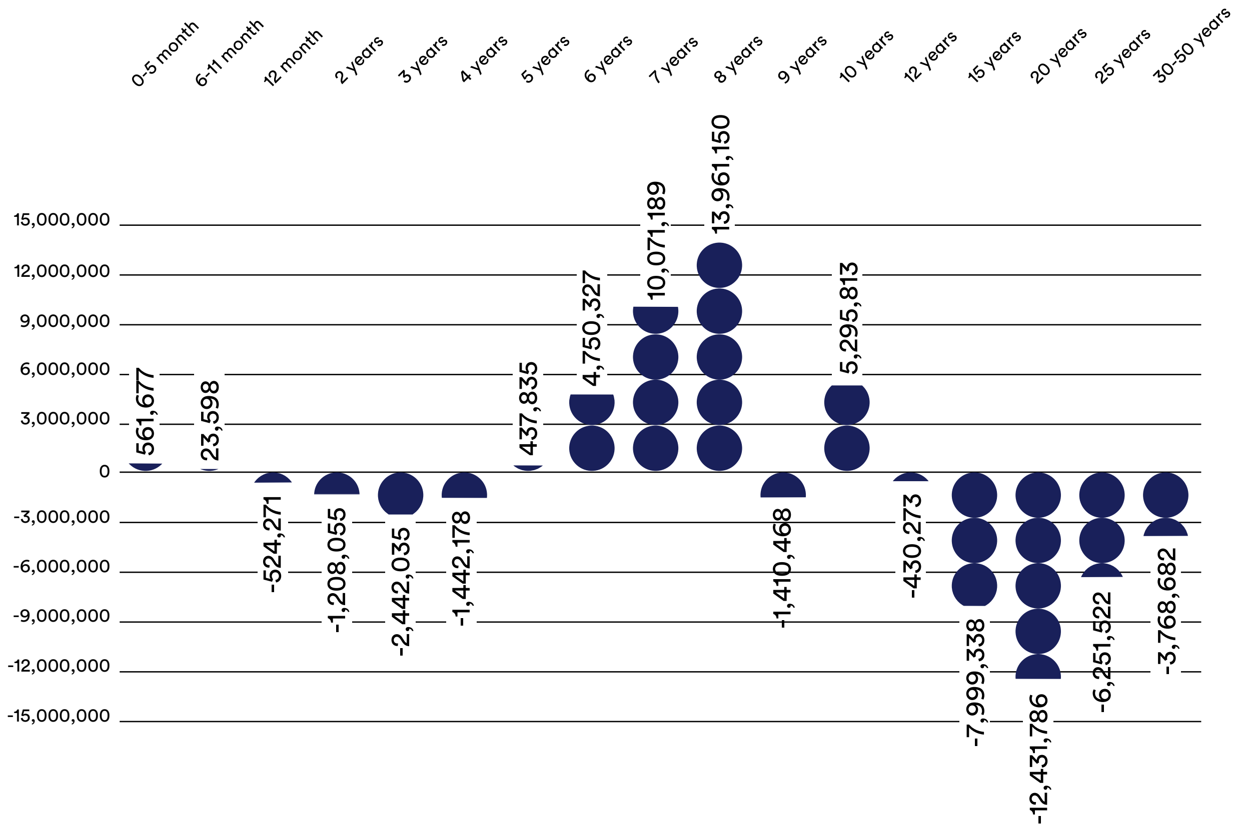
Quantitative disclosures

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

The following figure shows an analysis of interest rate risk sensitivity developed on the basis of internal models.

Sensitivity to zero-coupon rates by maturity

Market figures at 30/12/2016



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 risk unhedged.

The activities of CDP that can engender such exposure are normally associated with the issue of bonds denominated in foreign currencies, equity investments the value of which can be exposed to changes in exchange rates, the purchase of bonds denominated in foreign currencies, and the granting of loans denominated in currencies other than the Euro under the “Export Bank” system.

B. Hedging exchange rate risk

No exposures to exchange rate risk deriving from issues in foreign currency are found in the liabilities of CDP.

In regard to assets, exchange rate risks linked to the purchase of bonds denominated in foreign currencies (currently two Yen-denominated bonds issued by the Italian Republic) and to the granting of a loan within the Export Bank activity that entails repayment in US Dollars were hedged. The Italian Republic bonds issue in Yen was hedged through cross currency swaps that make the cash flows of CDP equal to those of fixed-rate bonds denominated in Euro. The loan, instead, was hedged through a cross currency swap in which CDP exchanges US dollar cash flows with variable-rate cash flows indexed to the 6-month Euribor index.

Finally, a residual component of unhedged exchange rate risk existed at 31 December 2016. This was tied to short-term treasury transactions to refinance exposures in US dollars.

Quantitative disclosures

1. Distribution by currency of assets, liabilities and derivatives

(thousands of euros) Items	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
A. Financial assets	**305,830**		**486,459**			
A.1 Debt securities	152,029		486,459			
A.2 Equity securities						
A.3 Loans to banks						
A.4 Loans to customers	130,782					
A.5 Other financial assets	23,019					
B. Other assets						
C. Financial liabilities	**174,832**					
C.1 Due to banks						
C.2 Due to customers	174,832					
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives						
- Options						
+ long positions						
+ short positions						
- Other derivatives						
+ long positions						
+ short positions	116,521		486,459			
Total assets	**305,830**		**486,459**			
Total liabilities	**291,353**		**486,459**			
Difference (+/-)	**14,477**		**-**			

2.4 Derivatives

A. Financial derivatives

A.2 Banking book: period-end notional values

A.2.1 Banking book: period-end notional values - hedges

(thousands of euros) Underlying assets/Type of derivatives	31/12/2016 Over the counter	31/12/2016 Central counterparties	31/12/2015 Over the counter	31/12/2015 Central counterparties
1. Debt securities and interest rates	**30,851,611**		**24,563,055**	
a) Options				
b) Swaps	30,851,611		24,563,055	
c) Forwards				
d) Futures				
e) Other				
2. Equity securities and equity indices				
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Foreign currencies and gold	**601,572**		**580,090**	
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	601,572		580,090	
4. Commodities				
5. Other underlyings				
Total	**31,453,183**		**25,143,145**	

A.2.2 Banking book: period-end notional values - other derivatives

(thousands of euros) Underlying assets/Type of derivatives	31/12/2016 Over the counter	31/12/2016 Central counterparties	31/12/2015 Over the counter	31/12/2015 Central counterparties
1. Debt securities and interest rates	**2,183,151**		**2,179,080**	
a) Options				
b) Swaps	2,183,151		2,099,080	
c) Forwards				
d) Futures				
e) Other			80,000	
2. Equity securities and equity indices	**32,654,180**		**34,054,732**	
a) Options	32,654,180		34,054,732	
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Foreign currencies and gold				
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
4. Commodities				
5. Other underlyings				
Total	**34,837,331**		**36,233,812**	

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

(thousands of euros) Portfolios/Type of derivatives	Positive fair value			
	31/12/2016		31/12/2015	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging	**733,273**		**789,378**	
a) Options				
b) Interest rate swaps	644,090		665,487	
c) Cross currency swaps	89,183		123,891	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	**207,650**		**200,502**	
a) Options	122,655		127,761	
b) Interest rate swaps	84,995		64,685	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other			8,056	
Total	**940,923**		**989,880**	

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

(thousands of euros) Portfolio/Type of derivatives	Negative fair value			
	31/12/2016		31/12/2015	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Others				
B. Banking book - hedging	**831,894**		**535,247**	
a) Options				
b) Interest rate swaps	826,715		535,247	
c) Cross currency swaps	5,179			
d) Equity swaps				
e) Forwards				
f) Futures				
g) Others				
C. Banking book - other derivatives	**183,286**		**169,572**	
a) Options	99,046		98,041	
b) Interest rate swaps	84,240		63,475	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Others			8,056	
Total	**1,015,180**		**704,819**	

A.7 Over-the-counter financial derivatives - banking book: notional values, gross positive and negative fair values by counterparty - contracts not covered by netting arrangements

(thousands of euros) Contracts not covered by netting arrangements	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1) Debt securities and interest rates							
Notional value							40,000
Positive fair value							13,009
Negative fair value							
Future exposure							
2) Equity securities and equity indices							
Notional value							17,824,680
Positive fair value							
Negative fair value							99,046
Future exposure							
3) Foreign currencies and gold							
Notional value							
Positive fair value							
Negative fair value							
Future exposure							
4) Other							
Notional value							
Positive fair value							
Negative fair value							
Future exposure							

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

(thousands of euros) Contracts covered by netting arrangements	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1) Debt securities and interest rates							
Notional value			31,503,116	1,491,646			
Positive fair value			691,056	25,020			
Negative fair value			895,257	15,698			
2) Equity securities and equity indices							
Notional value			14,548,500	281,000			
Positive fair value			120,715	1,941			
Negative fair value							
3) Foreign currencies and gold							
Notional value			601,572				
Positive fair value			89,182				
Negative fair value			5,179				
4) Other							
Notional value							
Positive fair value							
Negative fair value							

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

(thousands of euros) Underlyings/Residual maturity	Up to 1 year	From 1 to 5 years	More than 5 years	Total
A. Supervisory trading book				
A.1 Financial derivatives on debt securities and interest rates				
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold				
A.4 Financial derivatives on other assets				
B. Banking book	12,545,936	31,137,126	22,607,452	66,290,514
B.1 Financial derivatives on debt securities and interest rates	1,600,000	8,942,658	22,492,104	33,034,762
B.2 Financial derivatives on equity securities and equity indices	10,945,936	21,708,244		32,654,180
B.3 Financial derivatives on exchange rates and gold		486,224	115,348	601,572
B.4 Financial derivatives on other assets				
Total at 31/12/2016	**12,545,936**	**31,137,126**	**22,607,452**	**66,290,514**
Total at 31/12/2015	**12,831,104**	**31,075,558**	**17,470,295**	**61,376,957**

C. Financial and credit derivatives

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

(thousands of euros)	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1) Bilateral financial derivatives agreements							
Positive fair value			435,301	25,020			
Negative fair value			434,784	13,757			
Future exposure			241,018	8,260			
Net counterparty risk			251,317	9,320			
2) Bilateral credit derivatives agreements							
Notional value							
Positive fair value							
Negative fair value							
Future exposure							
Net counterparty risk							
3) Cross product agreements							
Notional value							
Positive fair value							
Negative fair value							
Future exposure							
Net counterparty risk							

Section 3 - Liquidity risk

Qualitative disclosures

A. General aspects, management processes, and methods for measurement of liquidity risk

Since CDP does not engage in trading activities, the exposure to liquidity risk in the sense of asset liquidity risk[33] is limited.

For CDP, liquidity risk becomes significant mainly in the form of funding liquidity risk[34], in view of the dominant weight of demand deposits (passbook savings accounts) and bonds redeemable on demand (postal savings bonds) in the liabilities of the Separate Account.

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

To this end, a lower limit on the stock of liquid assets has been established, which is monitored by the RMA, together with a number of aggregates that represent the capacity of CDP to cope with potential crisis situations. 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 area, and monitoring liquidity gaps at short, medium and long term, which is performed by the RMA.

Management of treasury activities by Finance enables CDP to raise funds using repos, for both the Separate and Ordinary Accounts.

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

As a further control, both for the Separate and the Ordinary Account, RMA monitors an incremental available liquidity buffer, in a stress scenario, through transactions with the European Central Bank and refinancing on the liquid securities market.

The controls put in place are corroborated by a stress test used in order to assess the potential effects of an extremely unfavourable scenario on the liquidity position.

33 Asset liquidity risk means the impossibility, for a financial institution or a generic investor, of monetizing assets on the market without significantly reducing their price.

34 Funding liquidity risk means the impossibility, for a financial institution, to meet its obligations by collecting liquidity at non-penalizing conditions or monetizing assets held.

Quantitative disclosures

1. Distribution of financial assets and liabilities by residual maturity

(thousands of euros) 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	**157,341,878**	**2,947,573**	**307,979**	**2,737,669**	**5,503,339**	**2,505,486**	**5,622,974**	**35,129,638**	**101,646,738**	**8,036,062**
A.1 Government securities			128,837	920,345	5,272,634	2,420,025	1,975,322	9,302,224	27,251,129	
A.2 Other debt securities		261		4,969	4,212	57,179	115,240	882,229	2,709,333	
A.3 Units in collective investment undertakings	1,642,840									
A.4 Loans:	155,699,038	2,947,312	179,142	1,812,355	226,493	28,282	3,532,412	24,945,185	71,686,276	8,036,062
- banks	1,613,591			510,579	2,490	1,375	1,322,153	7,052,380	5,291,406	8,036,062
- customers	154,085,447	2,947,312	179,142	1,301,776	224,003	26,907	2,210,259	17,892,805	66,394,870	
B. On-balance-sheet liabilities	**247,195,560**	**4,555,978**	**103,164**	**4,000,348**	**27,080,244**	**2,828,884**	**452,659**	**11,164,718**	**14,090,128**	
B.1 Deposits:	247,195,560	4,500,000		3,000,000	25,504,540	174,556	312,659	1,041,854	5,760,673	
- banks	1,207,671				4,540			12,970	436,449	
- customers	245,987,889	4,500,000		3,000,000	25,500,000	174,556	312,659	1,028,884	5,324,224	
B.2 Debt securities						300,000	140,000	6,219,000	4,899,000	
B.3 Other liabilities		55,978	103,164	1,000,348	1,575,704	2,354,328		3,903,864	3,430,455	
C. Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal:										
- long positions								538,624		
- short positions								486,224		
C.2 Financial derivatives without exchange of principal:										
- long positions			3,996	8,342	50,042	56,518	140,249			
- short positions		39,422		59,704	6,625	93,504	67,863			
C.3 Deposits and loans to receive:										
- long positions					183,000					
- short positions		183,000								
C.4 Irrevocable commitments to disburse funds:										
- long positions	15,014,089									
- short positions	15,014,089									
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal:										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of principal:										
- long positions										
- short positions										

Section 4 - Operational risks

Qualitative disclosures

A. General aspects, management and measurement of operational risks

Definition of operational risk

CDP has adopted the guidelines established by the Basel Committee for the banking industry and incorporated by the Bank of Italy in Circular no. 285 of 17 December 2013 as the benchmark for managing operational risk.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Such risk includes losses resulting from internal or external fraud, human error, employment relationships and workplace safety, business disruption, system unavailability, breach of contract, process management, damage to company assets and natural disasters.

Operational risk includes legal risk, but not strategic or reputational risk.

The "legal risk" is the risk of incurring losses resulting from violations of laws or regulations, from contractual or tortious liability or from other disputes.

Management of operational risks

The operational risk management system is a structured set of processes, functions, and resources for identifying, assessing and controlling the abovementioned risks. Its main objective is to ensure effective prevention and mitigation of such risks.

Apart from adopting best practice in the banking sector as a reference, CDP pays particular attention to industrial sector benchmarks for the management of operational risks. The methodological and organizational framework implemented is aimed at capturing the company's actual risk profile, similarly to what happens in the most advanced corporates, which actively manage operational risks even if not subject to capital requirements.

The objective is that of improving corporate processes and the internal control system, to lay the foundations of both more targeted mitigation measures and a more accurate quantification of the associated economic capital, currently estimated using the Basic Indicator Approach.

The Operational Risks Service operating within the Risk Management and Anti-Money Laundering Area, is the Organizational Unit responsible for designing, implementing, and monitoring the methodological and organizational framework for the assessment of the exposure to operational risks, the implementation of mitigation measures — in agreement with the organizational units involved — and the preparation of reporting to the Top Management.

The framework adopted 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 loss types) and risk factors (i.e. a model for the classification of risk factors).

This information comprises:
- internal data on operational losses (loss data collection);
- system loss data (external data);
- data on contingent losses (assessment of the level of exposure to operational risks);
- factors representing the business environment and internal control systems.

The major elements of the operational risk management system implemented within CDP are presented below.

Loss data collection

The framework for Loss Data Collection adopted within CDP is in line with the approach suggested by the Basel Committee and adopted by the Italian Banking Association (ABI) within the framework of the Italian Operational Loss Database (DIPO).

In this respect, the primary activities carried out within CDP were:
- identification and updating of information sources for the continuous feeding of operational loss database (information source means the organisational unit that can provide information concerning the main features of each loss event recorded and its associated effects);

- mapping of relevant operational risk data — relating to both operational risk events that have generated losses already recognized in profit or loss and operational risk events that have not resulted in a loss (so-called near-miss events) — and storage of the relative supporting documentation;
- periodic reviews of the data collection and storage system.

Specific criteria were defined in terms of time and material thresholds for mapping loss events, in order to enable the creation of time series that are representative of the actual risk profile of the Company and such as not to exclude significant loss data that could affect operational risk assessment's reliability and accuracy.

CDP developed a proprietary application (LDC) for collecting the data in question, in order to ensure the integrity, confidentiality and availability of collected information. The application support enables the management of the following activities in a centralized, secure fashion:
- collection of internal operational loss data;
- accounting reconciliation of collected data;
- data validation;
- preparation of record layout to be sent to DIPO.

Apart from reducing the cost and the risk related to manual data management, this tool also guarantees the (i) integrity, confidentiality and availability of the information collected, as well as (ii) the traceability of the entire process, thanks to the user identification system and (iii) a high level of control, thanks to a customizable system of automated messages and alerts.

External loss data

CDP joined the Italian Operational Loss Database (DIPO) managed by ABIServizi S.p.A. in order to be able to retrieve data on operational risk events that 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.

Mapping of business processes related risks

The mapping of business process adverse events — including risks linked to the introduction of new products/processes/systems — is a preliminary step for the assessment of the level of exposure to operational risks.

The identification of risks inherent in processes, carried out by process owners and experts appointed by the process owners, is consequence of the need to understand the origin of potential losses associated with operational risks — identifying the events and causes that might generate them — and assess the advisability of taking targeted monitoring, control, prevention, and mitigation actions.

As regards the adverse events mapped, in order to encourage the development of integrated risk management within CDP, special attention is devoted to;
i) compliance risk;
ii) the risk of commission of the criminal offences referred to in Legislative Decree 231 of 8 June 2001 (Rules governing the administrative liability of legal persons, companies and associations, including entities without legal personality, pursuant to article 11 of Law 300 of 29 September 2000, published in Official Gazette no. 140 of 19 June 2001, arising in respect of criminal offences committed by natural persons connected with the legal person in an employment relationships and acting in its interest);
iii) the risk governed by Legislative Decree 231 of 21 November 2007 (Implementation of Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing as well as Directive 2006/70/EC laying down implementing measures for Directive 2005/60/EC);
iv) the risk governed by Italian Law 262 of 28 December 2005 (Provisions for the protection of savings and the regulation of financial markets, published in the Official Gazette 301 of 28 December 2005);
v) the risk of disruption or malfunction of IT systems;
vi) outsourcing risk.

Assessment of the level of exposure to operational risks

The qualitative Risk Assessment method for the assessment of the Company's level of exposure to operational risks was defined in order to collect information useful for the implementation of suitable mitigation measures for the most significant risks.

The estimate of the level of Company exposure to potential operational risks occurs through a self-assessment carried out by the parties involved in analysed processes.

The assessment is performed under the supervision of the Operational Risks Team, also to reduce any expected "cognitive distortions", (bias) of the contact persons interviewed, and, therefore, ensure greater reliability of the assessment carried out.

Based on the risk perception of the contact persons interviewed (Managers of Organizational Units, Process Owners, other employees who are 'experts' in the aforementioned processes, individuals representing specialist and control functions), suitably "weighted" with that of Risk Management and supplemented by additional relevant considerations, forward-looking guidelines are provided to the Company's management with respect to events that are yet to occur, but that could take place, as a result of "latent" risks in corporate processes.

Risk Assessment findings, therefore, are used for operational purposes (use test): the operational risk management system, integrated into the Management's decision-making system, aims at strengthening corporate processes and improving the Internal Control System.

The Risk Assessment's objective can be:
- the identification of the most critical processes and/or operational areas - in terms of exposure to operational risks - to be analysed in greater depth;
- the estimate of the residual exposure to any risk detected (so-called residual risk) through the qualitative assessment (i) of operational risks linked to a certain process and (ii) of the relevant controls;
- the assessment of potential exposure to operational risks linked to the introduction of new products, processes, systems and activities, allowing Management to provide for adequate counter-measures in terms of processes, systems and human resources, for a sound and prudent management of the new activity.

The main roles and units involved in assessing exposure to operational risks are:
1) the Operational Risk unit:
   - recommends the methods and procedures for identifying risks;
   - controls and ensures correct application of the methods and procedures;
   - provides methodological and technical support for identifying risks;
   - ensures the consistency of the information collected through analysis of the quality and adequacy of the data acquired in the survey;
2) the process owners and experts:
   - identify and assess the main risks in the processes under their remit;
   - propose mitigation actions for the risks identified;
   - periodically monitor the evolution of those risks and the emergence of new risks;
3) the Compliance unit:
   - identifies compliance risk for internal and external regulations and any reputational risks, validating and, if necessary, completing the identification of the risks performed by the owner (for adverse events that could generate compliance risk);
   - proposes mitigation actions for the risks identified;
4) Anti-Money Laundering Unit:
   - identifies money laundering risk factors in line with the methodological framework adopted;
   - identifies the risks of non-compliance with laws, regulations and internal procedures on money laundering;
   - supports the owners in identifying the risks of intentional or accidental involvement in money laundering or terrorist financing;
   - proposes mitigation actions for the risks identified;
5) Manager responsible for preparing the Company's financial reports:
   - identifies risks that may affect the reliability of financial reporting (risks pursuant to Law 262 of 28 December 2005);
   - supports the owners in identifying control measures;
   - proposes mitigation actions for the risks identified;
6) Chief Audit Officer:
   - recommends the mapping of all risks that — while not identified by owners and experts — have been identified in corporate processes during audit activities;
   - assesses the risk of commission of the criminal offences referred to in Legislative Decree 231 of 8 June 2001.

Risk management and mitigation

With a view to implement an integrated management of events that streamlines the assessment of mitigation actions defined during both Risk Assessment and Loss Data Collection in a single decision-making step, a dedicated work group is working to (i) assess corrective measures defined to control operational risks and (ii) identify the owners responsible for the relevant implementation.

The corrective measures selected by the work group are implemented after obtaining the authorization of the Risks Committee, to which the solutions approved by the work group are submitted. The Operational Risks Service monitors the status of any measures implemented by periodically checking their progress with the persons responsible for the measures taken and/or to be taken.

Consistent with the mission of the Operational Risk Service aimed at looking after the development and dissemination of an operating risk culture within the Company, training courses were organised for all personnel involved in the analyses.

The importance of additional periodic training that the Operational Risk Service organises for the benefit of the personnel involved, including in the form of on-the-job training, should also be noted. These interventions are necessary for the stakeholders to acquire sufficient knowledge of the process and the related responsibilities, so that they are fully aware of how to use the support tools.

The aim is to achieve a coordinated approach at all levels of the Company through the widespread dissemination of the operational risk concept.

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 Organizational Units involved, in order to enable the implementation of the most appropriate corrective measures.

The main reports produced are on:
- Loss Data Collection, for which a “management” report is prepared half-yearly and sent to the Top Management, together with “operational” reports for the various information sources containing data and information on operational loss events that fall under their respective remit;
- Risk Assessment, for which, at the end of each analysis on processes/operational areas a report with the assessment of individual risks and relevant controls is produced, with an indication of the most vulnerable areas;
- management of mitigation actions, for which details of the measures defined for the most significant risks detected with Loss Data Collection and Risk Assessment activities are provided.

Quantitative disclosures

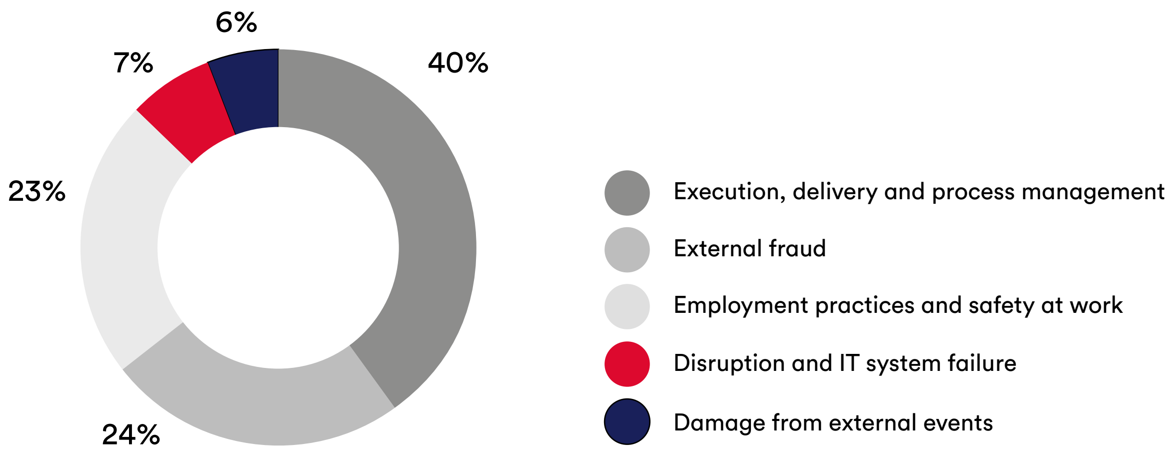
The percentage breakdown of operational risk losses by type of event, as defined by the New Basel Accord on Capital, are set out below. The types of operational risk events are the following:
- internal fraud: losses due to unauthorized acts, fraud, misappropriation or violation of regulations, the law or company policy that involve at least one internal party;
- external fraud: losses due to fraud, misappropriation or violation of the law by a third party;
- employment practices and safety at work: losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events;
- clients, products and business practices: losses arising from failure to meet a professional obligation to customers or from the nature or design of the product or service;
- damage from external events: losses arising from external events, such as natural catastrophes, terrorism and acts of vandalism;
- disruption and system failures: losses arising from disruption of business or system failures or unavailability;
- execution, delivery and process management: losses arising from failed transaction processing or process management, from relations with trade counterparties, vendors and suppliers.

In 2016, the main classes, in terms of economic impact, were ’Employment practices and safety at work’ (labour disputes) and Execution, delivery and process management’.

Operational losses recorded in 2016 broken down by risk category

The percentage breakdown of all losses incurred within the Loss Data Collection framework from the time the process began are set out below.

Operational losses recorded in the LCD database broken down by risk category



Legal disputes

As regards the conversion of preference shares into ordinary shares of CDP, following the exercise of the right of withdrawal, in June 2013, Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona filed a suit involving a claim amounting to about euro 432 million.

On 23 June 2016, the Court of Rome issued, with regard to the dispute in question, a non-final judgment and an order for an expert assessment.

On 3 October 2016, following the appointment of the Experts (CTUs) by the Court, and the appointment of the Expert Witnesses for the Parties (CTPs) by CDP and the Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona, the experts' assessment commenced. The Expert Witnesses (CTPs) filed their respective reports for the parties in December 2016 and their replies in January 2017.

On 31 March 2017, the Court-appointed Experts (CTUs) asked the investigating Judge for a 45-day extension of the time limit for sending their report to the parties.

With regard to the court of first instance, the defence team appointed by CDP has determined that the risk of losing the dispute, which was previously identified as possible, should now be re-defined as probable. The defence team feels that a favourable judgement can be reasonably expected (in the various levels of proceedings) on the grounds that the arguments made previously to the Court are well-grounded.

The defence team also determined that, considering the complexity and peculiarity of the lawsuit, the state of the trial, and the extreme uncertainty regarding the valuation criteria that will be applied, any reliable estimate of the CDP obligations, today, would be arbitrary.

With regard to Separate Account customers, it should be noted that at 31 December 2016, 69 lawsuits were pending with a total estimated liability, net of the conversion of preference shares into ordinary shares, of about euro 30 thousand. Of these, four concern disputes with suppliers.

With reference to the Separate Account, against the risk - considered likely - of the occurrence of a future liability connected to the request received from an investee (with which an agreement had been entered into according to which CDP would repay the dividends, received in excess, in the proportional amount established in the civil proceedings, by final ruling, to be paid by the private shareholders) a provision of euro 19.2 million was established.

There are currently no pending disputes in relation to the Ordinary Account and, therefore, no potential liabilities for CDP.

Finally, with respect to labour disputes, at 31 December 2016, 25 lawsuits were pending, whose overall claims were estimated at about euro 3 million; potential estimated costs, therefore, both in absolute and relative terms, are totally negligible with respect to the volumes in CDP's financial statements.

PART F - CAPITAL

Section 1 - Capital

Qualitative disclosures

Pending the issuance of specific measures in this area by the Bank of Italy, CDP is subject to “informational” supervision only.

Accordingly, in 2016, in agreement with the Bank of Italy, CDP did not calculate regulatory capital or the related supervisory capital requirements.

PART H - TRANSACTIONS WITH RELATED PARTIES

1. Information on the remuneration of key management personnel

Remuneration of the Board of Directors and the Board of Statutory Auditors

(thousands of euros)	31/12/2016
a) Directors	1,233
b) Statutory Auditors	162
Total	**1,395**

Remuneration of other key management personnel

(thousands of euros)	31/12/2016
a) Short-term benefits	4,135
b) Post-employment benefits	353
Total	**4,488**

Remuneration paid to the Board of Directors and the Board of Statutory Auditors

(thousands of euros) Name and surname	Position	Period in office	End of term (*)	Compensation and bonuses
Directors				
Claudio Costamagna	Chairman	01/01/2016-31/12/2016	2017	324
Mario Nuzzo	Vice Chairman	01/01/2016-31/12/2016	2017	35
Fabio Gallia	Chief Executive Officer	01/01/2016-31/12/2016	2017	396
Maria Cannata	Director	01/01/2016-31/12/2016	2017	(**)
Carla Patrizia Ferrari	Director	01/01/2016-31/12/2016	2017	35
Stefano Micossi	Director	01/01/2016-31/12/2016	2017	35
Alessandro Rivera	Director	01/01/2016-31/12/2016	2017	(**)
Alessandra Ruzzu	Director	01/01/2016-31/12/2016	2017	35
Giuseppe Sala	Director (1)	01/01/2016-20/06/2016		17
Andrea Sironi	Director (2)	14/12/2016-31/12/2016	2017	-
Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003)				
Roberto Ferranti	Director (3)	01/01/2016-31/12/2016	2017	35
Vincenzo La Via	Director (4)	01/01/2016-31/12/2016	2017	(**)
Piero Fassino	Director	01/01/2016-31/12/2016	2017	35
Massimo Garavaglia	Director	01/01/2016-31/12/2016	2017	35
Achille Variati	Director (5)	31/03/2016-31/12/2016	2017	
Outgoing Statutory Auditors in 2016				
Angelo Provasoli	Chairman (6)	01/01/2016-29/05/2016		11
Andrea Landi	Statutory Auditor (6)	01/01/2016-29/05/2016		8
Giuseppe Vincenzo Suppa	Statutory Auditor (6)	01/01/2016-29/05/2016		8
Statutory Auditors in office as at 31 December 2016				
Carlo Corradini	Chairman (6)	30/05/2016-31/12/2016	2018	23
Alessandra Dal Verme	Statutory Auditor (6)	30/05/2016-31/12/2016	2018	(**)
Giusella Finocchiaro	Statutory Auditor (6)	30/05/2016-31/12/2016	2018	15
Luciano Barsotti	Statutory Auditor (6)	30/05/2016-31/12/2016	2018	26
Ines Russo	Statutory Auditor (6)	30/05/2016-31/12/2016	2018	(**)

(*) Date of Shareholders' Meeting called to approve financial statements for the year.
(**) The remuneration is paid to the Ministry of the Economy and Finance.
(1) Resigned from his position as director on 20 June 2016 as a result of new commitments following his election as Mayor of Milan.
(2) In its meeting of 14 December 2016, the Board of Directors co-opted Mr Andrea Sironi as a new director of CDP to replace Mr Giuseppe Sala following his resignation on 20 June 2016.
(3) Delegate of the State Accountant General.
(4) Director General of the Treasury.
(5) The director Achille Variati will not receive any remuneration in accordance with Article 5.9 of Law 135 of 2012.
(6) On 30 May 2016, the Shareholders' Meeting of CDP appointed the new members of the Board of Statutory Auditors who will remain in office up to the date of the Shareholders' Meeting called for the approval of the financial statements as at and for the year ended 31 December 2018. The new Statutory Auditors are: Carlo Corradini (Chairman), Luciano Barsotti, Alessandra Dal Verme, Giusella Finocchiaro, and Ines Russo. The remuneration for the Statutory Auditors Luciano Barsotti and Ines Russo also relate to their activities in the previous Board of Statutory Auditors of which they were part.

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 the CDP Group did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the Company. All transactions with related parties were carried out on an arm's length basis and form part of CDP's ordinary operations.

The table below shows the main existing related party relationships at 31 December 2016.

Transactions with related parties

	Assets						Liabilities		
(thousands of euros)	Financial assets held for trading	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Other assets	Due to customers	Securities issued (*)	Other liabilities
Controlling shareholder									
Ministry for the Economy and Finance		6,690,928	32,268,680		190,354,939	4,735	34,551,499		1,279
Direct subsidiaries									
CDP Investimenti SGR S.p.A.						345	2,088		17
CDP Equity S.p.A.						10,529	508,116		8
SACE S.p.A.						12	2,585,336	93,813	20,617
Fintecna S.p.A.						19	1,025,320		48,733
CDP GAS S.r.l.						3,007			
CDP RETI S.p.A.	11,588	340,996			337,805	316	10,991		6,362
CDP Immobiliare S.r.l.						736			15,105
Direct associates									
Europrogetti & Finanza S.p.A. in liquidazione					4,128				
Poste Italiane S.p.A.					92,205				363,974
QuattroR SGR S.p.A.									
Risparmio Holding S.p.A.						15			
FSI SGR S.p.A.						59			
Other related parties									
Cinque Cerchi S.p.A.						8			
Terna S.p.A.					500,623	129			
SNAM S.p.A.						89			
Fincantieri Cantieri Navali Italiani S.p.A.					86,857	50			27,881
Fincantieri Oil & Gas S.p.A.						1			5,736
Isotta Fraschini Motori S.p.A.									417
SACE BT						657			
SACE FCT S.p.A.					250,168	1,263			
SACE SRV						54			
Ligestra S.r.l.							36,000		
Ligestra Tre S.r.l.							279,000		
Consorzio Bancario Sir S.p.A. in liquidazione							44,000		
FSI Investimenti S.p.A.						12			13,546
FSIA Investimenti S.r.l.						9			632
Residenziale Immobiliare 2004 S.p.A.						5			
IQ Made in Italy Investment Company S.p.A.						9			
Kedrion S.p.A.									
Ferrovie dello Stato Italiane S.p.A.					694,183				
Rete Autostrade Mediterranee S.p.A.					17				
Banca del Mezzogiorno - MCC S.p.A.				119,093					
Ansaldo Energia S.p.A.					50,973				
Ansaldobreda S.p.A.					199				
Concessioni Autostradali Venete - CAV S.p.A.					199,093				
Telespazio S.p.A.									
Leonardo S.p.A.					234,852				

	Off-balance-sheet		Income statement								
	Commitments and guarantees issued	Other	Interest income and similar revenues	Interest expense and similar charges	Commission income	Commission expense	Net gain (loss) on trading activities	Gains (losses) on disposal or repurchase of loans	Administrative expenses: a) staff costs	Administrative expenses: b) other administrative expenses	Other operating income (costs)
	2,174,066		4,445,324	(18,513)	5,137						
	1,923			(36)	4				214		299
		1,269,056		(25,337)					294		603
				(4,795)			(5,880)		(117)		40
				(18,880)					19	(151)	41
		47,041		(637)							66
		1,817,390	9,504	(22)			10,872		1		339
									367	(531)	280
	81										
			79			(1,576,680)					
											2
											15
											59
											5
	350,000		3,937		356				130		
	210,000										91
			180		857						76
											25
			1,079		378						25
											6
		27,769									18
											18
											5
											18
	1,936										
	186,667		7,581		410						
	208		1								
			758					6			
	24,643		1,440		550						
	1,264		2								
			5,394					5			
	1,042										
	15,954		13,859								

(thousands of euros)	Assets						Liabilities		
	Financial assets held for trading	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Other assets	Due to customers	Securities issued (*)	Other liabilities
E-distribuzione S.p.A.					1,072,098				
Enel Green Power S.p.A.					1,467				
Enel S.p.A.									
Open Fiber S.p.A.					125,057				
Istituto per il Credito Sportivo				319,714					
Rai Way S.p.A.					463				
SIMEST S.p.A.					20,066				
Italgas S.p.A.					209,151				
Versalis S.p.A.					2,521				
Raffineria di Milazzo S.c.p.A.									
Soc. Italiana Traforo Autostradale del Fréjus S.I.T.A.F. S.p.A.					158,776				
Toscana Energia S.p.A.									

(*) Securities issued shown under liabilities exclusively comprise securities held by the subsidiaries, which are relevant at consolidation.

Transactions with the Ministry of the Economy and Finance

The main transactions conducted with the Ministry of the Economy and Finance regarded cash held on an account with the Treasury, lending transactions, government securities held in the portfolio, and management of MEF's liquidity (OPTES).

CDP's cash is deposited on the interest-bearing account no. 29814 held at the State Treasury and earns interest at a 6-month floating rate equal to the weighted average (using weightings at 20% and 80%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs. At 31 December 2016, the cash and cash equivalents held at the Central State Treasury amounted to around euro 147.8 billion, of which around euro 859 million credited after the reporting date.

Apart from cash and cash equivalents held at the Central State Treasury, the item "Loans to customers" also includes receivables, mainly linked to lending activity, for approximately euro 33.8 billion and debt securities for about euro 8.7 billion. As regards receivables in respect of loans, it should be noted that about 30% of CDP's portfolio is repaid by the State.

"Financial assets available for sale", equal to around euro 6.7 billion, and "Financial assets held at maturity", equal to approximately euro 32.3 billion, include investing activities in Government securities.

"Due to customers" refers mainly to the balance of MEF's liquidity management transactions (OPTES) (around euro 33 billion), and amounts not yet disbursed at the end of the year on loans being repaid (approximately euro 1.5 billion).

"Commitments and guarantees issued" includes the balance of residual commitments for the granting of loans, which amounted to around euro 2.2 billion at year-end.

The income statement reports Interest income and similar revenues for approximately euro 4.4 billion, of which around euro 1.6 billion for loans, euro 1.7 billion for cash and cash equivalents held at the Central State Treasury, and euro 1.1 billion for Government securities held in the portfolio.

The interest expense and similar charges of approximately euro 18 million refer mainly to the negative yields on certain government securities recorded under financial assets held to maturity.

Commission income, equal to around euro 5.1 million, is due to the fees, established with dedicated agreements, for the management of loans and postal savings products owned by the MEF (euro 2.6 million), of the Revolving Fund for Cooperation and Development (euro 1 million), the management of the Kyoto Fund (around euro 0.6 million), the lending activity within the framework of the "Revolving fund for support to enterprises and investment in research" (approximately euro 0.5 million), and for other services (around euro 0.3 million).

	Off-balance-sheet		Income statement								
	Commitments and guarantees issued	Other	Interest income and similar revenues	Interest expense and similar charges	Commission income	Commission expense	Net gain (loss) on trading activities	Gains (losses) on disposal or repurchase of loans	Administrative expenses: a) staff costs	Administrative expenses: b) other administrative expenses	Other operating income (costs)
			20,417								
			11								
	280,000										
	125,000		57								
			11,893								
			3								
	20,000		184		134			123			
	230,200		86					4			
			16								
	42,000				160						
	35,699		5,958		242						
	14,963										

Transactions with subsidiaries and direct associates, and other related parties

Financial assets held for trading

The item includes the positive fair value of an existing swap with CDP RETI S.p.A., entered into by the latter in order to hedge the interest risk of one of its loans. CDP implemented a full operational hedge through mirror swaps, whose negative fair value was recognised under "Financial liabilities held for trading".

Financial assets available for sale

The item, consisting of euro 341 million, includes the value of the bond issued by CDP RETI S.p.A. and subscribed by CDP in May 2015.

Loans to customers

The most significant exposures included in Loans to customers are listed below and regard loans issued to:
- E-distribuzione S.p.A. in the amount of approximately euro 1,072 million;
- Ferrovie dello Stato Italiane S.p.A. in the amount of euro 694 million;
- Terna S.p.A. for approximately euro 501 million;
- CDP RETI for approximately euro 338 million.

The receivable for Europrogetti & Finanza S.p.A. in liquidazione, equal to euro 4.1 million, was completely written off.

Other assets

The amounts refer mainly to receivables resulting from joining the "tax consolidation mechanism" for the supply of outsourcing services, the recovery of expenses for seconded personnel and receivables for seconded personnel.

Due to customers

The item includes mainly CDP's funding resulting from the centralisation of the treasury of Group Companies. The most significant amounts are listed below:
- SACE S.p.A. in the amount of approximately euro 2,585 million;
- Fintecna S.p.A. in the amount of approximately euro 1,025 million.

Securities issued

The previous table shows exclusively securities issued by CDP known to be held by subsidiaries by virtue of the information received during consolidation.

At 31 December 2016, the balance refers to EMTN securities issued by CDP and held by SACE S.p.A. for approximately euro 94 million.

It should also be noted that, in December 2015 CDP issued two bonds, guaranteed by the Italian government, entirely subscribed by Poste Italiane S.p.A. (BancoPosta assets), for a total amount of euro 1.5 billion to support the Separate Account.

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 tax consolidation mechanism.

Guarantees issued and commitments

The most important items related to commitments to disburse funds and guarantees issued are listed below:
- Terna for euro 350 million.
- Enel S.p.A. for euro 280 million;
- Italgas S.p.A. for approximately euro 230 million.

Other off-balance-sheet items

Other off-balance sheet items refer primarily to securities received as a deposit from CDP Equity, CDP RETI, CDP GAS and FSI Investimenti.

Interest income and similar revenues

The amounts refer primarily to interest for 2016 accrued on loans granted to counterparties.

Interest expense and similar charges

The amounts refer primarily to interest expense accrued on deposits of Group Companies.

Commission income

Commission income refers mainly to commissions received from CDP within the framework of loan activities.

Commission expense

Commission expense for 2016 totalled approximately euro 1,577 million and referred to the postal savings collection service provided by Poste Italiane S.p.A.

Net gain (loss) on trading activities

The item includes the gain of approximately euro 11 million on the existing swap with CDP RETI and the charge for exchange adjustments on foreign currency deposit liabilities with SACE S.p.A. of approximately euro 6 million.

Administrative expenses - a) Staff costs

The item includes mainly revenues linked to the reimbursement of expenses for CDP staff seconded to Group Companies. These revenues are partly offset by the costs incurred by CDP relating to Group Companies' personnel seconded to CDP.

Other operating income (costs)

The item includes mainly revenues for the supply of outsourced auxiliary services and, on a residual basis, revenues for corporate offices of CDP employees at Group Companies.

PROPOSAL FOR ALLOCATION OF NET INCOME FOR THE YEAR

We hereby submit for shareholder approval the financial statements for the year ended 2016, consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and the notes to the financial statements with related annexes. The financial statements are accompanied by the directors' report on operations.

Net income for 2016, after deducting the amount allocated to the legal reserve pursuant to Article 2430 of the Italian Civil Code, will be allocated in accordance with the resolution passed by the Shareholders' Meeting.

(euros)	
Net income (loss)	1,662,672,023
Legal reserve	83,133,601
Distributable net income	**1,579,538,422**

Rome, 31 March 2017

The Chairman

Claudio Costamagna

APPENDIX - CDP'S EQUITY INVESTMENT PORTFOLIO

Associates and other investees

ENI S.p.A.

ENI is an integrated energy company that performs exploration, production, transportation, transformation and trading of oil and natural gas, with around 30,000 employees and an international footprint. With respect to Exploration and Production activities, ENI's core business, the Company operates in the exploration and production of natural gas and oil. The Gas & Power Division is involved in all stages of the natural gas value chain: supply, trading and sale of gas and electricity, gas infrastructure, supply and sale of LNG. The Refining & Marketing Division refines and sells fuels and other oil products mainly in Italy. Its shares are listed on the Italian Stock Exchange and on the New York Stock Exchange.

Poste Italiane S.p.A.

Poste Italiane is the largest service infrastructure in Italy. Thanks to a presence throughout the country, investments in technology and in the wealth of knowledge represented by its 143 thousand employees, Poste Italiane has taken on a central role in the country's growth and modernisation process. Today it provides logistics-postal services, postal savings, payment, insurance and digital communications services to more than 32 million customers. In particular, the "Retail Market" function is responsible for the commercial management of the retail and SME segment, while the "Business and Public Administration" function oversees the direct commercial management of large companies in the industrial, services, banking and public administration sectors. Finally, "*Posta, Comunicazione e Logistica*" oversees the areas related to postal services, logistics and commercial communications, "*BancoPosta*" provides financial services, while "*Risparmio Gestito e Servizi Assicurativi*" is responsible for strengthening the company's role in the savings products area with the aim of developing asset management and insurance products. Poste Italiane's shares are listed on the Italian Stock Exchange.

Sistema Iniziative Locali S.p.A.

Sinloc operates in the market for local development and infrastructure construction through public-private partnerships (PPP). It operates on the market both as an equity investor, intervening directly in selected projects, and as an advisor, creating the conditions to make the initiatives it is involved in sustainable and operational. Sinloc's investors currently include, apart from CDP, ten of the main bank foundations.

Istituto per il Credito Sportivo

The Istituto per il Credito Sportivo (ICS) is a residual public-law bank pursuant to Article 151 of the Consolidated Law on Banking (TUB). ICS, in particular, performs banking activity by accepting deposits from the public and thus financing initiatives and investments related to sport, heritage and cultural activities. Following changes to the law in 2013, ICS can also provide treasury and advisory services. As at 31 December 2016, Istituto per il Credito Sportivo was still in administrative receivership.

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

F2i SGR S.p.A. provides asset management services through the promotion, creation, and organisation of closed-end mutual funds specialising in infrastructure. Established with the sponsorship of major Italian financial institutions, including CDP and the main Italian banks, F2i SGR S.p.A. has assets under management of approximately euro 3,100 million, through the management of two funds specialised in brownfield infrastructure investment in Italy:
- F2i - Fondo Italiano per le Infrastrutture (Italian Infrastructure Fund), launched in 2007 with a total size of euro 1,852 million;
- F2i - Secondo Fondo Italiano per le infrastrutture, launched in 2012, closed fundraising in July 2015 with euro 1,242.5 million.

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

Fondo Italiano d'Investimento SGR S.p.A. is a company providing asset management services, established in March 2010 and promoted by the Ministry of the Economy and Finance (MEF) together with CDP, ABI, Confindustria and the major Italian banks. The company promotes and manages investment funds to support the growth of small and medium Italian enterprises, facilitating consolidation and internationalisation, and supporting the development of the Italian venture capital and private debt market.

At 31 December 2016, FII SGR managed total assets of euro 1,675 million, split across five managed funds:
- Fondo Italiano d'Investimento, launched in 2010, with a size of euro 720 million;
- Fondo Italiano d'Investimento - Fondo di Fondi, launched in 2010, with a size of euro 389 million;
- Fondo Italiano d'Investimento - FII Venture, launched in 2010, with a size of euro 91 million;
- Fondo di Fondi Private Debt, launched in 2014, with a current size of euro 395 million;
- Fondo di Fondi Venture Capital, launched in 2014, with a current size of euro 80 million.

Europrogetti & Finanza S.p.A. in liquidazione

EPF is owned by leading banks and financial institutions. It was established in 1995 to deliver subsidised lending services. In view of the company's lack of growth prospects, it was placed into voluntary liquidation at the start of 2009. The liquidation process is still ongoing, with the goal of completing all the activities related to subsidised loans still in place.

AcciaItalia S.p.A.

AcciaItalia, in which CDP has a 27.5% equity investment, is a company incorporated in 2016 for the purpose of participating in the procedure launched by the special receivers of ILVA S.p.A., Ilvaform S.p.A., Taranto Energia S.r.l., Ilva Servizi Marittimi S.p.A., Tillet S.a.s. and Socova S.a.s. (companies placed in administrative receivership by decrees of the Ministry for Economic Development, dated 21 January 2015, 20 February 2015 and 17 March 2015), in accordance with the decree issued on 4 January 2016 by the Ministry of Economic Development in implementation of Decree law 191 of 4 December 2015 (the "Receivership").

Risparmio Holding S.p.A.

Risparmio Holding, a company in which CDP has a 20.0% equity investment, was incorporated in 2016 to participate in the competitive procedure launched by UniCredit S.p.A. in connection with the sale of the asset management activities of Pioneer Global Asset Management S.p.A. On 5 December 2016, UniCredit and Amundi announced that they had entered into exclusive negotiations in relation to the possible sale of the Pioneer Investments business to Amundi.

QuattroR SGR S.p.A. ("QuattroR SGR")

QuattroR, a company in which CDP has a 29.4% equity investment, was incorporated on 4 August 2016 to promote and provide, via the management of one or more investment funds, the restructuring, support and consolidation of the financial and equity structure of Italian companies which, despite temporary financial or equity imbalances, present good industry and market prospects. On 30 December 2016, the Bank of Italy, subject to Consob's favourable opinion, granted QuattroR the authorisation to carry out asset management activities pursuant to article 34 of Legislative decree 58 of 24 February 1998 (Consolidated Law on Finance).

FSI SGR S.p.A. ("FSI SGR")

FSI SGR, a company in which CDP has a 49.0% equity investment, was incorporated on 25 February 2016 with the aim of generating value for investors via the management of one or more investment funds, through equity investments intended to promote the growth of companies (Growth Capital). On 6 December 2016, the Bank of Italy, subject to Consob's favourable opinion, granted FSI SGR the authorisation to carry out asset management activities pursuant to article 34 of Legislative decree 58 of 24 February 1998 (Consolidated Law on Finance).

Investment funds and investment vehicles

Inframed Infrastructure S.a.s. à capital variable

The Inframed fund was launched in 2010 by CDP and other European financial institutions - the Caisse des Dépôts et Consignations of France and the European Investment Bank, the Caisse de Dépôt et de Gestion of Morocco and the EFG- Hermes Holding SAE of Egypt. Inframed has received commitments of over euro 385 million, of which around euro 150 million subscribed by CDP.
The Inframed fund is a variable capital investment vehicle, whose main objective is to provide equity capital to infrastructure projects in the southern and eastern Mediterranean. The activities of the fund are focused on a diverse range of long-term infrastructure investments in the transportation, energy, and urban development sectors.

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

Together with other European public financial institutions, at the end of 2009 CDP launched the Marguerite European fund, a Luxembourg-registered closed-end variable capital investment fund which has been set up to act as a catalyst for investment in infrastructure associated with European networks (transport and energy), climate change and energy security in particular. The fund will undertake equity or quasi-equity investments mainly in greenfield infrastructure in the energy transport and the renewable energy sectors. Marguerite has received commitments of euro 710 million, of which around euro 100 million subscribed by CDP. Marguerite will complete its investment phase on 31 December 2017 (following the extension of one year approved by the shareholders).

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

The EEEF Fund is an investment fund sponsored by the European Investment Bank, the European Commission, and CDP. Its primary goal is to develop energy efficiency projects sponsored by public entities and, in general, initiatives to combat climate change within the European Union. The fund primarily acts as a lender to projects and to a residual extent as an investor in the equity of such initiatives. The total size of the fund is equal to euro 265 million, of which euro 125 subscribed by the European Commission as first loss, euro 60 million by CDP, euro 75 million by the European Investment Bank, and euro 5 million by Deutsche Bank, the fund's Investment Manager.

F2i - Fondo Italiano per le infrastrutture

The F2i Fund, launched in 2007, has a size in excess of euro 1.85 billion, of which CDP has subscribed a commitment for over euro 150 million. The fund ended the investment phase in 2013 (it may carry out add-on acquisitions on existing portfolio investments until February 2017). The Fund sets out to be a hub for aggregation and alliances between public and private entities that operate in the national infrastructure sector, participating in privatisation processes, strengthening relations between local authorities and private business owners, and bringing together domestic and international investors. The investment policy has focused mainly on brownfield projects in the gas distribution chain, airports, water, broadband telecommunications networks, renewable energy generation and motorway transport.

F2i - Secondo Fondo Italiano per le infrastrutture

Secondo Fondo Italiano per le Infrastrutture, promoted and managed by F2i SGR S.p.A., was launched in 2012. At the first closing at year-end 2012, euro 575 million had been subscribed by sponsors. At that time, CDP subscribed units for a value totalling euro 100 million. The fund closed the fundraising process in July 2015 with a total commitment of euro 1,242.5 million, thus exceeding the funding target of euro 1,200 million. Secondo Fondo F2i will continue the investment policy of the F2i fund, consolidating its presence in business areas pursued by the latter, in addition to its own asset allocation in waste-to-energy industries and the development and management of infrastructure and technological services, and assisted healthcare facilities.

Fondo PPP Italia

Launched in 2006 and managed by Fondaco SGR, PPP Italia is a closed-end fund specialised in public-private partnerships (PPPs) and projects for the generation of energy from renewable sources. The overall size of the fund is euro 120 million. CDP has signed an investment commitment of euro 17.5 million. The fund ended the investment phase in 2013 and may carry out add-on acquisitions on existing portfolio investments until December 2018.

Fondo Immobiliare di Lombardia - Sub-fund One

Fondo Immobiliare di Lombardia (FIL) is an Italian closed-end ethical real estate fund reserved to qualified investors and managed by Investire SGR S.p.A. The fund has been promoted by Fondazione Housing Sociale. At 31 December 2016, the Sub-fund's total size was euro 474.8 million. CDP has signed an investment commitment of euro 20 million.

The Fund was established with the aim of investing mainly in "Social housing" in Lombardy and began operations in 2007. In 2012 it was converted into an umbrella fund and, following this change, Sub-fund One was established to hold all the original assets and liabilities of FIL.

Fondo Investimenti per l'Abitare

Fondo Investimenti per l'Abitare (FIA) is a real estate fund reserved to qualified investors, promoted and managed by CDP Investimenti SGR S.p.A., a company operating in the private social housing sector. FIA was established in July 2010 and has a 30-year life. The current size of the fund is euro 2 billion. CDP has subscribed an investment commitment of euro 1 billion.

The fund is aimed at increasing the stock of social housing units in Italy that is subject to rent control and/or is to be sold at subsidised prices to "socially vulnerable" families, and also to supplement the social housing policies of the Central and Local Governments. Having been selected by the Ministry for Infrastructure, the fund has become the single National Fund for the Integrated System of Real Estate Funds under the National Housing Plan.
FIA operates throughout Italy, mainly serving as a "fund of funds", investing in real estate investment funds operated by other asset management companies or holding investments in real estate firms, including majority investments, up to a maximum of 80%. The Fund can also make direct investments up to 10% of its capital.

Fondo Investimenti per la Valorizzazione

Fondo Investimenti per la Valorizzazione is a real estate umbrella fund reserved to qualified investors, promoted and managed by CDP Investimenti SGR S.p.A. The Fund is dedicated to purchasing properties owned by the Central Government, public entities and/or their subsidiaries, with unexpressed potential value linked to their change in use, upgrading or rental.
At 31 December 2016 two Sub-funds were in operation, "Plus" and "Extra", established following the conversion - in 2013 - of the Fondo Investimenti per la Valorizzazione - Plus into an umbrella fund.
The Plus Sub-Fund's assets are made up of the assets previously owned by FIV Plus at the time the Fund was transformed into an umbrella fund, while the Extra Sub-Fund is dedicated to the development and management of the portfolio of public property acquired from the Agency of State-owned property (Agenzia del Demanio) and from local authorities at the end of 2013, 2014 and 2015.
The activities of both sub-funds are mainly directed towards increasing the value of the properties, including through re- structuring, restoration and ordinary and extraordinary maintenance, or through transformation and extracting value from them.
At 31 December 2016, CDP subscribed the entire euro 100 million of the Plus Sub-fund and the entire euro 1,130 million for the Extra Sub-fund.

Fondo Investimenti per il Turismo

Fondo Investimenti per il Turismo (FIT) is an alternative real estate investment fund, to be placed with institutional investors, focused on real estate investments in the tourism, hotel, general hospitality and recreational sectors.
FIT was established in July 2016 and has a 20-year life. The current size is euro 100 million but CDPI SGR is still in the pipeline evaluation phase and has not yet invested in any portfolio initiative.
More specifically, the Fund's objective is to acquire, directly or through a target fund, in the case of a fund that invests in funds, including participating in auctions or other competitive procedures, real estate for hotel, hospitality, tourist-recreational, commercial and service industry use, or redevelopment for those uses, consisting of rental property which is held as a long-term investment.

Fondo Italiano d'Investimento

Fondo Italiano d'Investimento (FII), with a size of euro 1.2 billion, is the result of a shared project between the MEF, CDP, ABI, Confindustria, Intesa Sanpaolo, UniCredit, Banca Monte dei Paschi di Siena and Istituto Centrale Banche Popolari to create an instrument for providing financial support to Italian SMEs. CDP has signed an investment commitment of euro 250 million.
On 05 April 2016, a partial demerger of the fund was resolved by the Shareholder's Meeting, effective 01 January 2016, based on accounting values at 31 December 2015 and continuity of tax values. As a result of this demerger: (i) investors were allocated units of the three funds that were spun-off in proportion to the units held in Fondo Italiano di Investimento (the demerged fund); (ii) the sum of the accounting NAV of the three funds resulting from the demerger was equal to the NAV of Fondo Italiano di Investimento prior to the demerger.
The partial, proportional demerger of Fondo Italiano di Investimento resulted in the establishment of three AIFs, each one specialised in a specific sector: Fondo Italiano di Investimento (commitment of euro 720 million), dedicated to direct equity investments in SMEs; two new AIFs called Fondo Italiano di Investimento Fondo di Fondi (commitment of euro 389 million) and FII Venture (commitment of euro 91 million), focused respectively on investments in private equity funds and venture capital funds.

Fondo di Fondi Private Debt

Fondo di Fondi Private Debt (a fund of funds) was created by CDP to support the development of the new market of funds that invest in financial debt instruments issued by SMEs. It has been operational since 1 September 2014 and has a size of euro 395 million, fully subscribed by CDP.

The initiative comes against a financial background characterised by a lending context that is leading companies to seek alternative and complementary financing to that offered by banks. In light of this, CDP's offering aims to provide a tangible way to deliver the legislative changes brought in with the so-called "Development Decree" of 2012 to facilitate the issue of minibonds.

Fondo di Fondi Venture Capital

Fondo di Fondi Venture Capital (a fund of funds) was created by CDP to make an active contribution to the launch and development of innovative start-ups in Italy. It has been operational since 1 September 2014 and has a size of euro 80 million, of which euro 50 million subscribed by CDP.
The Fund invests in funds whose investment policies are focused on venture capital operations through the financing of seed-phase projects and funds specialised in technology transfer (first stages of the start-up and development of the business idea), early-stage projects (businesses already in the initial stages of operations), and late-stage projects (existing companies with high growth potential that need capital to develop innovative projects that will account for a significant part of their activities and expected growth) and in funds operating in the low-mid cap segment (expansion and growth capital).

European Investment Fund

The EIF is a public-private partnership under Luxembourg law held by the EIB (59.9%) the European Commission (28.1%) and 30 public and private financial institutions (12.0%). It pursues the twin objective of facilitating the EU's development policies and assisting the financial sustainability of European companies. In particular, the EIF supports innovation and growth among SMEs, micro-enterprises and European regions by improving the conditions for accessing financing. This is delivered by providing venture capital and guarantees on loans.
The Fund does not invest directly in companies' share capital but indirectly through private equity and venture capital funds. Moreover, since it is not authorised to provide credit, it does not directly provide loans or financial guarantees for companies, but rather operates through banks and other financial intermediaries using own funds allocated to it by the EIB and the European Union.
Under its Articles of Association, the share capital subscribed by the fund is only disbursed up to 20%, while the remainder can be called up exclusively to meet requirements relating to the occurrence of specific risks. CDP holds 50 units of the European Investment Fund, bought from the EIB for a total nominal value of euro 50 million, equal to a share of 1.14%.

Galaxy S.àr.l. SICAR

Galaxy, a Luxembourg-registered company, was established to make equity or quasi-equity investments in transportation infrastructure, particularly in Italy, Europe and other OECD countries, in a manner typical of a private equity fund. The Galaxy shareholders are CDP, Caisse des Dépôts et Consignations ("CDC") and Kreditanstalt für Wiederaufbau ("KfW"). The original size of the fund was euro 250 million. The company ended the investment stage in July 2009, calling up amounts totalling approximately euro 64 million; in the divestment stage, it distributed about euro 99 million to its shareholders, of which nearly euro 32 million to CDP.
CDP has committed to invest euro 100 million but has paid out around euro 26 million (around 40% of total commitments) and has received distributions totalling around euro 32 million.

Fondo Atlante

Incorporated in April 2016 with a commitment of euro 4,249 million, Fondo Atlante was promoted by Quaestio Capital Management SGR S.p.A. to invest in: (i) banks with capital ratios that are below the minimum thresholds set by the SREP [35], which therefore must proceed, upon request of the Supervisory Authority, with initiatives to strengthen their capital through share capital increases; (ii) transactions involving NPLs originating from Italian banks.

Fondo Atlante 2

Incorporated in October 2016 and with a commitment of euro 2,155 million in December 2016, Fondo Atlante 2 is managed by Quaestio Capital Management SGR S.p.A. to invest in transactions involving NPLs originating from Italian banks. Fund raising will end on 31 July 2017.

[35] Supervisory Review and Evaluation Process.

Annexes to the separate financial statements

ANNEX 1
List of equity investments

ANNEX 2
Accounting separation statements

ANNEX 3
Statements of reconciliation of accounting and operating figures

ANNEX 1 - LIST OF EQUITY INVESTMENTS

(thousands of euros) Company name	Registered office	% holding	Carrying amount
A. Listed companies			
1. ENI S.p.A.	Rome	25.76%	15,281,632
2. Poste Italiane S.p.A.	Rome	35.00%	2,930,258
B. Unlisted companies			
3. SACE S.p.A.	Rome	100.00%	4,584,074
4. CDP Equity S.p.A.	Milan	97.13%	3,419,512
5. CDP RETI S.p.A.	Rome	59.10%	2,017,339
6. Fintecna S.p.A.	Rome	100.00%	1,864,000
7. CDP GAS S.r.l.	Rome	100.00%	467,366
8. CDP Immobiliare S.r.l.	Rome	100.00%	322,206
9. Fondo Italiano d'Investimento SGR S.p.A.	Milan	25.00%	3,400
10. Galaxy S.àr.l. SICAR	Luxembourg	40.00%	2,348
11. FSI SGR S.p.A.	Milan	49.00%	1,470
12. CDP Investimenti SGR S.p.A.	Rome	70.00%	1,400
13. AccialItalia S.p.A.	Milan	27.50%	1,389
14. QuattroR SGR S.p.A.	Milan	29.40%	250
15. Europrogetti & Finanza S.p.A. in liquidazione	Rome	31.80%	-
16. Risparmio Holding S.p.A.	Rome	20.00%	-

ANNEX 2 - ACCOUNTING SEPARATION STATEMENTS

CDP is subject to a system of organizational and accounting separation under Article 5, paragraph 8, of Decree Law 269 of 30 September 2003, converted with amendments by Law 326 of 24 November 2003.

In order to create an accounting separation system, the organisational structure of the Company was therefore divided into three operating units called, respectively, Separate Account, Ordinary Account and Joint Services, within which CDP's existing organisational units have been re-grouped.

Separate Account

The role of the Separate Account is to pursue the mission of general economic interest entrusted to CDP by law.

The Articles of Association of CDP, in accordance with law, allocate the following activities to the Separate Account:

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 criteria set with decrees of the Minister of the Economy and Finance adopted pursuant to Article 5, paragraph 11, letter e), of the abovementioned Decree-Law;
   ii. to private entities with legal personality, with the exception of natural persons, for transactions in general interest sectors identified with decrees of the Minister of the Economy and Finance adopted pursuant to Article 5, paragraph 11, letter e), of the abovementioned 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 set with decrees of the Minister of the Economy and Finance adopted pursuant to Article 8 of Decree-Law no. 78 of 1 July 2009, converted with amendments by Law no. 102 of 3 August 2009;
   iv. to companies in order to support the economy through the banking system or through the subscription of investment 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 co-operation 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 Article 5, paragraph 3, letter b), of the abovementioned Decree-Law, whose management is in line - where required - with the criteria set out by Decree of the Minister of the Economy and Finance pursuant to Article 5, paragraph 11, letter d), of the abovementioned 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 Article 5, paragraph 8-bis, of the abovementioned Decree-Law.
e) acquiring of (i) covered bank bonds backed by mortgages on residential real estate and/or securities issued under Italian Law 130 of 30 April 1999, as part of securitisation transactions involving debt deriving from mortgage on residential real estate; (ii) securities issued under Italian 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 Article 5, paragraph 3, letter a), of the abovementioned 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 2016, the following units operate exclusively under the Separate Account organisation: Public Entities, International Cooperation and Economic Support (reporting to the Financial Institutions Area), Origination Export Bank and Execution Export Bank (reporting to the Enterprise Area), R&D, Innovation & Green Economy (reporting to the Industrial Area, which in turn reports to the Enterprise Area), Infrastructure Separate Account (reporting to the Infrastructure Area).

Ordinary Account

All CDP's other business activities that are not specifically attributed to the Separate Account are carried out by the Ordinary Account. While not specifically cited in Article 5 of Decree Law 269, the latter represents the range of activities carried out by CDP that are not assigned under statute to the Separate Account.

Specifically, pursuant to Article 5, paragraph 7, letter b), of Decree Law 269, CDP's Articles of Association include among the activities designed to achieve its mission that are not assigned to the Separate Account:

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;
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 Article 5, paragraph 8-bis, of the abovementioned Decree-Law.
c) acquiring of (i) covered bank bonds backed by mortgages on residential real estate and/or securities issued under Italian Law 130 of 30 April 1999, as part of securitisation transactions involving debt deriving from mortgage on residential real estate; (ii) securities issued under Italian 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: Infrastructure Ordinary Account (reporting to the Infrastructure Area), Coverage and Specialised Financial Institution Solutions (reporting to the Financial Institutions Area), Mid Corporate and Large Corporate (reporting to the Industrial Area, which in turn reports to the Enterprise Area).

Joint services

Joint Services include:

- the Corporate Center Areas that make up CDP's organisational structure;
- the Specific Organisational Units directly reporting to the Chief Business Officer and the Organisational Units of Group Real Estate;
- the Corporate Bodies and Bodies provided for in the Articles of Association (with the exception of the Parliamentary Supervisory Committee, which regards the Separate Account);
- the offices of the Chairman and Chief Executive Officer.

For the purposes of accounting separation, costs and revenues of the Equity Investments, Postal Savings and Finance Areas are allocated to the Separate Account, Ordinary Account and Joint Services depending on the specific business to which they refer.

Reclassified Income Statement

(thousands of euros)	Separate Account	Ordinary Account	Joint Services	Total CDP
Net interest income	**2,335,212**	**33,349**	**2**	**2,368,563**
Dividends and gains (losses) on equity investments	961,147	45,462		1,006,609
Net commission income	(1,494,714)	12,098	(1,589)	(1,484,205)
Other net revenues	28,138	2,898	(7)	31,028
Gross income	**1,829,783**	**93,807**	**(1,594)**	**1,921,996**
Net writedowns	(143,374)	(19,588)		(162,962)
Overheads	(12,794)	(1,378)	(129,013)	(143,185)
Operating income	**1,674,151**	**72,887**	**(120,416)**	**1,626,622**

Reclassified balance sheet

(thousands of euros)	Separate Account	Ordinary Account	Joint Services	Total CDP
Cash and cash equivalents	161,504,771	290,778	(998)	161,794,551
Loans	96,783,000	6,186,026		102,969,025
Debt securities	48,435,319	535,626		48,970,945
Equity investments and shares	31,338,428	672,690	540,000	32,551,119
Funding	324,347,545	7,458,839		331,806,384
of which:				
- *postal funding*	*250,800,175*			*250,800,175*
- *funding from banks*	*22,882,389*	*4,064,660*		*26,947,049*
- *funding from customers*	*42,069,847*	*463,824*		*42,533,671*
- *funding from bonds*	*8,595,134*	*2,930,355*		*11,525,489*

ANNEX 3 - STATEMENTS OF RECONCILIATION OF ACCOUNTING AND OPERATING FIGURES OF 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 euros) Items	2016 financial year	Cash and cash equivalents and other treasury investments	Loans to customers and banks	Debt securities	Equity investments and shares	Assets held for trading and hedging derivatives	Property, plant and equipment and intangible assets	Accrued income, prepaid expenses and other non-interest bearing assets	Other assets
10. Cash and cash equivalents									
20. Financial assets held for trading	208					208			
40. Financial assets available for sale	9,596			7,907	1,654			34	
50. Financial assets held to maturity	32,269			31,994				274	
60. Loans to banks	23,965	9,318	13,337					1,310	
70. Loans to customers	258,643	152,476	89,632	9,069				7,465	
80. Hedging derivatives	733					733			
100. Equity investments	30,897				30,897				
110. Property, plant and equipment	273						273		
120. Intangible assets	9						9		
130. Tax assets	973								973
150. Other assets	146								146
Total assets	**357,710**	**161,795**	**102,969**	**48,971**	**32,551**	**941**	**281**	**9,084**	**1,118**

Balance sheet - Liabilities and equity

(millions of euros) Items	2016 financial year	Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest bearing liabilities	Other liabilities	Provisions for contingencies, taxes and staff severance pay	Equity
10. Due to banks	14,487	14,490		(3)			
20. Due to customers	305,799	305,791		8			
30. Securities issued	12,032	11,525		506			
40. Financial liabilities held for trading	183		183				
60. Hedging derivatives	832		832				
70. Adjustment of financial liabilities hedged generically	38		38				
80. Tax liabilities	211					211	
100. Other liabilities	877				877		
110. Staff severance pay	1					1	
120. Provisions	43					43	
130. Valuation reserves	947						947
160. Reserves	14,225						14,225
170. Share premium reserve	2,379						2,379
180. Share capital	4,051						4,051
190. Treasury shares	(57)						(57)
200. Income (loss) for the year	1,663						1,663
Total liabilities and equity	**357,710**	**331,806**	**1,053**	**511**	**877**	**255**	**23,207**

Income statement

(millions of euros) Items	2016 financial year	Net interest income	Dividends	Gains (losses) on equity investments	Net commission income
10. Interest income and similar revenues	6,723	6,723			
20. Interest expense and similar charges	(4,354)	(4,354)			
40. Commission income	97				97
50. Commission expense	(1,581)				(1,581)
70. Dividends and similar revenues	1,571		1,571		
80. Net gain (loss) on trading activities	6				
90. Net gain (loss) on hedging activities	1				
100. Gains (losses) on disposal or repurchase	25				
130. Writedown for impairment	(457)			(294)	
150. Administrative expenses	(136)				
160. Net provisions	(1)				
170. Net adjustments of property, plant and equipment	(5)				
180. Net adjustments of intangible assets	(2)				
190. Other operating income (costs)	4				
210. Gains (losses) on equity investments	(270)			(270)	
240. Gains (losses) on disposal of investments	(0)				
260. Income tax for the year on continuing operations	44				
Total income statement	**1,663**	**2,369**	**1,571**	**(564)**	**(1,484)**

Other net revenues	Gross income	Net writedowns	Overheads	Other operating income (costs)	Operating income	Net provisions and other	Taxes	Net income (loss)
	6,723				6,723			6,723
	(4,354)				(4,354)			(4,354)
	97				97			97
	(1,581)				(1,581)			(1,581)
	1,571				1,571			1,571
6	6				6			6
1	1				1			1
25	25				25			25
	(294)	(163)			(457)			(457)
			(136)		(136)			(136)
						(1)		(1)
			(5)		(5)			(5)
			(2)		(2)			(2)
			1	3	4			4
	(270)				(270)			(270)
						(0)		(0)
							44	44
31	**1,922**	**(163)**	**(142)**	**3**	**1,620**	**(1)**	**44**	**1,663**

Report of the Board of Statutory Auditors

Shareholders,

During the financial year ending 31 December 2016, we carried out our statutory supervisory activity in accordance with the standards recommended by the National Council of the Italian accounting profession, taking account of the recommendations of Consob in its communications, to the extent compatible with the status of Cassa depositi e prestiti S.p.A. (hereinafter "CDP" or the "Company").

We preface our remarks as follows:

A. The financial statements as to 31 December 2016 of CDP, in application of Legislative Decree 38 dated 28 February 2005, have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission, as established by the Community Regulation no. 1606 dated 19 July 2002. The financial statements at 31 December 2016 was prepared, to the extent applicable, based on the "Instructions for the preparation of company financial statements and consolidated financial statements of banks and financial institutions that are parent companies of banking groups" issued by the Bank of Italy, in exercising the powers established by Article 9 of Legislative Decree 38/2005, by Order dated 22 December 2005 which issued Circular no. 262/2005 "Bank financial statements: presentation formats and rules" and subsequent amendments dated 18 November 2009, 21 January 2014, 22 December 2014 and 15 December 2015. The IAS/IFRS endorsed and effective as of 31 December 2016 (including the SIC and IFRIC interpretation documents) have been applied in the preparation of the financial statements.
B. The accurate recognition of operational events in the accounts and their representation in the financial statements in accordance with the IAS/IFRS standards were examined by the independent auditors PricewaterhouseCoopers S.p.A., (hereinafter, "PwC"), as auditors.
C. The financial statements include both the activity of the Ordinary Accounts and that of the Separate Accounts, although the cash flows of the two accounts and their recognition are separate. The separation of these two accounts, pursuant to Article 16, par.5 and 6, of the decree of the Ministry for the Economy and Finance (MEF) dated 6 October 2004, involves the preparation of separate accounting statements designated to the MEF and the Bank of Italy. At the end of the year, shared costs incurred by the Separate Accounts are calculated and subsequently reimbursed on a pro-rata basis from the Ordinary Accounts. The separate accounting statements are presented as an annex to the separate financial statements.
D. The financial statements as at 31 December 2016 show a net income of euro 1,662,672,023 and equity of euro 23,206,815,013 including the net income for 2016.

Given the foregoing, in accordance with the provisions of Legislative Decree 39 dated 27 January 2010, with regard to the issues within the scope of our responsibilities, the Board of Statutory Auditors declares that it has:

- monitored the operation of the internal control and administrative-accounting systems with a view to assessing their appropriateness with respect to company needs, as well as their reliability in representing events;
- participated in the shareholders' meetings, as well as all meetings of the Board of directors held to date, and received periodic information from the directors on the activities carried out and the most significant operations conducted by CDP;
- continued to monitor the activities undertaken by CDP, by attending the meetings of the Board of Directors and through periodic meetings with the heads of the main company departments, as well as the exchange of information with the Manager in charge with preparing the Company's financial reports and the independent auditors PwC responsible for statutory audit;
- monitored the risk management control processes through meetings with the head of the risk management department and attended the meetings of the board Risk Committee;
- monitored compliance with the law and the articles of association, conformity with the principles of sound administration and in particular the appropriateness of the organisational, administrative and accounting arrangements adopted by the company and their effective operation;
- verified compliance with statutory requirements concerning the preparation of the financial statements and the report on operations, also obtaining information from the independent auditors;
- monitored the adequacy of the internal control system through meetings with the head of Internal Auditing, who reported also on the exchange of information with the parties involved in the design (second level controls) and monitoring (third level controls) of the internal control system. The examinations performed found no issues or problems to report;
- monitored the adequacy of the controls against risks of non-compliance with the rules and regulations through periodic meetings with the head of the Compliance function;
- met with the Supervisory Body for the reciprocal exchange of information, noting that pursuant to Legislative Decree 231/2001 the Company has adopted an appropriate organisation, management and control model.

Moreover, the Board of Statutory Auditors reports that:

1. the financial year 2016 was characterised by a number of key events, including:
   - General economic trends - the margin of interest is euro 2.4 billion, showing a strong upward trend with respect to 2015 (euro 0.9 billion) thanks to the management actions introduced such as: (i) efficient management of liquidity and ALM, (ii) improved

"mark down" on interest-bearing liabilities, (iii) the revision of the remuneration of the treasury account only in part affected by lower interests paid on credits. The dividends have increased slightly with respect to 2015 (euro 1,571 million with respect to euro 1,538 million in 2015) thanks to the contribution of CDP Reti, CDP Gas and SACE in part offset by lower dividends of ENI, Fintecna and CDP Equity. The valuation component of the equity investment portfolio and the equity funds also provided a negative contribution, with the recognition of an impairment of approximately euro 564 million (euro 209 million in 2015), as indicated hereunder.

- Impairment of equity investments - with regard to CDP Immobiliare S.r.l., following the valuations, which involved both the real estate portfolio held directly, and the partnerships, CDP wrote down the equity investment by euro 270 million. As regards CDP Equity S.p.A., Fintecna S.p.A., SACE S.p.A., ENI S.p.A. e Poste Italiane S.p.A., impairment test were carried out which identified a recoverable amount respectively in line and higher than the carrying amount. As a result, no impairment writebacks or writedowns were recognised.
- Impairment of Equity Funds - the assessment process of the fair value of the shares of the Fondo Atlante, subscribed for an amount of euro 500 million, of which approximately euro 298 million paid in 2016 and euro 108 million endorsed in 2016 and paid on 3 January 2017, entailed the recognition of an impairment loss equal to euro 294 million.
- Individual and collective impairment of loans - the individual valuation of the loans, guarantees and commitments to distribute funds, carried out on 31 December 2016 based on reasonable assumptions of repayment, taking into account existing guarantees on those exposures, resulted in the need for writedowns for totale around euro 22.2 million (of which euro 1.7 million with impact on the interest margin, as writedowns of interests on arrears accrued in 2016) and writebacks of euro 3.9 million, with a net negative effect on the income statement at 31 December 2016 of around euro 18.3 million. With regard to the collective valuation of the loan receivables, the net writedown for 2016 came to around euro 146.4 million (of which euro 81.5 million relating to exposures to banks). The valuation criteria for the credit exposures did not change with respect to the previous year, and specifically:
  - non-performing loans (bad debts, unlikely to pay, and non-performing past-due and/or overdrawn positions) are measured individually. The amount of the writedowns to be made to the loans is determined as the difference between the carrying amount of the loan at the time of measurement and the present value of the expected future cash flows, net of collection costs, taking into account of any guarantees securing the positions and any advances received, calculated by applying the original effective interest rate;
  - loans for which no evidence of individual impairment has been identified undergo collective impairment testing. The method used for collective testing is based on the internal parameters used for the pricing of the loans. The estimate of the "incurred loss" for the portfolio is determined by applying a number of corrective parameters to the 1-year loss expected. These corrective parameters are determined by considering both the degree of concentration of the loan portfolio (Concentration Adjustment) and the expected time between the default event and the emergence of confirmation of default (Loss Confirmation Period).

  An even more precautionary approach was used in the 2016 financial statements, including exposures with Territorial Organisations in the scope of the collective impairment and increasing the adjustments on performing positions with respect to the increase of the relevant credit risk.

  The total amount of writedowns/writebacks of on-balance-sheet loans came to around euro 163.2 million, net of euro 3.7 million of writebacks.

  The collective impairment provision totalled around euro 327.8 million (of which around euro 116.4 million relating to banks). The amount of the collective impairment provision at 31 December 2016 corresponded to 0.47% of the on-balance-sheet and off-balance-sheet gross collective impairment.
- Agreement with Poste Italiane - the Postal Savings management service was governed by a new agreement signed in December 2014, through which CDP and Poste Italiane established an Agreement valid for the five-year period 2014-2018. The fee recognised in the income statement for the year 2016 amounted to euro 1,576.7 million.

2. In the Notes to the financial statements for 2016, and more specifically in Part H - Transactions with related parties, the directors report the main transactions carried out during the year. Please refer to that section for more information on the type of transactions conducted and their impact on the income statement and the balance sheet.
3. The Board of Statutory Auditors considers the information provided by the Board of Directors in the Report on Operations to be adequate.
4. PwC, which is responsible for the statutory audit of the accounts, has not made any specific observations that could be reflected in comments or qualifications in the report of the independent auditors. No material issues emerged in the periodic exchange of information between the Board of Statutory Auditors and the representatives of the independent auditors.
5. The Board of Statutory Auditors did not receive any complaints pursuant to Article 2408 of the Civil Code.
6. The Board of Statutory Auditors received no reports or complaints of alleged irregularities.
7. The independent auditors PwC, pursuant to article 17 par. 9, letter a), of Legislative Decree 39/2010 confirmed to the Board of Statutory Auditors that it did not find itself in any situations that would have compromised its independence or any circumstances that would give rise to incompatibility pursuant to Article 10 of the above Legislative Decree.
8. In 2016, there were a total of 13 meetings of the Board of Directors and 2 Shareholders' Meetings, all of which were attended by the Board of Statutory Auditors. The Board of Statutory Auditors held 18 meetings, to which the Judge designated by the State Audit Court was always invited.
9. The administrative/accounting system appears adequate to provide an accurate and prompt representation of operational events, a finding also borne out by information received from the independent auditors.

10. Within the scope of our supervisory activities, we did not find any omissions, censurable facts or irregularities.

The Board of Statutory Auditors took due note of the information provided by the Manager in charge with preparing the Company's financial reports on the findings of the control activities performed, which found no material issues that would prevent the issue of the certification pursuant to Article 154-bis of Legislative Decree 58 of 24 February 1998.

Therefore, there are no impediments to approving the financial statements for the 2016 financial year together with the Report on Operations submitted by the Board of Directors.

Rome, 21 April 2017

THE BOARD OF STATUTORY AUDITORS

Carlo Corradini	Chairman
Luciano Barsotti	Regular Auditor
Alessandra dal Verme	Regular Auditor
Giusella Finocchiaro	Regular Auditor
Ines Russo	Regular Auditor

Report of the Independent Auditors

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

To the shareholders of
Cassa Depositi e Prestiti SpA

Report on the financial statements

We have audited the accompanying financial statements of Cassa Depositi e Prestiti SpA, which comprise the balance sheet as of 31 December 2016, the income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C. F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Cassa Depositi e Prestiti SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Cassa Depositi e Prestiti SpA, with the financial statements of Cassa Depositi e Prestiti SpA as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Cassa Depositi e Prestiti SpA as of 31 December 2016.

Rome, 21 April 2017

PricewaterhouseCoopers SpA

Signed by

Lorenzo Pini Prato
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Certification of the separate financial statements

pursuant to Article 154 bis of Legislative Decree no. 58/1998

1. The undersigned Fabio Gallia, in his capacity as Chief Executive Officer, and Fabrizio Palermo, in his capacity as Manager in charge with preparing the Company's financial reports of Cassa depositi e prestiti S.p.A., hereby certify, taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company and
   - the effective adoption

   of the administrative and accounting procedures for the preparation of the separate financial statements in 2016.

2. The assessment of the appropriateness of the administrative and accounting procedures followed in preparing the separate financial statements at 31 December 2016 was based on a process developed by Cassa depositi e prestiti S.p.A. in line with the Internal Control - *Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission,* which is a generally accepted framework at international level;

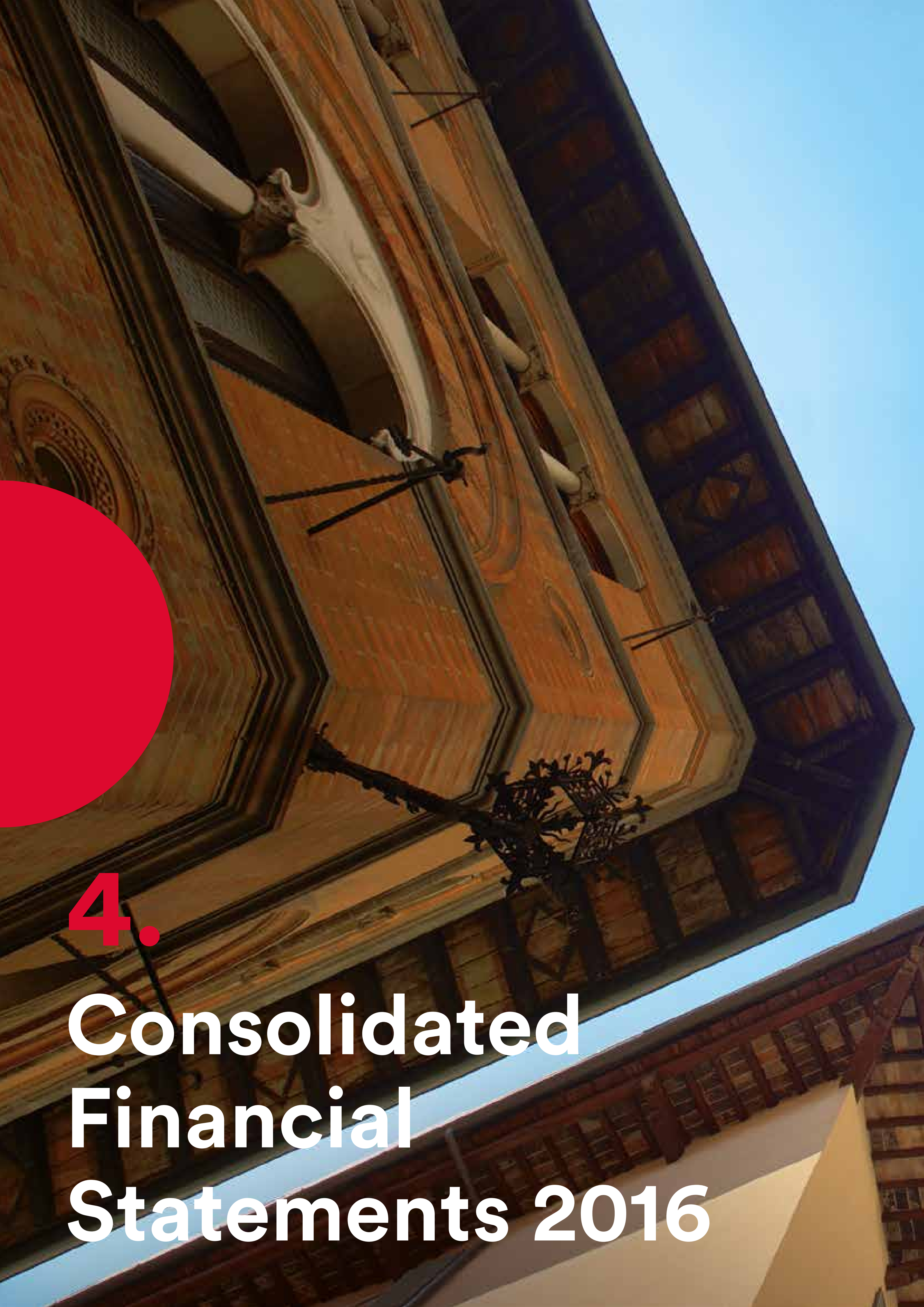
3. In addition, we certify that:

   3.1 the financial statements at 31 December 2016:
   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) provide 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, 21 April 2017

The Chief Executive Officer	The Manager in charge with preparing the Company's financial reports
Fabio Gallia	*Fabrizio Palermo*



4. Consolidated Financial Statements 2016

Form and content of the consolidated financial statements at 31 December 2016

The consolidated financial statements at 31 December 2016 have been prepared in compliance with applicable regulations and are composed of the:
- Consolidated Balance Sheet
- Consolidated Income Statement
- Consolidated Statement of Comprehensive Income
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

The Notes to the Consolidated Financial Statements are composed of:
- Introduction
- Part A - Accounting policies
- Part B - Information on the consolidated balance sheet
- Part C - Information on the consolidated income statement
- Part D - Consolidated comprehensive income
- Part E - Information on risks and related hedging policies
- Part F - Consolidated capital
- Part G - Business combinations
- Part H - Transactions with related parties
- Part I - Share-based payments
- Part L - Operating segments

The following are also included:
- Annexes to the Consolidated financial statements
- Report of the Board of Statutory Auditors
- Report of the Independent Auditors
- Certification pursuant to Article 154-*bis* of Legislative Decree 58/98

The section " Annexes to the Consolidated financial statements", which is an integral part of the financial statements, also includes the list of the equity investments included in the scope of consolidation and the reconciliation statements between the accounting statements and the reclassified balance sheet and the income statement of the CDP Group.

Contents of the consolidated financial statements

Consolidated financial statements at 31 December 2016

CONSOLIDATED BALANCE SHEET

(thousands of euros)

Assets	**31/12/2016**	**31/12/2015**
10. Cash and cash equivalents	1,418	781
20. Financial assets held for trading	1,092,094	936,784
30. Financial assets at fair value	197,056	219,713
40. Financial assets available for sale	8,513,404	6,535,451
50. Financial assets held to maturity	33,773,865	26,073,862
60. Loans to banks	27,730,603	28,941,822
- *of which: separate asset pool*	*446,325*	*406,692*
70. Loans to customers	261,956,715	261,044,293
80. Hedging derivatives	1,109,475	1,575,794
100. Equity investments	20,570,087	18,172,243
110. Reinsurers' share of technical provisions	612,981	465,015
120. Property, plant and equipment	35,158,657	34,621,757
130. Intangible assets	7,935,337	7,939,406
- *of which: goodwill*	*659,576*	*649,775*
140. Tax assets:	2,085,765	2,140,966
a) current tax assets	781,699	769,965
b) deferred tax assets	1,304,066	1,371,001
150. Non-current assets and disposal groups held for sale	386,864	24,479
160. Other assets	9,300,976	10,178,235
Total assets	**410,425,297**	**398,870,601**

The data referring to 31 December 2015 have been restated as described in the accounting policies, "Other issues" section.

(thousands of euros) Liabilities and equity	31/12/2016	31/12/2015
10. Due to banks	25,692,215	23,522,539
- *of which: secured by separate asset pool*		*400,003*
20. Due to customers	302,189,543	291,800,245
30. Securities issued	28,107,767	30,086,359
40. Financial liabilities held for trading	289,047	240,599
60. Hedging derivatives	970,235	1,002,005
70. Adjustment of financial liabilities hedged generically (+/-)	38,206	43,273
80. Tax liabilities:	3,589,252	3,924,096
a) current tax liabilities	117,253	311,971
b) deferred tax liabilities	3,471,999	3,612,125
90. Liabilities associated with disposal groups held for sale	74,557	6,782
100. Other liabilities	8,051,312	8,033,675
110. Staff severance pay	230,629	227,602
120. Provisions:	2,719,258	2,623,115
a) post-employment benefits		
b) other provisions	2,719,258	2,623,115
130. Technical provisions	2,794,066	2,806,699
140. Valuation reserves	2,342,285	2,157,614
170. Reserves	13,660,240	16,845,229
180. Share premium reserve	2,378,517	
190. Share capital	4,051,143	3,500,000
200. Treasury shares (-)	(57,220)	(57,220)
210. Non-controlling interests (+/-)	13,151,146	14,354,463
220. Net income (loss)	153,099	(2,246,474)
Total liabilities and equity	**410,425,297**	**398,870,601**

The data referring to 31 December 2015 have been restated as described in the accounting policies, “Other issues” section.

CONSOLIDATED INCOME STATEMENT

(thousands of euros)

Items	31/12/2016	31/12/2015
10. Interest income and similar income	6,994,170	6,130,658
20. Interest expense and similar expenses	(4,887,764)	(5,579,857)
30. Net interest income	**2,106,406**	**550,801**
40. Commission income	154,410	88,453
50. Commission expense	(1,617,614)	(1,664,952)
60. Net commission income (expense)	**(1,463,204)**	**(1,576,499)**
70. Dividends and similar revenues	4,606	9,140
80. Net gain (loss) on trading activities	321,277	638,556
90. Net gain (loss) on hedging activities	1,529	(2,702)
100. Gains (losses) on disposal or repurchase of:	(274,924)	540,414
a) loans	26,556	68,925
b) financial assets available for sale	27,904	471,479
c) financial assets held to maturity	2	10
d) financial liabilities	(329,386)	
110. Net gain (loss) on financial assets and liabilities carried at fair value	(22,665)	63,216
120. Gross income	**673,025**	**222,926**
130. Net impairment adjustments of:	(478,577)	(116,080)
a) loans	(181,566)	(119,671)
b) financial assets available for sale	(219,083)	(2,635)
d) other financial transactions	(77,928)	6,226
140. Financial income (expense), net	**194,448**	**106,846**
150. Net premium income	376,655	113,916
160. Net other income (expense) from insurance operations	(44,743)	(185,075)
170. Net income from financial and insurance operations	**526,360**	**35,687**
180. Administrative expenses:	(6,188,494)	(6,144,903)
a) staff costs	(1,699,886)	(1,720,529)
b) other administrative expenses	(4,488,608)	(4,424,374)
190. Net provisions	(108,593)	(135,293)
200. Net adjustments to property, plant and equipment	(1,341,754)	(1,320,941)
210. Net adjustments to intangible assets	(515,155)	(504,015)
220. Other operating income (expenses)	10,179,378	10,073,491
230. Operating costs	**2,025,382**	**1,968,339**
240. Gains (losses) on equity investments	(656,663)	(2,341,152)
260. Goodwill impairment	(635)	
270. Gains (losses) on disposal of investments	200	(12,926)
280. Income (loss) before tax from continuing operations	**1,894,644**	**(350,052)**
290. Income tax on continuing operations	(766,222)	(514,523)
300. Income (loss) after tax on continuing operations	**1,128,422**	**(864,575)**
310. Income (loss) after tax on disposal groups held for sale		**7,283**
320. Net income (loss)	**1,128,422**	**(857,292)**
330. Net income (loss) for the year pertaining to non-controlling interests	**975,323**	**1,389,182**
340. Net income (loss) for the year pertaining to shareholders of the Parent Company	**153,099**	**(2,246,474)**

The data referring to 31 December 2015 have been restated as described in the accounting policies, “Other issues” section.

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(thousands of euros)

Items		31/12/2016	31/12/2015
10.	Net income (loss)	1,128,422	(857,292)
	Other comprehensive income net of taxes not transferred to income statement		
40.	Defined benefit plans	(2,137)	18,126
60.	Share of valuation reserves of equity investments accounted for using equity method	23,192	7,332
	Other comprehensive income net of taxes transferred to income statement		
80.	Exchange rate differences	(29,357)	15,105
90.	Cash flow hedges	(47,061)	8,791
100.	Financial assets available for sale	(10,848)	(278,343)
120.	Share of valuation reserves of equity investments accounted for using equity method	198,221	1,081,084
130.	**Total other comprehensive income net of taxes**	**132,010**	**852,095**
140.	**Comprehensive income (items 10+130)**	**1,260,432**	**(5,197)**
150.	Consolidated comprehensive income pertaining to non-controlling interests	916,015	1,417,899
160.	**Consolidated comprehensive income pertaining to shareholders of the Parent Company**	**344,417**	**(1,423,096)**

The data referring to 31 December 2015 have been restated as described in the accounting policies, “Other issues” section.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY: CURRENT YEAR

				Allocation of net income for previous year		Changes for the year		
							Equity transactions	
(thousands of euros)	Balance at 31/12/2015	Changes in opening balance	Balance at 01/01/2016	Reserves	Dividends and other allocations	Changes in reserves	Issues of new shares	Purchase of own shares
Share capital:	7,818,813		7,818,813				553,460	
a) ordinary shares	7,702,780		7,702,780				553,460	
b) preference shares	116,033		116,033					
Share premium reserve	2,061,579		2,061,579		(35,013)	1,706	2,378,517	
Reserves:	22,685,229	892,208	23,577,437	(2,863,070)	(1,060)	129,881		
a) income	21,778,799	892,208	22,671,007	(2,863,070)	(1,060)	233,546		
b) other	906,430		906,430			(103,665)		
Valuation reserves	2,033,553	78,770	2,112,323			(5,130)		
Equity instruments								
Interim dividends	(98,699)		(98,699)	98,699				
Treasury shares	(60,549)		(60,549)					(71,799)
Income (loss) for the year	(858,592)	1,300	(857,292)	2,764,371	(1,907,079)			
Total Equity	**33,581,334**	**972,278**	**34,553,612**		**(1,943,152)**	**126,457**	**2,931,977**	**(71,799)**
Equity Group	**19,226,871**	**972,278**	**20,199,149**		**(852,637)**	**52,214**	**2,929,660**	
Equity Non-controlling interests	**14,354,463**		**14,354,463**		**(1,090,515)**	**74,243**	**2,317**	**(71,799)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY: PREVIOUS YEAR

				Allocation of net income for previous year		Changes for the year		
							Equity transactions	
(thousands of euros)	Balance at 31/12/2014	Changes in opening balance	Balance at 01/01/2015	Reserves	Dividends and other allocations	Changes in reserves	Issues of new shares	Purchase of own shares
Share capital:	7,725,040		7,725,040					
a) ordinary shares	7,609,007		7,609,007					
b) preference shares	116,033		116,033					
Share premium reserve	2,088,974		2,088,974			(67,121)		
Reserves:	21,672,190	780,163	22,452,353	649,230		447,239		
a) income	20,821,900	780,163	21,602,063	630,779		431,333		
b) other	850,290		850,290	18,451		15,906		
Valuation reserves	1,171,330	108,926	1,280,256			(20,344)		
Equity instruments								
Interim dividends	(98,699)		(98,699)	98,699				
Treasury shares	(60,441)		(60,441)					(108)
Income (loss) for the year	2,658,967	3,120	2,662,087	(747,929)	(1,914,158)			
Total Equity	**35,157,361**	**892,209**	**36,049,570**		**(1,914,158)**	**359,774**		**(108)**
Equity Group	**21,371,296**	**892,209**	**22,263,505**		**(852,636)**	**372,652**		
Equity Non-controlling interests	**13,786,065**		**13,786,065**		**(1,061,522)**	**(12,878)**		**(108)**

The date refering to 31 December 2015 are been restated as described in the accounting policies, “Other issues” section.

Changes for the year									
Equity transactions						Comprehensive income for 2016	Equity at 31/12/2016	Equity Group at 31/12/2016	Equity Non-controlling interests at 31/12/2016
Interim dividends	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests				
					(952,268)		7,420,005	4,051,143	3,368,862
					(836,235)		7,420,005	4,051,143	3,368,862
					(116,033)				
					70,694		4,477,483	2,378,517	2,098,966
					(91,610)		20,751,578	13,660,240	7,091,338
					(91,562)		19,948,861	13,636,068	6,312,793
					(48)		802,717	24,172	778,545
						132,010	2,239,203	2,342,285	(103,082)
(205,133)							(205,133)		(205,133)
							(132,348)	(57,220)	(75,128)
						1,128,422	1,128,422	153,099	975,323
(205,133)					**(973,184)**	**1,260,432**	**35,679,210**	**22,528,064**	**13,151,146**
					(144,739)	**344,417**	**22,528,064**	**22,528,064**	
(205,133)					**(828,445)**	**916,015**	**13,151,146**		**13,151,146**

Changes for the year									
Equity transactions						Comprehensive income for 2015	Equity at 31/12/2015	Equity Group at 31/12/2015	Equity Non-controlling interests at 31/12/2015
Interim dividends	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests				
					93,773		7,818,813	3,500,000	4,318,813
					93,773		7,702,780	3,500,000	4,202,780
							116,033		116,033
					39,726		2,061,579		2,061,579
					28,615		23,577,437	16,845,229	6,732,208
					6,832		22,671,007	16,825,996	5,845,011
					21,783		906,430	19,233	887,197
					316	852,095	2,112,323	2,157,614	(45,291)
(98,699)							(98,699)		(98,699)
							(60,549)	(57,220)	(3,329)
						(857,292)	(857,292)	(2,246,474)	1,389,182
(98,699)					**162,430**	**(5,197)**	**34,553,612**	**20,199,149**	**14,354,463**
					(161,276)	**(1,423,096)**	**20,199,149**	**20,199,149**	
(98,699)					**323,706**	**1,417,899**	**14,354,463**		**14,354,463**

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(thousands of euros)	31/12/2016	31/12/2015
A. OPERATING ACTIVITY		
1. Operations	**5,694,563**	**5,214,749**
Net income for the year (+/-)	1,128,422	(857,292)
Gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	49,605	(174,710)
Gains (losses) on hedging activities (-/+)	10,281	(29,019)
Net impairment adjustments (+/-)	525,402	169,531
Net value adjustments to property, plant and equipment and intangible assets (+/-)	1,817,422	1,771,505
Net provisions and other costs/revenues (+/-)	108,593	135,293
Net premiums not received (-)	(81,942)	291,028
Other insurance income not received/paid (-/+)	(117,038)	(64,816)
Unpaid charges, taxes and tax credits (+/-)	(73,191)	(739,693)
Writedowns/writebacks of equity investments (+/-)	716,565	2,380,873
Other adjustments (+/-)	1,610,444	2,332,049
2. Cash generated by/used in financial assets	**(5,240,800)**	**11,828,841**
Financial assets held for trading	(180,432)	158,604
Financial assets at fair value	2,889	2,889
Financial assets available for sale	(2,187,852)	186,821
Loans to banks: on demand		
Loans to banks: other	536,957	690,107
Loans to customers	(4,386,055)	11,499,493
Other assets	973,693	(709,073)
3. Cash generated by/used in financial liabilities	**7,641,877**	**(5,504,899)**
Due to banks: on demand		
Due to banks: other	2,020,463	431,479
Due to customers	7,963,820	(6,598,425)
Securities issued	(2,049,542)	3,011,178
Financial liabilities held for trading	48,448	(158,220)
Financial liabilities carried at fair value		
Other liabilities	(341,312)	(2,190,911)
Cash generated by/used in operating activities	**8,095,640**	**11,538,691**

(thousands of euros)	31/12/2016	31/12/2015
B. INVESTMENT ACTIVITIES		
1. Cash generated by:	31,516,844	27,030,676
Sale of equity investments	112,264	174,095
Dividends from equity investments	930,848	928,784
Sale of financial instruments held to maturity	30,454,484	25,871,911
Sale of property plant and equipment	10,464	43,265
Sale of intangibles	8,784	12,621
Sales of subsidiaries and business units		
2. Cash used in:	(42,071,558)	(32,715,622)
Purchase of equity investments	(1,412,787)	(281,107)
Purchase of financial assets held to maturity	(38,263,989)	(29,045,078)
Purchase of property, plant and equipment	(1,845,212)	(2,072,509)
Purchase of intangible assets	(546,166)	(488,228)
Purchases of subsidiaries and business units	(3,404)	(828,700)
Cash generated by/used in investing activities	**(10,554,714)**	**(5,684,946)**
C. FINANCING ACTIVITIES		
Issue/purchase of treasury shares		
Issue/purchase of equity instruments	(790,056)	679,876
Dividend distribution and other allocations	(2,148,285)	(2,012,857)
Cash generated by/used in financing activities	**(2,938,341)**	**(1,332,981)**
CASH GENERATED/USED DURING THE YEAR	**(5,397,415)**	**4,520,764**

Reconciliation

Items (*)	31/12/2016	31/12/2015
Cash and cash equivalents at beginning of year	155,156,035	150,635,271
Total cash generated/used during the year	(5,397,415)	4,520,764
Cash and cash equivalents at end of year	149,758,620	155,156,035

The data referring to 31 December 2015 have been restated as described in the accounting policies, “Other issues” section.

(*) 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 70 “Loans to customers” and the positive balance on bank accounts reported under item 60 “Loans to banks”, net of current accounts with a negative balance reported under item 10 “Due to banks” of liabilities.

Notes to the consolidated financial statements

INTRODUCTION

Form and content of the financial statements

As in previous years, the financial statements of the Cassa depositi e prestiti Group (hereinafter also “CDP Group” or “Group”) have been prepared, as far as applicable, in accordance with the instructions of the Bank of Italy, set out in its circular on “Banking and financial service supervision” of 22 December 2005, updated to 15 December 2015, which establishes the formats and rules for preparation of the bank’s financial statements, incorporating the introduction of International Financial Reporting Standards (IFRSs) for bank financial reporting.

With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2006 financial year, to adopt the 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 consolidated financial statements are expressed in euros and include the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in 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 present a clear, true and fair view of the Group’s financial position, operating performance and the cash flows of the financial 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 period 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 euro 500 and raising fractions greater than euro 500 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 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 70 “Loans to customers”, and the positive balance on bank accounts reported under item 60 “Loans to banks”, net of current accounts with a negative balance reported under item 10 “Due to banks” of liabilities.

Comparison and disclosure

As detailed below, the notes to the consolidated financial statements provide all of the information required by law, as well as any supplemental information deemed necessary in order to provide a true and fair presentation of the Group’s financial performance and standing.

The tables and other details required by the Bank of Italy have been numbered in accordance with the parts and sections specified in Annex "B" of the supervisory instructions issued by the Bank of Italy.

The consolidated financial statements show data for the previous financial year for comparison purposes, as requested by the IFRS.

Tables with no amounts for either 2016 or 2015 have been omitted.

CDP separate asset pools

KfW separate asset pool

On 29 October 2014, the Board of Directors approved the establishment of a separate asset pool, called "KfW asset pool", exclusively intended to satisfy all current, potential and future rights and claims that Kreditanstalt für Wiederaufbau (KfW) has or will have with respect to CDP, in connection with the loan agreement entered into between CDP and KfW on 28 October 2014 involving a loan to CDP for a maximum amount of euro 300 million (the "Loan Agreement").

By subsequent resolution of the Board of Directors on 29 October 2015, the increase in the funding was approved for a total amount of euro 100 million, bringing it to a total of euro 400 million, in addition to the extension to 18 December 2015 of the period within which CDP could use the loan. The related consequent modifying addendum to the loan agreement was signed between CDP and KfW on 16 November 2015.

This funding is used to finance small and medium Italian enterprises (SMEs) through the banking system and as part of the Separate Account.

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

The total outstanding principal of loans to banks, and the related loans to SMEs sold as guarantee, included in the "KfW separate asset pool" cannot exceed euro 460 million.

The funding of euro 400 million provided under the Loan Agreement and fully disbursed was fully repaid in advance by CDP on 30 June 2016. The KfW separate asset pool will be released in accordance with the procedures set out in the Loan Agreement or subsequent agreements between the parties.

The separate asset pool and the funding guaranteed by it are presented in the financial statements by a specific "of which" indication.

Auditing of the financial statements

The consolidated financial statements of the CDP Group are subject to statutory audit pursuant to Legislative Decree 39/2010 by the independent auditing firm PricewaterhouseCoopers S.p.A., following award of the audit engagement for the 2011-2019 period by the Shareholders' Meeting of 25 May 2011.

Annexes

The consolidated financial statements include as Annexes "The Consolidation Scope" and the "Reconciliation schedules for statutory and financial statements of the CDP Group". The latter are aimed at providing criteria for the preparation of the reclassified consolidated balance sheet and reclassified consolidated income statement provided in the Board of Directors' report on operations compared to the separate financial statements.

PART A - ACCOUNTING POLICIES

A.1 - General information

Section 1 - Declaration of compliance with the International Financial Reporting Standards

These consolidated financial statements at 31 December 2016 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 2016 and endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Journal of the Republic of Italy (Gazzetta Ufficiale) L. 243 on 11 September 2002.

To the extent applicable, these financial statements have been prepared on the basis of Circular no. 262 of the Bank of Italy of 22 December 2005 (as amended on 18 November 2009, 21 January 2014, 22 December 2014, and 15 December 2015), which establishes the mandatory financial statement formats and compilation procedures, and also the contents of the Notes to the Financial Statements.

The IFRS applied for preparation of these consolidated financial statements are found in the list given in "Section 5 – Other issues".

Section 2 - General preparation principles

The consolidated financial statements of the GDP Group include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows (prepared according to the "indirect method"), and these notes to the financial statements, as well as the Board of Directors' report on operations. These documents, the separate financial statements and the annexes to both separate and consolidated financial statements, mark up the annual report.

The consolidated financial statements and tables in the notes to the consolidated financial statements present not only the net amounts for the current financial year but also the corresponding comparative values for the previous financial year.

The consolidated balance sheet, the consolidated income statement, and the statement of consolidated comprehensive income do not contain those items having a zero amount in the reference financial year and the previous financial year.

In the consolidated income statement, the statement of consolidated comprehensive income, and the tables of the notes to the consolidated financial statements, revenues are indicated without sign, while costs are shown in brackets.

For the purposes of interpretation and to provide support in applying these standards, the following documents have also been considered, although they have not been endorsed by the European Commission:
- the Framework for the Preparation and Presentation of Financial Statements, issued by the International Accounting Standards Board (IASB) in 2001;
- Implementation Guidance, Basis for Conclusions, and any other documentation prepared by the IASB or IFRIC to supplement the IFRS issued;
- interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board; OIC) and the Italian Banking Association (ABI).

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.

The consolidated financial statements have been prepared on an accruals and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.

Pursuant to the provisions of joint Bank of Italy/Consob/Isvap Document no. 2 of 6 February 2009 concerning disclosures on business continuity and in compliance with the requirements on the same issue contained in IAS 1 Revised, the CDP Group has conducted an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon.

Based on an analysis of the information and the results achieved in previous financial years, the CDP Group feels that it is appropriate to prepare its financial statements on a going-concern basis.

No assets have been offset with liabilities, nor 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.

Use of estimates

The application of International Financial Reporting Standards in preparing the consolidated financial statements requires the CDP Group to make accounting estimates that are considered reasonable and realistic according to the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities, costs, revenues, and the disclosures on contingent assets and liabilities as of the reporting date, as well as the amounts reported for revenues and costs for the reference financial year.

Changes in the conditions underlying the judgements, assumptions and estimates used could also have an impact on the consolidated financial statement items and future earnings results.

The main areas in which management is required to make subjective assessments are:
- the quantification of impairment losses on loans, equity investments and, in general, other financial assets;
- the use of valuation techniques to determine the fair value of financial instruments not quoted on an active market;
- the quantification of provisions for employees and provisions for liabilities and contingencies;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets and interpretive issues concerning tax treatment;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products;
- the assessment of the accuracy of the value of goodwill and other intangible assets;
- the technical provisions of the insurance companies;
- the valuation of work in progress and inventories of raw materials, semi-finished and finished goods.

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

Section 3 - Scope and methods of consolidation

Subsidiaries are consolidated on a line-by-line basis, while companies subject to joint control or significant influence are accounted for using the equity method. An exception is made for a number of equity investments in companies in liquidation or subsidiaries in the start-up phase without assets and liabilities, whose contribution to the consolidated financial statements is immaterial.

The financial statements of the subsidiaries used for line-by-line consolidation are those at 31 December 2016, 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 15 December 2015.

The following statement shows the companies consolidated on a line-by-line basis.

1. Wholly owned subsidiaries

Company name	Headquarters	Registered office	Type of relation-ship [1]	Equity investment		% of votes [2]
				Investor	% holding	
1. ACAM Gas S.p.A.	La Spezia	La Spezia	1	Italgas Reti S.p.A.	100.00%	100.00%
2. ACE Marine LLC	Green Bay - WI (USA)	Green Bay - WI (USA)	1	Fincantieri Marine Group LLC	100.00%	100.00%
3. Bacini di Palermo S.p.A.	Palermo	Palermo	1	Fincantieri S.p.A.	100.00%	100.00%
4. Brevik Elektro AS	Brevik (N)	Brevik (N)	1	Multifag AS	100.00%	100.00%
5. CDP Equity S.p.A.	Milan	Milan	1	CDP S.p.A.	97.13%	97.13%
			1	Fintecna S.p.A.	2.87%	2.87%
6. CDP GAS S.r.l.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
7. CDP Immobiliare S.r.l.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
8. CDP Industries Estonia OÜ	Tallinn (EST)	Tallinn (EST)	1	CDP Technologies AS	100.00%	100.00%
9. CDP Investimenti SGR S.p.A.	Rome	Rome	1	CDP S.p.A.	70.00%	70.00%
10. CDP RETI S.p.A.	Rome	Rome	1	CDP S.p.A.	59.10%	59.10%
11. CDP Technologies AS	Alesund (N)	Alesund (N)	1	Seaonics AS	100.00%	100.00%
12. Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Genoa	1	Seaf S.p.A.	15.00%	15.00%
			1	Fincantieri S.p.A.	71.10%	71.10%
13. Delfi S.r.l.	Follo (SP)	Follo (SP)	1	Fincantieri S.p.A.	100.00%	100.00%
14. Difebal S.A.	Montevideo (UR)	Montevideo (UR)	1	Terna S.p.A.	100.00%	100.00%
15. Estaleiro Quissamã Ltda	Rio de Janeiro (BR)	Rio de Janeiro (BR)	1	Vard Group AS	50.50%	50.50%
16. Fincantieri (Shanghai) Trading Co. Ltd	Shanghai (PRC)	Shanghai (PRC)	1	Fincantieri S.p.A.	100.00%	100.00%
17. Fincantieri Australia Pty Ltd	Sydney (AUS)	Sydney (AUS)	1	Fincantieri S.p.A.	100.00%	100.00%
18. Fincantieri do Brasil Partecipaçoes S.A.	Rio de Janeiro (BR)	Rio de Janeiro (BR)	1	Fincantieri S.p.A.	80.00%	80.00%
			1	Fincantieri Holding B.V.	20.00%	20.00%
19. Fincantieri Holding B.V.	Amsterdam (NL)	Amsterdam (NL)	1	Fincantieri S.p.A.	100.00%	100.00%
20. Fincantieri India Private Limited	New Delhi (IND)	New Delhi (IND)	1	Fincantieri S.p.A.	1.00%	1.00%
			1	Fincantieri Holding B.V.	99.00%	99.00%
21. Fincantieri Marine Group Holdings Inc.	Green Bay - WI (USA)	Green Bay - WI (USA)	1	Fincantieri USA Inc.	87.44%	87.44%
22. Fincantieri Marine Group LLC	Washington, DC (USA)	Washington, DC (USA)	1	Fincantieri Marine Group Holdings Inc.	100.00%	100.00%
23. Fincantieri Marine Systems North America Inc.	Chesapeake - VI (USA)	Chesapeake - VI (USA)	1	Fincantieri Holding B.V.	100.00%	100.00%
24. Fincantieri Oil & Gas S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
25. Fincantieri S.p.A.	Trieste	Trieste	1	Fintecna S.p.A.	71.64%	71.64%
26. Fincantieri SI S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
27. Fincantieri Sweden AB	Stockholm (S)	Stockholm (S)	1	Fincantieri S.p.A.	100.00%	100.00%
28. Fincantieri USA Inc.	Washington, DC (USA)	Washington, DC (USA)	1	Fincantieri S.p.A.	100.00%	86.02%
29. Fintecna S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
30. FIV Comparto Extra	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
31. FIV Comparto Plus	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
32. FMSNA YK	Nagasaki (J)	Nagasaki (J)	1	Fincantieri Marine Systems North America Inc.	100.00%	100.00%
33. FSI Investimenti S.p.A.	Milan	Milan	1	CDP Equity S.p.A.	77.12%	77.12%
34. FSIA Investimenti S.r.l.	Milan	Milan	1	FSI Investimenti S.p.A.	100.00%	100.00%
35. Gasrule Insurance D.A.C.	Dublin (IRL)	Dublin (IRL)	1	SNAM S.p.A.	100.00%	100.00%
36. Gestione Bacini La Spezia S.p.A.	La Spezia	La Spezia	1	Fincantieri S.p.A.	99.89%	99.89%
37. GNL Italia S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100.00%	100.00%
38. ICD Software AS	Alesund (N)	Alesund (N)	1	Seaonics AS	100.00%	100.00%
39. Industrial Control Design AS	Alesund (N)	Alesund (N)	1	ICD Software AS	100.00%	100.00%
40. Isotta Fraschini Motori S.p.A.	Bari	Bari	1	Fincantieri S.p.A.	100.00%	100.00%

Company name	Headquarters	Registered office	Type of relation-ship (1)	Equity investment		% of votes (2)
				Investor	% holding	
41. Italgas Reti S.p.A.	Turin	Turin	1	Italgas S.p.A.	100.00%	100.00%
42. Italgas S.p.A.	Milan	Milan	4	CDP RETI S.p.A.	25.08%	25.08%
			4	CDP GAS S.r.l.	0.97%	0.97%
			4	SNAM S.p.A.	13.50%	13.50%
43. Marine Interiors S.p.A.	Trieste	Caneva (PN)	1	Seaf S.p.A.	100.00%	100.00%
44. Marinette Marine Corporation	Marinette - WI (USA)	Marinette - WI (USA)	1	Fincantieri Marine Group LLC	100.00%	100.00%
45. Monita Interconnector S.r.l.	Rome	Rome	1	Terna S.p.A.	95.00%	95.00%
			1	Terna Rete Italia S.p.A.	5.00%	5.00%
46. Multifag AS	Skien (N)	Skien (N)	1	Vard Group AS	100.00%	100.00%
47. Napoletanagas S.p.A.	Naples	Naples	1	Italgas Reti S.p.A.	99.69%	99.69%
48. Piemonte Savoia S.r.l.	Rome	Rome	1	Terna Interconnector S.r.l.	100.00%	100.00%
49. Residenziale Immobiliare 2004 S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	74.47%	74.47%
50. Rete S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
51. SACE BT	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%
52. SACE do Brasil	San Paolo (BR)	San Paolo (BR)	1	SACE S.p.A.	100.00%	100.00%
53. SACE FCT	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%
54. SACE Servizi	Rome	Rome	1	SACE BT	100.00%	100.00%
55. SACE S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
56. Seaonics AS	Alesund (N)	Alesund (N)	1	Vard Group AS	56.40%	56.40%
57. Seaonics Polska Sp.zo.o.	Gdansk (PL)	Gdansk (PL)	1	ICD Software AS	62.50%	62.50%
			1	Seaonics AS	37.50%	37.50%
58. Seastema S.p.A.	Genoa	Genoa	1	Fincantieri S.p.A.	100.00%	100.00%
59. SIA ICD Industries Latvia	Riga (LV)	Riga (LV)	1	ICD Software AS	100.00%	100.00%
60. SIMEST S.p.A.	Rome	Rome	1	SACE S.p.A.	76.01%	76.01%
61. SNAM Rete Gas S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100.00%	100.00%
62. SNAM S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	4	CDP RETI S.p.A.	28.98%	28.98%
			4	CDP GAS S.r.l.	1.12%	1.12%
63. Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
64. Stogit S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100.00%	100.00%
65. Storvik Aqua AS	Sunndalsøra (N)	Sunndalsøra (N)	1	Vard Group AS	94.64%	94.64%
66. Storvik Aqua Ltd	Lochgilphead (UK)	Lochgilphead (UK)	1	Storvik Aqua AS	100.00%	100.00%
67. Storvik Aqua SA	Chile	Chile	1	Storvik Aqua AS	95.00%	95.00%
68. T.E.S. Transformer Electro Service S.r.l.	Ospitaletto (BS)	Ospitaletto (BS)	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
69. Tamini Transformers USA L.L.C.	Chicago (USA)	Chicago (USA)	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
70. Tamini Trasformatori S.r.l.	Melegnano (MI)	Melegnano (MI)	1	Terna PLUS S.r.l.	70.00%	70.00%
71. Terna Chile S.p.A.	Santiago del Cile (RCH)	Santiago del Cile (RCH)	1	Terna PLUS S.r.l.	100.00%	100.00%
72. Terna Crna Gora d.o.o.	Podgorica (Montenegro)	Podgorica (MNE)	1	Terna S.p.A.	100.00%	100.00%
73. 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%
74. Terna Plus S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
75. Terna Rete Italia S.p.A.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
76. Terna Rete Italia S.r.l. (ex TELAT)	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
77. Terna S.p.A.	Rome	Rome	4	CDP RETI S.p.A.	29.85%	29.85%
78. Terna Storage S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
79. Tes Transformer Electro Service Asia Private Limited	Magarpatta City, Hadapsar, Pune (IND)	Magarpatta City, Hadapsar, Pune (IND)	1	T.E.S. Transformer Electro Service S.r.l.	100.00%	100.00%
80. V.T.D. Trasformatori S.r.l.	Valdagno (VI)	Valdagno (VI)	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
81. Vard Accommodation AS	Tennfjord (N)	Tennfjord (N)	1	Vard Group AS	100.00%	100.00%

Company name	Headquarters	Registered office	Type of relation-ship (1)	Equity investment		% of votes (2)
				Investor	% holding	
82. Vard Accommodation Tulcea S.r.l.	Tulcea (RO)	Tulcea (RO)	1	Vard Accommodation AS	99.77%	99.77%
			1	Vard Electro Tulcea S.r.l.	0.23%	0.23%
83. Vard Braila SA	Braila (RO)	Braila (RO)	1	Vard RO Holding S.r.l.	94.12%	94.12%
			1	Vard Group AS	5.88%	5.88%
84. Vard Contracting AS	Norway	Norway	1	Vard Group AS	100.00%	100.00%
85. Vard Design AS	Alesund (N)	Alesund (N)	1	Vard Group AS	100.00%	100.00%
86. Vard Design Liburna Ltd.	Rijeka (HR)	Rijeka (HR)	1	Vard Design AS	51.00%	51.00%
87. Vard Electrical Installation and Engineering (India) Private Limited	New Delhi (IND)	New Delhi (IND)	1	Vard Tulcea SA	1.00%	1.00%
			1	Vard Electro AS	99.00%	99.00%
88. Vard Electro AS	Tennfjord (N)	Tennfjord (N)	1	Vard Group AS	100.00%	100.00%
89. Vard Electro Braila S.r.l.	Braila (RO)	Braila (RO)	1	Vard Electro AS	100.00%	100.00%
90. Vard Electro Brazil (Instalaçoes Eletricas) Ltda	Niteroi (BR)	Niteroi (BR)	1	Vard Group AS	1.00%	1.00%
			1	Vard Electro AS	99.00%	99.00%
91. Vard Electro Canada Inc	Vancouver (CDN)	Vancouver (CDN)	1	Vard Electro AS	100.00%	100.00%
92. Vard Electro Italy S.r.l.	Genoa	Genoa	1	Vard Electro AS	100.00%	100.00%
93. Vard Electro Tulcea S.r.l.	Tulcea (RO)	Tulcea (RO)	1	Vard Electro AS	99.96%	99.96%
94. Vard Engineering Brevik AS	Brevik (N)	Brevik (N)	1	Vard Group AS	70.00%	70.00%
			1	Vard Braila SA	30.00%	30.00%
95. Vard Engineering Constanta S.r.l.	Costanza (RO)	Costanza (RO)	1	Vard RO Holding S.r.l.	70.00%	70.00%
96. Vard Engineering Gdansk Sp.zo.o.	Poland	Poland	1	Vard Engineering Brevik AS	100.00%	100.00%
97. Vard Group AS	Alesund (N)	Alesund (N)	1	Vard Holdings Limited	100.00%	100.00%
98. Vard Holdings Limited	Singapore	Singapore	1	Fincantieri Oil & Gas S.p.A.	55.63%	55.63%
99. Vard Marine Inc.	Vancouver (CDN)	Vancouver (CDN)	1	Vard Group AS	100.00%	100.00%
100. Vard Marine US Inc.	USA	USA	1	Vard Marine Inc.	100.00%	100.00%
101. Vard Niterói SA	Rio de Janeiro (BR)	Rio de Janeiro (BR)	1	Vard Electro Brazil (Instalacoes Eletricas) Ltda	0.01%	0.01%
			1	Vard Group AS	99.99%	99.99%
102. Vard Offshore Brevik AS	Porsgrunn (N)	Porsgrunn (N)	1	Vard Group AS	100.00%	100.00%
103. Vard Piping AS	Tennfjord (N)	Tennfjord (N)	1	Vard Group AS	100.00%	100.00%
104. Vard PRomer SA	Recife (BR)	Recife (BR)	1	Vard Group AS	95.15%	95.15%
105. Vard RO Holding S.r.l.	Tulcea (RO)	Tulcea (RO)	1	Vard Group AS	100.00%	100.00%
106. Vard Seaonics Holding AS	Alesund (N)	Alesund (N)	1	Vard Group AS	100.00%	100.00%
107. Vard Ship Repair Braila SA	Braila (RO)	Braila (RO)	1	Vard Braila SA	100.00%	100.00%
108. Vard Shipholding Singapore Pte Ltd	Singapore	Singapore	1	Vard Holdings Ltd	100.00%	100.00%
109. Vard Singapore Pte. Ltd.	Singapore	Singapore	1	Vard Group AS	100.00%	100.00%
110. Vard Tulcea SA	Tulcea (RO)	Tulcea (RO)	1	Vard Group AS	0.00%	0.00%
			1	Vard RO Holding S.r.l.	100.00%	100.00%
111. Vard Vung Tau Ltd	Vung Tau (VN)	Vung Tau (VN)	1	Vard Singapore Pte. Ltd.	100.00%	100.00%

Key
(1) Type of relationship:
1 = Majority of voting rights in ordinary shareholders' meeting;
2 = Dominant influence in ordinary shareholders' meeting;
3 = Agreements with other shareholders;
4 = Other form of control;
5 = Unitary management pursuant to Article 26.1 of Legislative Decree 87/92;
6 = Unitary management pursuant to Article 26.2 of Legislative Decree 87/92.
(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes.

Compared with 31 December 2015, the greatest changes in the scope of line-by-line consolidation are represented by:
- the stake in CDP Equity, which rose from 80% to 100%;
- the change in the chain of control of Italgas, previously controlled by SNAM, which, through a series of corporate transactions, withdrew from the natural gas distribution sector, by spinning off to its own shareholders the majority of shares owned in Italgas. In consequence of the investment in the share capital of Italgas held by Group companies, CDP has de facto control of Italgas pursuant to IFRS 10. No management and coordination activity has been formalised or exercised over this investee.

2. Significant assessments or assumptions made to determine the scope of consolidation

Line-by-line consolidation

Line-by-line consolidation involves the line-by-line use of the aggregate amounts on the balance sheets and income statements of the subsidiaries. After the allocation to non-controlling interests, reported as a separate item, of their share of equity and net income, the value of the equity investment is cancelled against the residual value of the equity of the subsidiary.

Assets, liabilities, income and expenses between consolidated companies are totally eliminated.

Acquisitions of companies are accounted for using the "acquisition method" provided for under IFRS 3, as modified by Regulation 495/2009, under which the identifiable assets acquired and the identifiable liabilities assumed (including contingent liabilities) are recognised at their respective fair values at the acquisition date.

For the newly acquired companies, the difference between the purchase price and the equity is provisionally allocated to goodwill if positive or to liabilities under item 100 "Other liabilities" if negative, net of any goodwill in the balance sheets of the investees. In accordance with IFRS 3, paragraphs 45 et seq., the difference resulting from the transaction are allocated within twelve months of the acquisition date. If positive, the difference is recognised – after any allocation to the assets and liabilities of the subsidiary – as goodwill or other intangible assets under intangible assets. If negative, it is recognised through profit or loss.

The acquisition method is applied as from the moment in which control of the investee is effectively acquired.

Accounting for companies using the equity method

Associates and joint operations 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 interest and the share held of the equity of the investee is included in the carrying amount of the investee.

The share of profit or loss of the investee is recognised in a specific item of the consolidated income statement.

If there is evidence of impairment, the recoverable amount of the equity investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value. If the recoverable value is lower than the carrying amount resulting from the application of the equity method, the difference is recognised through profit or loss.

The consolidation of joint operations and investments in associates was based on the most recent (annual or interim) financial statements of the companies.

Significant assessments and assumptions to determine whether there is control, joint control or significant influence

Subsidiaries

Subsidiaries are entities, included structured entities, which are directly or indirectly controlled by the Group. Control over an entity is evidenced by the Group's capacity to exercise power 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 absence 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 determine 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 one's 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 main activities through:
  - control of over half of voting rights by virtue of an agreement with other investors;
  - power to determine the financial and operational policies of the entity by virtue of a clause of the Articles of Association or an agreement;
  - power to appoint or remove the majority of the members of the Board of Directors or the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body;
  - power to exercise the majority of voting rights in the meetings of the Board of Directors or those of the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body. Presence of the aforementioned factors was verified for equity investments in SNAM, Terna and Italgas, over which, therefore, de facto control was ascertained.

The presence and the effect of potential voting rights, where substantial, are taken into account when assessing whether the power of governing another entity's financial and operational policies exists.

Subsidiaries may include any "structured entities" in which voting rights are not significant with respect to control assessment, including special purpose entities and investment funds.

Structured entities are considered as subsidiaries where:
- the Group has power through contractual rights that enable governance of relevant activities;
- the Group is exposed to variable returns resulting from the aforementioned activities.

The book value of equity stakes in entities consolidated on a line-by-line basis held by the Parent Company or other Group Companies is offset – against the assets and the liabilities of the investees – as a counterparty of the relevant equity share pertaining to the Group.

Assets and liabilities, off-balance-sheet transactions, income and expenses, as well profits and loss 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 that 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 book value of its net assets at the same date is recorded in the income statement under item 270. "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 210. "Non-controlling interests", separately from liabilities and equity attributable to the Group. In the income statement, non-controlling interests are also presented separately under item 330. "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.

The difference between the disposal price of an interest held in a subsidiary and the relevant book 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 associate companies are valued at equity.

3. Equity investments in subsidiaries exclusively with significant non-controlling interests

For the purposes of preparing the following tables, an interest was considered significant if:
- 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 interest, availability of non-controlling interest votes and dividends distributed to non-controlling interest

(thousands of euros) Company name	% of non-controlling interests	Availability of votes of non-controlling votes (1)	Dividends paid to non-controlling interests
1. Terna S.p.A.	82.36%	82.36%	334,554
2. SNAM S.p.A.	81.75%	81.75%	715,186
3. Italgas S.p.A.	81.75%	81.75%	

(1) Available voting rights at Ordinary Shareholders' Meeting.

3.2 Equity investments with significant non-controlling interest: accounting data

(thousands of euros) Company name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Equity	Net interest income	Gross income	Operating costs	Income (loss) before tax from continuing operations	Income (loss) after tax on continuing operations	Income (loss) after tax on disposal groups held for sale	Income (loss) for the year (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3) = (1) + (2)
1. Terna S.p.A.	16,152,300	175	1,504,986	12,902,071	9,468,128	3,535,335	(82,967)	(99,319)	1,028,074	933,220	627,929		627,929	(12,146)	615,783
2. SNAM S.p.A.	20,498,071	417	270,800	16,372,886	11,089,845	6,496,683	(176,617)	(516,768)	1,640,710	1,256,512	861,448		861,448	(17,072)	844,376
3. Italgas S.p.A.	5,829,186	119	1,785	4,713,987	3,619,043	1,063,406	(122,795)	(123,339)	31,701	(88,473)	(70,797)		(70,797)	2,654	(68,143)

4. Significant restrictions

No significant restrictions were found to exist.

Section 4 - Events subsequent to the reporting date

During the period between the reporting date for these consolidated financial statements and their approval by the Board of Directors on 31 March 2017, no events occurred that would require an adjustment to the figures recorded in the consolidated financial statements at 31 December 2016 nor did any significant events occur that would have required providing additional information.

Significant events that occurred after the reporting date

In March, CDP submitted a binding offer, in partnership with other shareholders, in the sale of business units owned by Ilva S.p.A. In February, the Group, acting through CDP Equity, executed the transaction involving Bonifiche Ferraresi Holding. This transaction, where the investment calls for issuing convertible bonds, will be completed after a series of steps that will lead to the delisting of Bonifiche Ferraresi and listing of the Holding.

The Group is involved in numerous activities, including those connected with the Juncker Plan.

On 15 February 2017, after the prescribed authorisations were issued by the antitrust authorities and the Bank of Italy, Poste Italiane S.p.A. (Poste Italiane), and FSI Investimenti S.p.A., a subsidiary controlled through CDP Equity S.p.A., completed the sale to Poste Italiane of a 30% stake in FSIA Investimenti S.r.l., an entity that owns 49.5% of SIA, a leader in the electronic banking, payments, and network services business.

On 2 February 2017, through its subsidiary Terna Plus, Terna entered into an agreement with Planova, a Brazilian company engaged in the construction of civil-engineering and infrastructural works, to obtain two concessions to build and operate a total of about 500 km of electrical infrastructure in the South American country. The closing of the deal is subject to satisfaction of the conditions specified by the parties. The transaction is part of the strategy of Terna to develop electrical grids and infrastructure abroad, by exploiting the know-how it has accumulated in its core business – electrical power transmission. The two concessions, having a duration of thirty years, will lead to the construction of 158 kilometres of new lines in the State of Mato Grosso and the construction of 350 kilometres of new lines in the State of Rio Grande do Sul. The total value of the contract is about USD 180 million. The agreement grants the Terna Group the title to concession and operation of the line, while all development, planning, and construction activities (EPC) will be assigned to Planova, in its capacity as 'executor' on behalf of Terna. The deal will permit development of the industrial role of Terna through a project whose dimensions and characteristics are consistent with its business strategy, in support of long-term growth and value creation.

On 16 March 2017, the Autorità per l'Energia Elettrica il Gas e il Sistema Idrico (the "Electric Power, Gas, and Water System Authority") approved Resolution no. 145/2017/ R/gas "Determination of final reference rates for the gas distribution and metering services for 2016" with which it established the final rates for 2016.

Furthermore, the Authority, during the same session, also approved Resolution no. 146/2017/ R/gas "Redetermination of reference rates for the gas distribution and metering services for 2009-2015", with which it redetermined the final reference rates of 457 Italgas Reti sites for 2015 and of one site for 2014.

The subsidiary Italgas, which is active in the natural gas distribution sector, deemed that the impact of both of the above resolutions on the revenue limit is to be considered marginal and immaterial.

The unconditioned total take-over bid floated by the subsidiary Fincantieri Oil & Gas S.p.A. was completed on 24 March 2017. It aims to acquire those ordinary shares of Vard Holdings Limited not already directly or indirectly held. The take-over bid concluded with acceptances for 215,946,242 shares that, when taken together with those already owned by the investee, resulted in the latter owning 74.45% of the share capital of Vard.

Section 5 - Other issues

IFRSs endorsed at 31 December 2016 and in force since 2016

As required by IAS 8 (Accounting policies, changes in accounting estimates and errors), new IFRS are detailed below, together with the amendments to the standards already in force, endorsed by the EU, whose application became mandatory for the financial statements of the year beginning 1 January 2016:

- European Commission Regulation (EU) no. 2016/1703 of 22 September 2016, published in Official Journal L. 257 of 23 September, amending Regulation (EC) no. 1126/2008, adopting certain international financial reporting standards in accordance with Regu-

lation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards (IFRS) 10 and 12 and International Accounting Standard (IAS) 28. The main amendments concern:
- IFRS 10 – Consolidated Financial Statements
  The document aims to restrict the cases for exemption from presentation of the consolidated financial statements, the prerequisites for determination of an investment entity, and the cases of exemptions from consolidation of the investments held by investment entities.
- IFRS 12 – Disclosure of Interests in Other Entities
  The amendments mandate the disclosure that has to be given by the investees that prepare financial statements where their subsidiaries are measured in accordance with IFRS 10.
- IAS 28 – Investments in Associates and Joint Ventures
  The amendments introduce new guidelines for application of the equity method, by restricting the conditions for exemption from its application.

- European Commission Regulation (EU) no. 2015/2173 of 24 November 2015, published in the Official Journal L. 307 of 25 November, adopting the Amendments to IFRS 11 entitled "Accounting for Acquisitions of Interests in Joint Operations". The amendments provide guidance on accounting of acquisitions of interests in joint operations that constitute a business.
- European Commission Regulation (EU) no. 2015/2231 of 2 December 2015, published in the Official Journal L. 317 of 3 December, adopting Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets. The amendment in question clarifies when a revenue-based depreciation or amortisation method, or one based on a plan that depreciates property, plant and equipment and amortises intangible assets based on the revenue that is generated by an activity that includes their use is appropriate.
- European Commission Regulation (EU) no. 2015/2343 of 15 December 2015, published in the Official Journal L. 330 of 16 December, adopting the IFRS Annual improvements cycle 2012-2014. Its principal amendments affect:
  - IFRS 5 - Non-current assets held for sale and discontinued operations
    The amendment introduced a specific guidance to IFRS 5 for when an entity reclassifies an asset from the held-for-sale category to the held-for-distribution category (or vice-versa), or when the requirements for classification of an asset as held-for-distribution are no longer satisfied.
    The amendments state that:
    - these reclassifications do not constitute a change to a plan (for sale or distribution) and, therefore, the classification and measurement criteria remain valid;
    - the assets that no longer meet the classification criteria envisaged for held-for-distribution should be treated in the same way as an asset that ceases to be classified as held for sale.
  - IFRS 7 - Financial instruments: disclosures
    The amendment governs the introduction of further guidance to clarify whether a servicing contract constitutes continuing involvement in a transferred asset for the purposes of the disclosures required for transferred assets. It also clarifies that the disclosure on offsetting of financial assets and liabilities is not explicitly required for all interim financial statements. However, this disclosure might be necessary to comply with the requirements imposed by IAS 34, when material information is involved.
  - IAS 19 - Employee benefits
    This document clarifies that the rate used to discount post-employment benefits should be determined by reference to high quality corporate bonds issued in the currency used for the payment of the benefits and the depth of the related market must therefore be defined in terms of currency.
  - IAS 34 - Interim financial reporting
    This document introduces amendments to clarify that some required information must be included in the interim financial statements or, at a minimum, in other parts of the accounts such as the interim financial report, whilst making sure to include cross references to the other section in the interim financial statements. In this last case, the interim financial report has to be provided to the readers of the financial statements in the same ways and at the same time as the interim financial statements. Otherwise, the latter will have to be considered incomplete.
- European Commission Regulation (EU) no. 2015/2406 of 18 December 2015, published in the Official Journal L. 333 of 19 December, adopting Amendments to IAS 1 – Presentation of Financial Statements: Disclosure initiative. In the broader scope of improving financial statement disclosures, the amendment in question makes several changes to IAS 1 which provide clarification on the elements that may be perceived as impediments to clear and intelligible preparation of the financial statements.
- European Commission Regulation (EU) no. 2015/2441 of 18 December 2015, published in the Official Journal L. 336 of 23 December, adopting Amendments to IAS 27 – Separate Financial Statements: Equity Method in Separate Financial Statements. The amendment in question introduces the possibility of recognising in the investor's separate financial statements those investments in subsidiaries, subsidiaries under joint control or subject to significant influence by using the equity method.
- European Commission Regulation (EU) no. 2015/2113 of 23 November 2015, published in the Official Journal L. 306 of 24 November, adopting Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture: bearer plants. Although this amendment is immaterial for the Company, the change permits application of the same accounting treatment of plants used to grow agricultural products over several years, known as bearer plants, as the method used to account for property, plant and equipment in accordance with IAS 16 – Property, Plant and Equipment.
- European Commission Regulation (EU) no. 29/2015 of 17 December 2014, published in the Official Journal L. 5 of 9 January 2015, adopting Amendments to IAS 19 – Defined Benefits Plans: Employee Contributions. The amendment to IAS 19 became necessary to facilitate, when certain conditions are met, the recognition of defined benefit plans that call for contributions

by employees or third parties. In the absence of certain conditions, the recognition of those contributions becomes more complex because they must be allocated to the individual periods of the plan through the actuarial calculation of the related liability.
- Regulation (UE) no. 28/2015 for endorsement: Improvements to the international accounting standards Cycle 2010-2012. The aim of the annual improvements is to address necessary issues related to inconsistencies found in the IFRS Standards or terminological clarifications that are not urgent but have been discussed by the IASB during the project cycle begun in 2011. In certain cases, the amendments represent clarifications or corrections to the standards in question (IFRS 8, IAS 16, IAS 24 and IAS 38), in other cases the amendments entail changes to current provisions or provide additional information on their application (IFRS 2 and 3).

The adoption of the above-mentioned changes to the standards did not result in any significant impact on the Company's consolidated financial statements.

New accounting standards and interpretations issued and endorsed by the European Commission, but not yet in force (date of entry into effect for financial years beginning from 1 January 2017)

No new accounting standards having an effective date of 1 January 2017 have been issued and endorsed by the European Union.

New accounting standards and interpretations issued and endorsed by the European Commission, but not yet in force (date of entry into effect for financial years beginning from 1 January 2018)

Listed below are the new standards and interpretations already issued but not yet in force and therefore not applicable to the preparation of the financial statements at 31 December 2016 (unless, where permitted, it is chosen to adopt them in advance):
- European Commission Regulation (EU) no. 2016/2067 of 22 November 2016, published in Official Journal L. 323 of 29 November 2016, 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 IFRS 9. The standard aims to improve the financial reporting of financial instruments by addressing concerns that arose in this area during the financial crisis. In particular, IFRS 9 addresses the call to move to a more forward-looking model for the recognition of expected losses on financial assets
- European Commission Regulation (EU) no. 2016/1905 of 22 September 2016, published in Official Journal L. 295 of 29 October 2016, 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 IFRS 15. This standard aims to improve the financial reporting of revenue and, therefore, to improve the comparability of revenue in financial statements.

IFRS 9: Financial Instruments

The endorsement of IFRS 9 by the European Union completes and ends the process to replace IAS 39. This process is divided into three phases, named: "classification and measurement", "impairment", and "hedge accounting". Revision of the rules for macro hedge accounting still has to be completed, for which the IASB has decided to undertake a project separate from IFRS 9.

In extreme summary, the main innovations wrought by the new standard involve:
- the classification and measurement of debt instruments, based on the contextual analysis of the adopted business model and the characteristics of the contractual cash flows generated by the instrument, envisages three accounting categories: financial assets measured at amortised cost, financial assets measured at fair value through profit and loss ("FVTPL"), and financial assets measured at fair value through other comprehensive income ("FVOCI"). In contrast with the current IAS 39, the portfolios of financial assets available for sale and financial assets held to maturity, and the possibility of separating the embedded derivatives from hybrid contracts for financial assets alone, are eliminated. Instead, the current classification and measurement rules for financial liabilities as given in IAS 39 are confirmed;
- the classification of equity instruments in the FVTPL category, unless the option is exercised to classify the equity instruments not held for trading in the FVOCI category;
- the recognition of "own credit risk" (i.e. the change in value of the financial liabilities designated under the fair value option attributable to the change in the entity's own credit quality) through other comprehensive income, instead of in the income statement as currently provided by IAS 39;
- 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 immediate recognition of losses than the present "Incurred Loss" model envisaged in IAS 39, according to which the losses have to be recognised if evidence is found of impairment losses after initial recognition of the asset. In detail, the new

model envisages that the financial assets be allocated in three distinct "stages" in increasing order of deterioration of the credit quality:
  - stage 1: this involves the performing financial assets for which no significant credit impairment was recognised in comparison with the date of initial recognition. These assets are recognised on the basis of an expected loss one year out;
  - stage 2: this involves the performing financial assets whose credit quality has deteriorated significantly since initial recognition. These financial assets are also measured based on their lifetime expected credit loss;
  - stage 3: this involves the non-performing financial assets which, having suffered a significant increase in their credit risk since initial recognition, are measured based on their lifetime expected credit loss;
- hedge accounting, with the aim of guaranteeing greater alignment between accounting hedges and operating (or economic) hedge relationships established by the Risk Management Department;
- the impossibility of voluntarily interrupting a hedge accounting relationship if the aim of the hedge by Risk Management remains.

Mandatory application of the standard is scheduled to begin on 1 January 2018, with the possibility of early application of the entire standard or only of the amendments related to the accounting of own credit risk for financial liabilities measured at fair value.

During the second half of 2016, CDP undertook, with the support of a leading consulting firm, a specific project to implement these new accounting rules.

To ensure uniform implementation of the new accounting rules within the CDP Group, in accordance with the recommendations of international authorities, this project includes the Parent Company and the companies under its management and coordination.

This project is structured in several phases so that the Group may not only implement the accounting changes but also make changes in the business strategies and business operations introduced by the principle itself, and thus design optimal solutions for all the business units involved by the mandatory adoption date.

Realisation of the project is based on the convergent involvement of the various organisational units at the Parent Company and the consolidated companies, such as Administration, accounting and Reporting, Risk Management, Business, Finance, ITC, Planning, Management Control and Organisation.

The process of compliance with the new accounting standard is divided into three parts, consistently with the key features of the new standard, i.e. "Classification & Measurement" (broken down in turn according to the securities and loans segment), "Impairment" and "Hedge Accounting". The same methodological approach is used for each part, which is broken down into three phases: Assessment, Design, and Implementation.

The "Assessment" phase is aimed at identifying the macro accounting impacts on the IT processes and systems.

The aim of the "Design" phase is to identify possible solutions for strategic decisions, definition of the target valuation models, definition of the functional specifications for implementation of the IT systems.

The last phase of "Implementation" is aimed at implementation of the IT systems and calculation of the impact resulting from first time adoption.

The changes in book value of the financial instruments due to first-time application of the new standard will be recognised as a balancing entry in Equity at 1 January 2018.

At the date these financial statements were prepared, the assessment phase for the "Classification & Measurement" and "Impairment" part was completed. The macro impacts resulting from adoption of the new IFRS 9 were identified in that part.

For the "Classification & Measurement" part, existing portfolios (Loans and Securities) were first analysed at the reporting date of the previous financial year. Then they were grouped in uniform sub-categories that would permit an integrated study of products having the same characteristics, as opposed to those characterised by special clauses. Moreover, specific clauses and cases were also analysed.

The "Impairment" part focused on a preliminary analysis of all the material aspects of the accounting standard, including stage allocation, significant deterioration, expected losses, etc.

The analyses conducted thus far have revealed that the loans area will be impacted the most. This discovery confirms the expectations of the banking sector in regard to the significance of the changes wrought by the new accounting standard. This is especially true for the new impairment model, with a consequent increase in impairment from what has been estimated with the current calculation model.

This project, whose Design phase is currently under way, will continue with the Implementation phase that will conclude by 31 December 2017, and which shall be disclosed in the subsequent half-yearly and Annual Financial Reports.

This project will involve coordination in the broader scope of the CDP Group.

IFRS 15: Revenue from Contracts with Customers

The standard, published by the IASB on 28 May 2014, has introduced a single model for measuring all revenue deriving from contracts with customers and replaces the previous standards/interpretations on revenue (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18, SIC 31). According to this model, the entity has to recognise revenue according to the consideration to which it expects to be entitled in exchange for the goods or services provided, determined according to the following five steps:
1) identification of the contract, defined as an agreement having commercial substance between two or more equal parties that can generate rights and obligations;
2) identification of the performance obligations contained in the contract;
3) determination of the transaction price, i.e. the consideration expected for the transfer of goods or services to the customer;
4) allocation of the transaction price to each of the performance obligations, by reference to their standalone selling prices;
5) recognition of the revenue allocated to the individual obligation when it is satisfied, i.e. when the customer obtains control of the goods and services. This recognition acknowledges the fact that certain services may be provided at a specific time or over a period of time.

The parent company has not yet started the formal assessment of the impacts of this new standard, which, in any event, are not expected to be significant.

Accounting standards, amendments and interpretations that have not yet been endorsed by the European Union at the reporting date of these financial statements

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 14 – Regulatory Deferral Accounts;
- IFRS 16 – Leases;
- IFRIC 22: Foreign currency transactions and advance consideration;
- Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments In Associates And Joint
- Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 12: Income taxes on recognition of deferred tax assets for unrealized losses;
- Amendments to IAS 7: Statement of cash flows on disclosure initiative;
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions;
- Amendments to IFRS 4: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance contracts.
- Amendments to IAS 40: Investment property relating to transfers of investment property;
- Clarifications on IFRS 15: Revenue from contracts with customers;
- Annual improvements 2014-2016.

IFRS 16: Leases

On 13 January 2016 the IASB published IFRS 16 (Leases), which is intended to replace the current accounting standard IAS 17, and the interpretations IFRIC 4 (Determining whether an Arrangement contains a Lease), SIC 15 (Operating Leases – Incentives), and SIC 27 (Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The new standard gives a new definition of lease and introduces a principle based on control ("right of use") of an asset, to distinguish finance leases from service agreements, by identifying the following as discriminating elements: identification of the asset, the right to substitute the asset, the right to obtain substantially all economic benefits resulting from use of the asset and the right to direct the use of the asset underlying the agreement. The aim is to ensure greater comparability between financial statements due to the different accounting principles applied to operating leases and finance leases. The standard establishes a single model for recognition and measurement of leases by the lessee, which entails recognition of the leased asset, including those held under an operating lease, on the assets side of the balance sheet, with a balancing entry for the financial liability, while also offering the possibility of not recognising as finance leases those agreements whose object are "low-value assets" and leases whose term is 12 months or less. In contrast, the new standard does not envisage significant changes for the lessors. The directors do not expect that the application of IFRS 16 will have a material impact on the recognition of lease agreements or on the related disclosures made in the consolidated financial statements of the Group. Nevertheless, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of the associated agreements.

The new standard applies beginning 1 January 2018, with the envisaged possibility of early application, while the process of endorsement by the European Union is still under way.

Other information

The Board of Directors meeting on 31 March 2017 approved the Group's 2016 consolidated financial statements authorising their publication and disclosure in line with the deadlines and methods envisaged by current regulations applicable to CDP.

Restatement of the comparative figures at 31 December 2015

The comparison data at 31 December 2015 have been restated, as a consequence of the changes made by ENI S.p.A. to its own financial statements. That company is significantly influenced by the Parent Company, CDP. The latter concerned:
- adoption of the Successful Effort Method (SEM). Consequent to application of the SEM, the costs for exploration activity will no longer be accrued in assets and fully amortised in the financial year they were incurred, but will instead be recognised on the balance sheet as an "unproved" asset, in anticipation of determining the outcome of exploration activities and assessment of the relevant areas. If this assessment determines that the result is negative (no discovery of fossil fuels) or that the discovery is insufficiently significant to justify its development, the associated exploration costs that have been "suspended" on the assets side of the balance sheet pending the assessment will be written off in the income statement. If, on the contrary, the presence of certain oil and/or natural gas reserves is found, the associated exploration costs capitalised as unproved assets will be reclassified as "proved" assets. The exploration costs related to geological and geophysical activities will instead continue to be recognised in the income statement of the financial year they were incurred;
- restatement of the net amounts of the subsidiary Versalis due to lapse of the premises for classifying them as a disposal group and discontinued operation. This circumstance has caused the recalculation of the carrying value of Versalis on the basis of its recoverable value. That value is represented by the greater of its fair value net of sale costs and its value in use, in lieu of the measurement rule applying to the disposal groups, which is represented by the lesser of the carrying value and its fair value after deducting the sale costs.

Pursuant to the provisions of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, adoption of the SEM represents a voluntary change to an accounting policy, justified by alignment with sector practice and aimed at making financial disclosures not only reliable, but also more significant, with retroactive effect. Consequently, the balance sheet, income statement, and statement of cash flows figures for the presented comparative periods have been recalculated after adoption of the SEM and after the restatement of figures for the subsidiary Versalis.

The quantitative impact on the affected financial statement items is illustrated in the following tables:

Restatement of the Consolidated Balance Sheet as at 31 December 2015

(thousands of euros) Assets		31/12/2015	31/12/2015 Restated	Differences
10.	Cash and cash equivalents	781	781	
20.	Financial assets held for trading	936,784	936,784	
30.	Financial assets at fair value	219,713	219,713	
40.	Financial assets available for sale	6,535,451	6,535,451	
50.	Financial assets held to maturity	26,073,862	26,073,862	
60.	Loans to banks	28,941,822	28,941,822	
	- *of which: separate asset pool*	*406,692*	*406,692*	
70.	Loans to customers	261,044,293	261,044,293	
80.	Hedging derivatives	1,575,794	1,575,794	
100.	Equity investments	17,199,965	18,172,243	972,278
110.	Reinsurers' share of technical provisions	465,015	465,015	
120.	Property, plant and equipment	34,621,757	34,621,757	
130.	Intangible assets	7,939,406	7,939,406	
	- *of which: goodwill*	*649,775*	*649,775*	
140.	Tax assets	2,140,966	2,140,966	
	a) current tax assets	769,965	769,965	
	b) deferred tax assets	1,371,001	1,371,001	
150.	Non-current assets and disposal groups held for sale	24,479	24,479	
160.	Other assets	10,178,235	10,178,235	
	Total assets	**397,898,323**	**398,870,601**	**972,278**

(thousands of euros) Liabilities and equity		31/12/2015	31/12/2015 Restated	Differences
10.	Due to banks	23,522,539	23,522,539	
	- *of which: secured by separate asset pool*	*400,003*	*400,003*	
20.	Due to customers	291,800,245	291,800,245	
30.	Securities issued	30,086,359	30,086,359	
40.	Financial liabilities held for trading	240,599	240,599	
60.	Hedging derivatives	1,002,005	1,002,005	
70.	Adjustment of financial liabilities hedged generically (+/-)	43,273	43,273	
80.	Tax liabilities:	3,924,096	3,924,096	
	a) current tax liabilities	311,971	311,971	
	b) deferred tax liabilities	3,612,125	3,612,125	
90.	Liabilities associated with disposal groups	6,782	6,782	
100.	Other liabilities	8,033,675	8,033,675	
110.	Staff severance pay	227,602	227,602	
120.	Provisions for liabilities and charges:	2,623,115	2,623,115	
	b) other provisions	2,623,115	2,623,115	
130.	Technical provisions	2,806,699	2,806,699	
140.	Valuation reserves	2,078,844	2,157,614	78,770
170.	Reserves	15,953,021	16,845,229	892,208
190.	Share capital	3,500,000	3,500,000	
200.	Treasury shares (-)	(57,220)	(57,220)	
210.	Non-controlling interests (+/-)	14,354,463	14,354,463	
220.	Income (loss) for the year	(2,247,774)	(2,246,474)	1,300
	Total liabilities and equity	**397,898,323**	**398,870,601**	**972,278**

Restatement of Consolidated Income Statement at 31 December 2015

(thousands of euros) Items		31/12/2015	31/12/2015 Restated	Differences
10.	Interest income and similar income	6,130,658	6,130,658	
20.	Interest expense and similar expenses	(5,579,857)	(5,579,857)	
30.	**Net interest income**	**550,801**	**550,801**	
40.	Commission income	88,453	88,453	
50.	Commission expense	(1,664,952)	(1,664,952)	
60.	**Net commission income (expense)**	**(1,576,499)**	**(1,576,499)**	
70.	Dividends and similar revenues	9,140	9,140	
80.	Net gain (loss) on trading activities	638,556	638,556	
90.	Net gain (loss) on hedging activities	(2,702)	(2,702)	
100.	Gains (losses) on disposal or repurchase of:	540,414	540,414	
	a) loans	68,925	68,925	
	b) financial assets available for sale	471,479	471,479	
	c) financial assets held to maturity	10	10	
110.	Net gain (loss) on financial assets and liabilities carried at fair value	63,216	63,216	
120.	**Gross income**	**222,926**	**222,926**	
130.	Net impairment adjustments of:	(116,080)	(116,080)	
	a) loans	(119,671)	(119,671)	
	b) financial assets available for sale	(2,635)	(2,635)	
	d) other financial transactions	6,226	6,226	
140.	**Financial income (expense), net**	**106,846**	**106,846**	
150.	Net premium income	113,916	113,916	
160.	Net other income (expense) from insurance operations	(185,075)	(185,075)	
170.	**Net income from financial and insurance operations**	**35,687**	**35,687**	
180.	Administrative expenses:	(6,144,903)	(6,144,903)	
	a) staff costs	(1,720,529)	(1,720,529)	
	b) other administrative expenses	(4,424,374)	(4,424,374)	
190.	Net provisions	(135,293)	(135,293)	
200.	Net adjustments of property, plant and equipment	(1,320,941)	(1,320,941)	
210.	Net adjustments of intangible assets	(504,015)	(504,015)	
220.	Other operating income (expenses)	10,073,491	10,073,491	
230.	**Operating costs**	**1,968,339**	**1,968,339**	
240.	Gains (losses) on equity investments	(2,342,452)	(2,341,152)	1,300
270.	Gains (losses) on disposal of investments	(12,926)	(12,926)	
280.	**Income (loss) before tax from continuing operations**	**(351,352)**	**(350,052)**	**1,300**
290.	Income tax for the year on continuing operations	(514,523)	(514,523)	
300.	**Income (loss) after tax on continuing operations**	**(865,875)**	**(864,575)**	**1,300**
310.	**Income (loss) after tax on disposal groups**	**7,283**	**7,283**	
320.	**Income (loss) for the year**	**(858,592)**	**(857,292)**	**1,300**
330.	**Net income (loss) for the year pertaining to non-controlling interests**	**1,389,182**	**1,389,182**	
340.	**Net income (loss) for the year pertaining to shareholders of the Parent Company**	**(2,247,774)**	**(2,246,474)**	**1,300**

A.2 - The main financial statement items

The consolidated financial statements of the CDP Group at 31 December 2016 have been prepared by applying the same accounting standards as those used for preparation of the financial statements for the previous financial year, reflecting the amendments endorsed and in force with effect from the financial year 2016, 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 held for trading

This item consists of financial assets, regardless of their technical form (debt securities, equity securities, units in UCITs, loans, derivatives) having the following characteristics:
- they are purchased for resale in the short-term to realise gains resulting from price changes;
- they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- they are derivatives (except for derivatives designated as hedging instruments for accounting purposes).

These also include the derivative contracts having a positive fair value, which are not part of effective accounting hedge relationships, but are operationally linked to interrelated financial assets/liabilities at fair value whose changes in value are recognised through profit or loss, on the basis of the option granted to the company ("Fair value option").

The item also includes the derivatives embedded in financial instruments or other contracts, which have been split off from the host instrument and recognised separately in the accounts because:
- they have financial characteristics and risks not strictly correlated to the host instrument;
- the embedded instruments, even when separated, meet the definition of derivative; and
- the hybrid instruments that they belong to are not measured at fair value through profit or loss.

In the event of accounting separation, the host instruments are accounted for in their own specific category.

If the conditions exist for splitting off an embedded derivative, but it is not possible to determine separately the value of the embedded derivative from the host instrument, the entire hybrid instrument is treated as a financial asset or liability at fair value.

Financial assets held for trading are initially recognised on the execution date for derivative contracts, at the settlement date for debt securities, equities, and units of UCITs, and on the disbursement date for loans. An exception is represented by those securities whose delivery is governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Upon initial recognition, financial assets held for trading are measured 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 "Net gain (loss) on trading activities" in the income statement. 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, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses. If the fair value of a financial asset becomes negative, it is recognised as a "Financial liability held for trading" on the balance sheet.

Dividends on equity instruments that are held for trading are recognised as "Dividends and similar revenues" in the income statement, when the right to receive payment is established.

Financial assets held for trading are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements of the CDP Group, even if legal title has been effectively transferred.

The gains and losses realised on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under "Net gain (loss) on trading activities" of the income statement. An exception is represented by the derivative contracts connected with the "Fair value option", whose changes in fair value are recognised in the income statement item "Net gain (loss) on financial assets and liabilities carried at fair value".

2 - Financial assets available for sale

This item consists of bonds (including the host contracts of hybrid instruments after the embedded derivative has been split off), equities (represented by equity investments not held for trading and not qualifying as subsidiaries, associates and joint ventures, including private equity investments and investments in private equity funds), units of UCITs, and loans.

Pursuant to IAS 39, the item in question represents a residual category that does not cover derivatives and financial assets classified as “ Loans and Receivables”, “Financial assets held to maturity”, “Financial assets held for trading”, and “Financial assets at fair value”.

Financial assets available for sale are initially recognised on the settlement date for debt securities, equities, and units in UCITs, or on the disbursement date for loans.

The financial assets are initially recognised at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction. Where the amount paid is different from the fair value, the financial asset is nonetheless recognised at fair value, and the difference between the two amounts is recognised through profit or loss.

The financial instruments are measured subsequently at fair value based on the official prices as of the reporting date if they are listed on active markets. For financial instruments, including equity 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. If the fair value of equity instruments not listed on active markets cannot be reliably determined, the these instruments are measured at cost and written down in the event of impairment.

Unrealised gains or losses on financial assets available for sale are recorded in a specific equity reserve named the “Valuation reserve”, net of tax effects and also shown in the Statement of Comprehensive Income, until the financial asset is eliminated or impairment is recognised. Interest on the debt instruments and on loans receivable 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 exactly discounts the estimated future receipts during the expected life of the financial instrument at the net carrying value of the financial asset.

Financial assets available for sale undergo impairment testing, at every annual or interim reporting date, to determine whether there is objective evidence of impairment.

When there is objective evidence that the financial asset available for sale might be impaired, the accumulated loss that was initially recognised in the “Valuation reserves” in Equity, is transferred to “Net adjustments for impairment of financial assets available for sale” in the income statement. Where the decline in the fair value of an equity instrument with respect to its initial cost value is significant or prolonged, an impairment is recognised through profit or loss. The CDP Group considers a reduction in fair value to be significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of over 24 months.

The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of a financial asset available for sale exceeds its fair value estimated at the reference date. Consequently, the amount transferred to the income statement is equal to the difference between the carrying value of the asset and the estimate of its current fair value.

Reclassifications are allowed exclusively for the categories “Financial assets held to maturity” and “Loans and receivables” if the conditions for their recognition are met. The transfer value is represented by the fair value at the time of reclassification.

If, after impairment is recognised in the income statement, the fair value of a debt instrument available for sale increases as a result of an improvement in the counterparty’s credit rating, a writeback is recognised by the corresponding amount in the income statement item “Net impairment of financial assets available for sale”. Any writebacks of investments in equity instruments are recognised in an Equity reserve. The value of the instrument after the writeback shall in any event not exceed the amortised cost that the instrument would have had in the absence of the prior adjustments.

Dividends on equity instruments that are available for sale are recognised as “Dividends and similar revenues” in the income statement when the right to receive payment is established.

Financial assets available for sale are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

Where an available-for-sale security is disposed of or eliminated, the related cumulative unrealised change in value recorded in equity is recognised in the income statement under “Gains (losses) on the disposal of financial assets available for sale”. In the event of a partial disposal, the valuation reserve is reversed to profit or loss on a FIFO basis.

3 - Financial assets held to maturity

Financial assets held to maturity include financial assets listed on regulated markets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

If a change in intention or ability leads to premature sales or reclassifications to another asset portfolio of a significant portion of the financial assets held to maturity as compared with the portfolio as a whole, the entire portfolio has to be reclassified under "Financial assets available for sale" and that portfolio cannot be used for at least two years ("Tainting rule").

Financial assets held to maturity are initially recognised on the settlement date for debt securities and equities or on the disbursement date for loans.

Initial recognition is at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is recognised in the income statement.

After initial recognition, these assets are recognised at their amortised cost, equal to the initial recognition amount, net of principal repayments and amortisation of the difference between the initial amount and the amount repayable on maturity calculated by using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future payment flows for the expected duration of the financial asset, in order to obtain the precise net carrying amount upon initial recognition, which includes directly attributable transaction costs, as well as the fees paid or received by the contracting parties.

When there is objective evidence that the asset is impaired, the amount of that impairment is recognised in the income statement item "Net impairment of financial assets held to maturity". This loss is measured as the difference between the carrying value of the asset and the discounted value of the estimated future cash flows, discounted at the original effective interest rate of the financial asset. If, in a subsequent year, the amount of the impairment diminishes and the reduction is due to improvement in the solvency of the counterparty after it was recognised, the previous recognised impairment is reversed. However, the reversal of impairment never results in a book value higher than what would result from application of the amortised cost if no impairment had occurred, and it is recognised in the same item on the income statement.

If the financial asset held to maturity is a hedge instrument used in a hedging relationship, only the credit risk and exchange rate risk may be hedged.

Financial assets held to maturity are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers to a third party all the risks and rewards connected with ownership of the transferred asset. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

4 - Loans and receivables

"Loans and receivables" refer to the portfolio of financial instruments contracted with customers and banks, having fixed or determinable payments, and which are not listed on an active market. This item also includes the debt instruments having the same characteristics, while excluding derivative contracts.

Loans are recognised when the contract is executed, i.e. upon the unconditional acquisition of a right to payment of the amounts agreed. Debt instruments are recognised instead at the settlement date. If the contract date and the disbursement date are not the same, a commitment to disburse funds is recognised, and it terminates when the disbursement is made. Where the net amount disbursed does not equal the loan's fair value because the interest rate is lower than the market rate or the rate normally applied for similar loans, initial measurement is carried out by discounting the future cash flows using an appropriate rate.

The initial recognition value is the fair value, corresponding to the amount disbursed inclusive of the transaction costs and commissions directly attributable to the disbursement or purchase as can be determined from the beginning of the transaction.

The loans granted to public entities and public-law bodies by the CDP Group under CDP's Separate Account portfolio have a number of features that distinguish them from loans granted by banks, which normally disburse the entire amount of the loan to its beneficiary at the time the loan is granted. Such loans are special-purpose loans generally granted to public entities for public works and are disbursed to the beneficiaries only after verification of the progress of the works in question. Therefore, disbursements are intended to meet the debts actually accumulated by the entities in respect of suppliers as the work is performed.

Upon signing the loan agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by the CDP Group earn interest that can be treated as a reimbursement of the interest income earned by the CDP Group on the non-disbursed portion.

The special-purpose loans issued by the CDP Group 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. The accounting policy adopted by the CDP Group 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 in accordance with international accounting standards.

When repayment begins on a loan that has not yet been disbursed, both a payable and a receivable are recognised for the same amount in respect of the party responsible for repaying the loan. In accordance with IFRS, the receivable is measured at amortised cost (which, given the lack of transaction costs on the loans granted by the CDP Group and with certain exceptions, equals cost), and the payable is a demand liability that decreases as the amounts are actually disbursed.

Loans granted by the CDP Group to borrowers other than public entities or public-law bodies are treated in a manner analogous to that for loans granted by banks.

After initial recognition at fair value, the relationships classified under the loan portfolio are measured at amortised cost, equal to the initial recognition amount plus or minus principal repayments, write-downs and write-backs, and amortisation of the difference between the amount disbursed and the amount repayable on maturity calculated using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future payment flows for the expected duration of the loan, in order to obtain the precise net carrying amount upon initial recognition which includes both directly attributable transaction costs and fees paid or received by the contracting parties. The economic effect of the transaction costs and commissions is spread out over the entire expected life of the loan.

The amortised cost method is not used for loans whose short-term duration means that discounting is considered to have a negligible effect. These loans are measured at their historic cost. This measurement rule is also used for loans without a specific expiration date or demand loans.

Non-performing loans are measured individually. The amount of write-downs to be made to the loan is determined as the difference between the carrying amount of the loan at the time of measurement and the present value of the expected future cash flows, calculated by applying the original effective interest rate. However, specific loans, individually considered to be of no significant amount, can be measured with a collective impairment. The expected future cash flows take account of estimated recovery time, the value of any guarantees and the expenses for the recovery of the loan.

Performing loans are not subject to analytical testing (because they do not show objective signs of loss or because they are for an insignificant amount), but they do undergo collective/portfolio write-downs. This type of measurement is used for uniform categories of exposures in terms of credit risk whose scope has been extended in the financial year, and the method used for collective testing is based on the internal parameters used for pricing loans. The estimate of the incurred loss for the portfolio is determined by applying a number of corrective parameters to the 1-year expected loss. These corrective parameters are determined by considering the degree of concentration of the loan portfolio ("concentration adjustments") and the expected time between the default event and the emergence of confirmation of default ("loss confirmation period").

The specific write-downs and portfolio write-downs are recognized in the income statement under the item "Net impairment adjustments of loans".

When the solvency of the counterparty improves to the extent that there is reasonable certainty of greater expected recovery of the loan and/or receipts exceeding the value of the previously recognised loan, the previously recognised impairment is reversed. Write-backs are made up to the amount of the amortised cost that the loan would have had in the absence of write-downs. In any event, given the method used to measure impairment losses, as the due dates for credit collection approach with the passing of time, the value of the loan is "written back" (time value), given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans. Recovery of all or a part of previously written down loans is recognised as a reduction to "Net impairment adjustments of loans".

Loans are derecognised when payment is received, when the contractual rights to the cash flows expire, when they are considered definitively irrecoverable or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

As envisaged in Circular no. 262 of the Bank of Italy, updated on 15 December 2015, the item in question is divided between "Loans to banks" and "Loans to customers".

The item "Loans to banks" includes unlisted financial assets in respect of banks (current accounts, repo transactions, security deposits, debt securities, operating receivables, etc.) that are allocated to the "Loans and Receivables" portfolio. This also includes the amounts receivable from central banks other than free deposits (such as the reserve requirement).

The item "Loans to customers" includes unlisted financial assets in respect of customers (loans, repo transactions, debt securities, operating receivables, etc.) that are allocated to the "Loans and Receivables" portfolio. The item also contains the liquidity represented by the balance on the current account held with the Central State Treasury. It also includes receivables due from Italian post offices and variation margins with clearing houses in respect of derivatives transactions.

5 - Financial assets at fair value

This item consists of the financial assets (debt instruments, equity instruments, units in UCITs, loans) designated at fair value under the option granted by IAS 39, paragraph 9 ("Fair value option"). This designation is made if it permits obtaining more significant information because:
- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Hybrid contracts containing an embedded derivative may also be classified in this item. In this case, the entire hybrid contract may be designated at fair value unless:
- the embedded derivative does not significantly modify the cash flows generated by the host contract, or
- it is clear and easily understandable that the separation of the embedded derivative is prohibited.

Equity instruments that do not have observable prices in an active market and whose fair value cannot be reliably determined cannot be classified in this item.

The CDP Group classifies in this category only the investments in hybrid contracts that contain an embedded optional component that has not been split-off from the host contract.

Initial recognition is at fair value at the settlement date, which generally equals the transaction price, without considering the expenses and income attributable to the transaction, which are instead recognised in the income statement.

After initial recognition, these assets are recognised at fair value, with allocation of the realised gains and losses (from the sale or repayment) and/or valuations (due to the change in fair value) in the item "Net gain (loss) on financial assets and liabilities carried at fair value" in the income statement.

No reclassifications to other items of financial assets are allowed.

The financial assets at fair value are derecognised when the contractual rights to the cash flows of the business terminate or when the financial asset is sold, transferring substantially all risks and rewards connected with it. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

6 - Hedging transactions

Hedging transactions are executed to neutralise contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, if that particular risk should effectively materialise.

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 hedge position (paragraphs 72-77 and Annex A, paragraph AG94). A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that:

a) exposes the company to the risk of a change in fair value or future cash flows and
b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101).

The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk are offset by the change in fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105-AG113).

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:
- the relationship between the hedging instrument and the 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 effectiveness of the hedge.

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged 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 hedges, 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 "Net gain (loss) on hedging activities", 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 an available-for-sale financial asset; if there were no hedging, this change would be recognised in equity.
- for cash flow hedges, 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 "Net gain (loss) on hedging activities". 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 "Net gain (loss) on hedging activities".

If, during the life of a derivative, the expected hedged cash flows are no longer considered as highly probable, the portion of that instrument recognized in the "Valuation reserves" of equity is immediately recycled through profit or loss. Conversely, if the hedging instrument is transferred or no longer qualifies as an effective hedge, the portion of the item "Valuation reserves" representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the manifestation of the financial effects of the transaction originally hedged.

Asset item 80 and liability item 60 report financial and credit hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the reporting date have either a positive or negative fair value.

For macro hedges, IAS 39 allows the object of a fair value hedge against interest rate risk to be not only an individual financial asset or liability, but also a monetary amount, containing multiple financial assets and liabilities (or their portions), so that a set of derivatives may be used to reduce the fair value fluctuations of the hedged items in response to changes in market interest rates. Net amounts resulting from the mismatch of assets and liabilities cannot be designated as subject to macro hedging. In the same way as for micro fair value hedges, a macro hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the monetary amount hedged are offset by changes in the fair value of the hedge derivatives and if the actual results are within a range of 80% to 125%. The positive or negative amount of the fair value changes, respectively, of the assets and liabilities subject of fair value macro hedges measured with the reference to the risk hedged is recognised in Items 90 of the Assets or 70 of the Liabilities, with a balancing entry at "Net gain (loss) on hedging activities" of the income statement.

The ineffectiveness of the hedge 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 ineffective portion of the hedge is in any case included in "Net gain (loss) on hedging activities" of the income statement.

If the hedging relationship ends, for reasons other than the sale of the hedged items, the accumulated write-back/write-down recognised in Items 90 of Assets or 70 of Liabilities is recognised through profit or loss under interest income or expense, over the remaining lifetime 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/repurchase" of the income statement.

7 - Equity investments

"Equity investments" means investments in associates and joint ventures (IAS 28) and joint arrangements (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. Non-controlling interests are recognised in "Financial assets available for sale", with the accounting treatment described above.

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. 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 amount of the investment ("equity method").

Any positive difference between the value of the portion of equity of the investee and the cost of the 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 amount to determine the recognition of any impairment losses.

The following are possible indicators of impairment:
- the recognition of losses or significantly lower results than budgeted or forecast in multi-year plans;
- the announcement or commencement of insolvency proceedings or restructuring plans;
- the receipt of a dividend that exceeds the total comprehensive income of the investee for the year or its accumulated income from previous years;
- a carrying amount of the equity investment in the separate financial statements that exceeds the amount, in the consolidated financial statements, of the corresponding portion of equity, including any goodwill.

In addition, for equity investments in listed companies, the CDP Group also considers the following as evidence of impairment:
- equity higher than market capitalisation;
- a reduction in the market price exceeding the carrying amount by over 40% or for more than 24 months.

The recoverable amount is the higher of the fair value of the unit, less costs of disposal and its value in use, being the present value of the future cash flows that the equity investment may generate, including the final disposal value of the investment.

If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. If the reasons causing the adjustment cease to exist, the impairments are reversed. These reversals have to be recognised in the income statement up to the amount of the previous write-down. Consequently, the reduction in the previously recognised impairment upon write-back of the value of the equity investment may not exceed the book value that would have existed if no impairment had been previously recognised. Both the adjustments and the reversals of impairment are recognised in the income statement at "Gains (losses) on equity investments".

The investor's interest in any losses of the investee that exceed the carrying amount 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 on equity instruments that are available for sale are recognised in “Dividends and similar revenues” when the right to receive payment is established.

Equity investments are derecognised in the balance sheet when the contractual rights to the cash flows deriving from ownership of the equity investments themselves expire or when they are sold, transferring substantially all risks and rewards connected with them.

8 - Property, plant and equipment

“Property, plant and equipment” includes the assets used in operations governed by IAS 16 and investment property (land and buildings) governed by IAS 40. These include assets under finance leases (for the lessee) and operating leases (for the lessor). In order to determine whether a contract contains a lease, the provisions of IFRIC 4 are applied. The item includes the leasehold improvement costs, which can be separated from the assets and have their own functionality and utility.

In the consolidated financial statements of the CDP Group, this item is composed only of functional assets represented by real estate, plant, machinery, land, and buildings owned for use in the production or provision of goods and services, or for administrative purposes, which are expected to be used for more than one year.

Property, plant and equipment are recognised for the first time at purchase cost including incidental expenses directly related to the purchase, non-deductible VAT and costs for bringing the asset to working condition, increased by revaluations carried out under the provisions of specific laws. Borrowing costs directly attributable to the acquisition, construction or production of an asset have to be added to the value of the asset itself and capitalised pursuant to IAS 23.

Special maintenance and repair costs, incurred after initial recognition, which result in an increase in the future economic benefits, are recognised as an addition to the value of the assets. Instead, ordinary maintenance costs that do not generate future economic benefits are recognised in the income statement.

Property, plant and equipment are subsequently recognised at their purchase cost net of depreciation and impairment.

Newly acquired non-current assets are depreciated on a straight-line basis from the period in which they enter service and are, therefore, ready for use. They are depreciated on a straight-line basis over their residual life. Therefore, the depreciation allowances are calculated according to rates deemed adequate to represent the residual useful life of each asset.

Buildings are depreciated over a 33-year period, which is considered to be the useful life of the buildings themselves.

Land and art works are not depreciated instead, insofar as they have an indefinite useful life.

At every annual or interim reporting date, the recognised book value of the asset is tested for impairment. If such signals exist, 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 at “Net adjustments to property, plant and equipment”. 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 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. Therefore, with the transition to IFRS, the value of the land has been separated from that of the buildings. This was done by using the value determined in appraisals previously used in 2005 for the revaluation of corporate real estate carried on the balance sheet in 2004, pursuant to the 2006 Italian National Budget Act.

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.

“Assets under construction and advances” are composed of advances or expenses incurred in respect of non-current assets and materials that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company’s production cycle, depreciation is suspended.

The carrying amount of a capital tangible asset is eliminated from the balance sheet upon disposal or when no future economic benefits are expected from its use or disposal.

9 - 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 that it is incurred.

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 in the decree of 3 November 2005, is recorded under "Concessions, licenses, trademarks and similar rights" and is not subject to amortisation. 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 at "Net adjustments of 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, cash generating units correspond to the individual legal entities. By virtue of being an intangible asset having an indefinite useful life, goodwill is not amortised but tested only for the adequacy of its carrying value. An impairment test is performed 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 "Net adjustments of intangible assets". Any reversals of impairment of goodwill may not be recognised.

Goodwill related to investments in associated companies and companies subject to joint control is included in the carrying amount of such companies. Negative goodwill is recognised in the income statement at the time of the acquisition.

Intangible assets are derecognised when sold or when future economic benefits are no longer expected.

10 - Non-current assets and disposal groups

The balance sheet items "Non-current assets and disposal groups" and "Liabilities associated with disposal groups" 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 in the balance sheet items by "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 amount and fair value, net of sale costs, without any depreciation/amortisation being envisaged.

The individual assets of the companies classified as held for sale are not amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised. Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets (or disposal groups) classified as held for sale through profit or loss. The corresponding balance sheet values for the previous year are not reclassified. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is an investment exclusively acquired with a view to resale.

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".

11 - Current and deferred taxes

Tax assets and liabilities are recognised in the balance sheet respectively under Asset Item 140 "Tax assets" and Liability Item 80 "Tax liabilities".

The accounting entries related to current and deferred taxation 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 temporarily deductible 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: i) 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; and ii) 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 "tax 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 tax consolidation – 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.

12 - 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/expected that a cost will have to be incurred to meet an obligation, or use of resources capable of producing economic benefits, and
- a reliable estimate can be made of the amount of the obligation.

When the financial impact of the time factor is significant and the dates of payment of the obligation can be estimated reliably, the allowance is measured as the present value (discounted at market rates as of the reporting date) of the charges that are expected to be incurred in order to settle the obligation.

Contingent – not probable – liabilities are not provided for. However, they are disclosed in the notes, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The allowances are used only to cover the costs for which they were originally recognised, and they are reversed in the income statement when the obligation is settled or when it is no longer probable that an outflow of resources will be required to settle the present obligation.

This item does not include the impairment resulting from impairment of the commitments to disburse funds, of the guarantees granted, and the credit derivatives assimilated to them pursuant to IAS 39, to the extent that they are included, if applicable, in "Other liabilities".

This item also includes the company pension plans, i.e. the provisions for long-term employment and benefits after termination of the employment relationship. 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, reference is made to part 18, "Staff severance pay".

13 - Debt and securities issued

"Due to banks" and "Due to customers" include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans, repo transactions) other than "Financial liabilities held for trading", "Financial liabilities at fair value through profit or loss", and debt securities under "Securities issued". This includes operating payables. In particular, CDP includes in these items the amounts still to be disbursed for loans being repaid, as well as liabilities in respect of postal funding products.

Postal savings bonds issued by CDP are reported under "Due to banks" and "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 financial instruments such as postal savings bonds, IAS 39 calls for the adoption of the amortised cost method and states that the effective interest rate to be used in calculating amortised cost must be equal to the internal rate of return of the estimated (not contractual) cash flows throughout the expected (and not contractual) life of the instrument. Given the aforementioned option of early redemption, the expected life of postal savings bonds is, on average, less than their contractual life. CDP has therefore developed a statistical model for forecasting early redemption of postal savings bonds based on a time series of redemptions, which is used to price the new issues. The forecasting model used at the time of the bond issue is also used to determine the initial estimated amortisation plan for each series of postal savings bonds. Based on these estimated flows, the effective interest rate and the amortised cost to be recognised in the balance sheet are then calculated. Differences between the actual early redemptions and these estimates result in an adjustment to the remaining amortisation schedule. In such cases, the IFRSs state that the amortised cost of the instrument being measured is to be equal to the present value of the new estimated future cash flows using the unchanging effective interest rate calculated upon issuing each series of postal savings bonds as the discount rate. The effective rate for floating-rate interest-bearing postal savings bonds is updated every time the estimated cash flows are revised due to changes in the benchmark indices and the review of the flow of redemptions.

"Securities issued", both listed and unlisted, are measured at amortised cost. The item does not include the portion of the company's own debt securities issued but not yet placed with third parties.

These liabilities are recognised for the first time on the date that the raised funds are received or the debt instruments are issued.

These items are recognised at their fair value upon first-time 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 envisaged in IAS 39 apply, and is recognised at its fair value under financial assets/liabilities for trading. The related changes in value are recognised in the income statement. 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 due to banks”, “Amounts due to customers”, and “Securities issued” are eliminated when they mature or are extinguished. The elimination 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 amount of the liability and the amount paid to purchase it is recognised in the income statement.

14 - 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 does not include the portion of the company’s own debt securities issued but not yet placed with third parties.

In particular, this category of liabilities includes the negative value of the trading derivatives, which are not part of effective hedging relationships but are held to meet operating hedging requirements where the company wishes to standardise the measurement criterion between related assets and liabilities.

They also include the derivatives embedded in other financial instruments or contracts, which have financial and risk characteristics that are not strictly correlated with the host instrument or which meet the requirements to be classified themselves as derivatives. They are, therefore, recognised separately, after the embedded derivative has been separated from the host contract, which instead follows the accounting rules for its classification category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

The financial 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 the fair value, the financial liability is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is effected at the contract date for derivative contracts and at the settlement date for debt securities, with the exception of those for which delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Measurement after initial recognition is made at fair value, with recognition of the measurement results through profit or loss. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial liability are retained, the asset remains on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under “Net gain (loss) on trading activities” (Item 80) of the income statement. The income components are recognised following the results of the measurement of the financial liability held for trading.

16 - 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 exchange rate quoted at the preparation date of the financial statements, by recognising exchange rate differences under “Net gain (loss) on trading activities” in the income statement (except for financial assets and liabilities at fair value, those subject to fair value and cash flow hedges, and the related hedges, whose exchange rate

differences are recognised in item 110 of the income statement and item 90 of the income statement, respectively);
- 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 recognised 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.

17 - Insurance assets and liabilities

Insurance assets include amounts in respect of risks transferred to reinsurers under contracts governed by IFRS 4. Reinsurers' share of technical provisions are determined on the basis of the existing contracts/treaties, in accordance with the same criteria used for quantifying the technical provisions, unless a different valuation is deemed appropriate in consideration of the recoverability of the receivable.

In accordance with IFRS 4, insurance liabilities related to actuarial reserves may continue to be accounted for in accordance with local GAAP. A review of the contracts written by the Group insurance companies found that they all qualify as insurance contracts. Technical provisions also include any provisions that necessitated necessary by the liability adequacy test. Claims provisions do not include compensation and equalisation provisions as they are not permitted under the IFRS. Reserves continued to be accounted for in compliance with the accounting standards adopted prior to IFRS, as all the existing policies fall within the scope of IFRS 4 (insurance contracts) and, specifically, this item includes:
- provision for unearned premiums, which comprises two sub-items: provision for premium instalments, determined on a pro rata basis, pursuant to Article 45 of Legislative Decree no. 173 of 26 May 1997; the provision for current liabilities, composed of the amounts to be set aside to cover claims and expenses that exceed the provision for premium instalments on existing contracts for which no claims arose at year-end, to meet the liability adequacy test requirements imposed by IFRS 4;
- the provision for claims, which includes provisions for claims reported but not yet paid on the basis of the forecast cost of the claim, including settlement and management expenses. The provisions or 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.

18 - Staff severance pay

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements.

In accordance with IAS 19, staff severance pay is treated as a "Post-employment benefit" and is classified as:
- a "Defined benefit plan" for the portion of staff severance pay accrued by employees until 31 December 2006,
- a "Defined contribution plan" for the portion of staff severance pay accrued by employees beginning 1 January 2007.

The accounting standard envisages that these portions of staff severance pay be recognised at their actuarial value. The accruing and accrued obligations are considered for discounting purposes (these obligations are, respectively, the discounted value of the expected future payments related to benefits accrued during the current financial year and the discounted value of future payments resulting from amounts accrued in previous financial years).

It should be noted that a number of CDP Group companies with a small number of employees and an immaterial staff severance pay amount, continued to report that liability as calculated on the basis of Italian statutory provisions (Article 2120 of the Italian Civil Code), given the immateriality of the effects of adopting IAS 19.

19 - 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

When the profit or loss of contract work can be reliably estimated, the related contract work costs and revenues are recognised separately in profit or loss on a percentage of completion basis. Progress is measured based on the work carried out and measured proportionally to the costs of contracts incurred up to the reporting date and estimated costs of the total contract. Differences between the value of completed contracts and payments on account received are recognised under balance sheet assets or liabilities, considering any impairment losses on the work carried out so as to take into account the risks of customers' refusal to recognise the work performed. Expected contract losses are recognised immediately in profit or loss under contract costs.

Contract costs include all those costs that relate directly to the specific contract, as well as fixed and variable costs incurred by Group companies as part of normal operations.

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 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 income statement items

Share-based payments

These are payments to employees as consideration for their work services performed. When specific conditions are met, the cost of employee service is remunerated through stock option plans, whose value is measured according to the fair value of the options granted to employees at the grant date.

The fair value of options granted is recognised in the income statement, under the item "Staff costs" over the vesting period, with a corresponding increase in equity, considering the best possible estimate of the number of options that employees will be able to exercise. That estimate is revised where subsequent information indicates that the expected number of equity instruments that will vest differs from the estimate previously carried out, independently of market conditions.

The measurement method used to calculate fair value considers all the characteristics of the options (term, price and conditions for exercise, etc.), as well as the value of the underlying security at the grant date, volatility and the yield curve at the grant date, in line with the duration of the plan.

At maturity, the estimate is revised and recognised in the income statement to register the amount corresponding to the number of equity instruments that have effectively vested, independently of whether market conditions have been met.

Grants

The revenues are recognised when it is probable that the economic benefits of the operation will flow to the entity. However, where the recoverability of an amount already included in the revenues is uncertain, the unrecoverable amount or the amount whose recovery is no longer probable are recognised as a cost.

Grants received in relation to specific assets whose value is recognised under non-current assets are, for plants already in operation before 31 December 2002, recognised under other liabilities and recognised in the income statement over the depreciation period of the related assets. Since 2003, grants for new plants entering service are recognised as a direct reduction of the value of the related asset.

Grants for operating expenses are recognised in full in the income statement when the conditions for recognition are satisfied.

Revenues

Depending on the type of transaction, revenues are recognised on the basis of the following specific criteria:
- revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- revenues from services are recognised with reference to the stage of completion of the service. If revenues cannot be reliably measured, they are recognised to the extent of recoverable costs;
- revenues from fees for the use of the National Transmission Grid (NTG) are determined on the basis of the rates set by the Authority for Electricity and Gas.

Payments collected on behalf of third parties, such as fees for other non-Group grid owners, as well as fees recognised for the balancing of the national electrical energy system, which do not increase equity, are shown net of the related costs.

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.

Interest income and expense

Interest income and expense is recognised in the income statement, on a pro-rated basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

Interest also includes the net positive or negative balance of the differences and margins related to financial hedging derivatives.

Commission income and expense

Commissions 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 periods when the services are provided. When the amortised cost method is used, the commissions considered in calculating the effective interest rate are recognised instead as interest.

Dividends

As previously described, the dividends received from unconsolidated investees are recognised as income in the period in which they are approved for distribution.

The dividends from companies carried at equity reduce the carrying amount of the equity investments.

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 Group at the business combination acquisition date are recognised at fair value. Transaction costs are generally recognised in the income statement 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, that qualify as adjustments occurring during the measurement period, are included in goodwill retrospectively. Changes in fair value that can be considered as measurement-period adjustments are those prompted by new information about facts and circumstances that existed at the acquisition date, that has been obtained during the measurement period (which shall not exceed one year from the business combination).

In the case of business combinations achieved in stages, the equity interest previously held by the Group in the acquiree is revalued at the fair value at the date control was acquired and any resulting gain or loss is recognised through profit or loss. Any changes in the value of the previously held equity investment that had been recognised in other comprehensive income are reclassified to the income statement as if the equity investment had been sold. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the 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, if known, would have affected the measurement of the amounts recognised at that date.

Business combinations do not include those transactions aimed at obtaining control of one or more companies that do not constitute a business activity or if the business combination is carried out with reorganisation purposes, and thus between two or more entities already belonging to the same Group, and which do not cause changes in the control structure independently of the percentage of non-controlling interests before and after the transaction (referred to as "business combination under common control"). These transactions are considered to have no economic substance.

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 inputs"). The level of fair value measurement assigned depends on the observability and significance of the inputs used in the valuation model.

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1). 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.

The level 2 inputs may need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it (through the use of statistical or "expert-based" techniques by those carrying out the measurement), the fair value measurement is classified under Level 3, 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.

Valuation techniques used for Level 2 and Level 3 measurements are validated by the Risk Management and Anti-Money Laundering unit 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 integrated into the corporate systems of CDP.

The market parameters used as inputs for Level 2 valuations are selected on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments listed on active markets.

Specifically, the financial statements of CDP use fair value measurements assigned to level 2 for bonds receivable or payable whose measurement depends exclusively on observable market parameters, and 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.

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

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. However, in view of the generalised use of framework netting arrangements that provide for the exchange of collateral, 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 2016. With regard to the embedded derivatives in postal savings bonds which are separated out, the adjustment for the joint credit risk of CDP and the Italian Government is considered to be nil. An adjustment of this type, if made, would result in a reduction in the fair value of those liabilities.

With regard to the assets and liabilities measured at fair value on a recurring basis, the following are classified as Level 3 in the financial statements of CDP:
- the valuations of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- certain bonds whose valuation depends on the conditions of use by CDP established from time to time and/or spreads that are not directly observable or representative of the creditworthiness of the issuer/debtor;
- 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 by CDP aim to ensure that the value assigned to each position appropriately reflects their current fair value, with a level of detail for the checks proportional to the quantitative significance of the assets and liabilities measured.

The reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based is contained in methodological documents updated on half-yearly basis by the Financial Engineering and Fair Value Measurement department, within the Risk Management and Anti-Money Laundering Unit. 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

Fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted to obtain a range of possible and reasonable alternative valuations. In general, the impact of unobservable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

Redemption profiles

The redemption of postal savings bonds is a central estimate of the nominal amount of the bonds that will be redeemed within a series of future dates, between the valuation date and the final maturity date. The estimate is made by CDP through statistical analyses and expert-based valuations. This non-observable figure is significant for the Level 3 measurement of the fair value of the options separated out from the postal savings bonds linked to the performance of the Dow Jones Euro Stoxx 50 index. If the investor redeems the bond in advance they lose the entitlement to receive any component of remuneration linked to the index and as a result the equity option granted by CDP lapses. For this category of financial instrument, higher redemptions therefore result in a lower value of liabilities for CDP. Although the redemption profiles are non-observable inputs on the market, the changes in those profiles over time are closely linked to the changes in actual redemptions observed.

The sensitivity analysis considered changes of 10% in the remaining principal, applied to the relevant expected percentage for the expiry of each option. If redemptions are lower than estimated, a condition has been established that the current level of remaining principal cannot be exceeded, and so the results of the analysis are asymmetric.

Sensitivity analysis to the redemption profile

(millions of euros)

Change in fair value resulting from the use of possible reasonable alternatives	+10% (higher redemptions)	-10% (lower redemptions)
Embedded options in Premia and Europa bonds	-9	+12

Equity multiple

Equity investments in unlisted companies are valued by applying a multiplication factor to the equity in line with what is estimated would be applied for a market transaction. At 31 December 2016, all the multiples, set based on expert appraisal, were 100%. Given that this parameter acts directly on the final fair value on the final fair value in a proportional manner, no sensitivity analysis has been reported.

NAV Adjustment

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. An increase in NAV coincides with an increase in fair value. For funds classified in Level 3, fair value adjustments may be needed to take account of certain specific characteristics; such adjustments would result in a transaction being priced below NAV. At 31 December 2016 adjustments of this kind were made to the NAVs of the some UCITS held in the portfolio determined on the basis of expert appraisal, taking into account the characteristics of limited liquidity of the units.

A.4.3 Hierarchy of fair value

IFRS 13 requires the provision of a description, with regard to the financial and non-financial assets and liabilities measured at fair value on a recurring basis, of the policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred separately for financial assets and liabilities and non-financial assets and liabilities (IFRS 13, paragraph 95). For all classes of assets and liabilities, the policies adopted by CDP require that the transfer from one level to another take place at the end of the reporting period.

The transfers are motivated by whether it becomes possible or impossible to reliably measure fair value, respectively, at Level 1, Level 2 or Level 3: For example, if the measurement of an instrument is classified as "Level 3" due to the non-observability of a significant input, if that input becomes observable in the market or if it becomes common to use a model that requires only observable inputs, or its estimate is not necessary then the measurement is transferred to Level 2, and the transfer occurs at the end of the reporting period.

Quantitative disclosures

A.4.5 Hierarchy of fair value

A.4.5.1 Assets and liabilities carried at fair value on a recurring basis: breakdown by level of fair value inputs

(thousands of euros)	31/12/2016			31/12/2015		
Financial assets/liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets held for trading	791,797	298,586	1,711	658,501	256,765	21,518
2. Financial assets at fair value			197,056			219,713
3. Financial assets available for sale	7,592,616	4,056	916,732	5,842,436	5,390	687,625
4. Hedging derivatives		1,109,475			1,575,794	
5. Property, plant and equipment						
6. Intangible assets						
Total	**8,384,413**	**1,412,117**	**1,115,499**	**6,500,937**	**1,837,949**	**928,856**
1. Financial liabilities held for trading		184,304	104,743		136,777	103,822
2. Financial liabilities at fair value						
3. Hedging derivatives		970,235			960,045	41,960
Total		**1,154,539**	**104,743**		**1,096,822**	**145,782**

A.4.5.2 Changes for the year in financial assets carried at fair value on a recurring basis (Level 3)

(thousands of euros)	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**21,518**	**219,713**	**687,625**			
2. Increases	**1,521**		**781,631**			
2.1 Purchases			725,779			
2.2 Profits taken to:	1,521		55,852			
2.2.1 Income statement	1,521					
- *of which: capital gains*	*1,521*					
2.2.2 Equity	X	X	55,852			
2.3 Transfers from other levels						
2.4 Other increases						
3. Decreases	**21,328**	**22,657**	**552,524**			
3.1 Sales	8,199					
3.2 Repayments			296,586			
3.3 Losses taken to:	160	22,657	252,253			
3.3.1 Income statement	160	22,657	215,949			
- *of which: capital losses*	*91*	*22,657*	*215,949*			
3.3.2 Equity	X	X	36,304			
3.4 Transfers from other levels	1,050					
3.5 Other decreases	11,919		3,685			
4. Closing balance	**1,711**	**197,056**	**916,732**			

A.4.5.3 Changes for the year in financial liabilities carried at fair value on a recurring basis (Level 3)

(thousands of euros)	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
1. Opening balance	**103,822**		**41,960**
2. Increases	**48,565**		**2,972**
2.1 Issues	15,230		
2.2 Losses taken to:	33,335		2,972
2.2.1 Income statement	33,335		2,972
- *of which: capital losses*	*33,251*		*2,972*
2.2.2 Equity	X	X	
2.3 Transfers from other levels			
Other increases			
3. Decreases	**47,644**		**44,932**
3.1 Repayments	17,732		5,179
3.2 Buybacks			
3.3 Profits taken to:	29,261		5,831
3.3.1 Income statement	29,261		
- *of which: capital gains*	*9,010*		
3.3.2 Equity	X	X	5,831
3.4 Transfers from other levels			33,922
3.5 Other decreases	651		
4. Closing balance	**104,743**		

A.4.5.4 Assets and liabilities not carried at fair value or carried at fair value on a non-recurring basis: breakdown by level of fair value inputs

(thousands of euros)	31/12/2016				31/12/2015			
Assets and liabilities not carried at fair value or carried 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 held to maturity	33,773,865	36,874,535		7	26,073,862	29,787,255		10
2. Loans to banks	27,730,603			28,216,014	28,941,822			33,544,279
3. Loans to customers	261,956,715	463,313	9,684,646	262,242,310	261,044,293		5,015,551	267,909,779
4. Investment property, plant and equipment	33,462		27,931	7,593	45,666		37,510	7,593
5. Non current assets and disposal groups held for sale	386,864			1,035,307	24,479			24,479
Total	**323,881,509**	**37,337,848**	**9,712,577**	**291,501,231**	**316,130,122**	**29,787,255**	**5,053,061**	**301,486,140**
1. Due to banks	25,692,215			25,610,104	23,522,539			22,215,986
2. Due to customers	302,189,543			302,190,231	291,800,245		17,809	291,782,335
3. Securities issued	28,107,767	16,517,395	12,411,506		30,086,359	18,226,688	13,128,587	
4. Liabilities associated with disposal groups held for sale	74,557			74,557	6,782			6,782
Total	**356,064,082**	**16,517,395**	**12,411,506**	**327,874,892**	**345,415,925**	**18,226,688**	**13,146,396**	**314,005,103**

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 carried 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 carried at fair value through profit or loss classified as Level 3, any difference with respect to the amount received or paid could in principle be recognised through profit or loss under the appropriate items, generating a "day one profit/loss".

Such difference may only be recognised through profit or loss if it is generated by a change in the factors on which market participants base their valuations in determining prices (including the time effect).

If the instrument has a specified maturity and a model that monitors changes in the factors on which operators base prices is not immediately available, the day one profit/loss can be recognised through profit or loss over the life of the financial instrument.

CDP has not recognised any "day one profit/loss" on financial instruments in accordance with the provisions of paragraph 28 of IFRS 7 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 euros)	31/12/2016	31/12/2015
a) Cash	1,418	781
b) Free deposits with central banks		
Total	**1,418**	**781**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: breakdown by type

(thousands of euros)	31/12/2016									31/12/2015		
	Banking group			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				156,651						53,747		
1.1 Structured securities												
1.2 Other debt securities				156,651						53,747		
2. Equity securities				4,275						35,675		
3. Units in collective investment undertakings				630,871	11,098					569,079	6,608	
4. Loans												
4.1 Repurchase agreements												
4.2 Other												
Total A				791,797	11,098					658,501	6,608	
B. Derivatives												
1. Financial derivatives		205,695			70,922			10,871	1,711		250,157	21,518
1.1 Trading					70,922			2,015			44,796	11,919
1.2 Associated with fair value option												
1.3 Other		205,695						8,856	1,711		205,361	9,599
2. Credit derivatives												
2.1 Trading												
2.2 Associated with fair value option												
2.3 Other												
Total B		205,695			70,922			10,871	1,711		250,157	21,518
Total (A + B)		205,695		791,797	82,020			10,871	1,711	658,501	256,765	21,518

The financial derivatives shown in the table include (for a value of approximately euro 122.7 million) options purchased to hedge the embedded option component of bonds indexed to baskets of shares. This option component was separated from the host instrument and was classified among financial liabilities held for trading.

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

(thousands of euros) Items/Values	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
A. On-balance-sheet assets					
1. Debt securities		**156,651**		**156,651**	**53,747**
a) Governments and central banks		83,598		83,598	86
b) Other government agencies					
c) Banks		50,352		50,352	53,661
d) Other		22,701		22,701	
2. Equity securities		**4,275**		**4,275**	**35,675**
a) Banks					
b) Other issuers:		4,275		4,275	35,675
- insurance undertakings					
- financial companies					
- non-financial companies					35,675
- other		4,275		4,275	
3. Units in collective investment undertakings		**641,969**		**641,969**	**575,687**
4. Loans					
a) Governments and central banks					
b) Other government agencies					
c) Banks					
d) Other					
Total A		**802,895**		**802,895**	**665,109**
B. Derivatives					
a) Banks:	179,156	70,922	2,015	252,093	237,581
- fair value	179,156	70,922	2,015	252,093	237,581
b) Customers:	26,539		10,567	37,106	34,094
- fair value	26,539		10,567	37,106	34,094
Total B	**205,695**	**70,922**	**12,582**	**289,199**	**271,675**
Total (A + B)	**205,695**	**873,817**	**12,582**	**1,092,094**	**936,784**

Section 3 - Financial assets at fair value - Item 30

3.1 Financial assets at fair value: breakdown by type

(thousands of euros) Items/Values	31/12/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities			197,056			219,713
1.1 Structured securities			197,056			219,713
1.2 Other debt securities						
2. Equity securities						
3. Units in collective investment undertakings						
4. Loans						
4.1 Structured						
4.2 Other						
Total			**197,056**			**219,713**
Cost			**153,089**			**153,089**

The item includes the recognition of the convertible bond (CB) issued to Valvitalia by FSI and sold to FSI Investimenti in the transfer transaction completed in 2014. The CB has a term 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 euro 197,056 thousand at 31 December 2016. The increase compared to 31 December 2015 is mainly due to the fair value change of Valvitalia, considered as the benchmark for estimating the price of the underlying assets of the CB.

3.2 Financial assets at fair value: breakdown by debtor/issuer

(thousands of euros)	31/12/2016	31/12/2015
1. Debt securities	**197,056**	**219,713**
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other issuers	197,056	219,713
2. Equity securities		
a) Banks		
b) Other issuers:		
- insurance undertakings		
- financial companies		
- non-financial companies		
- other		
3. Units in collective investment undertakings		
4. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**197,056**	**219,713**

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by type

(thousands of euros) Items/Values	31/12/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	7,591,089			5,805,795		
1.1 Structured securities						
1.2 Other debt securities	7,591,089			5,805,795		
2. Equity securities	1,527		18,860	36,641		20,012
2.1 At fair value	1,489		10,118	36,641		11,414
2.2 At cost	38		8,742			8,598
3. Units in collective investment undertakings		4,056	897,872		5,390	667,613
4. Loans						
Total	**7,592,616**	**4,056**	**916,732**	**5,842,436**	**5,390**	**687,625**

4.1 of which: pertaining to the Banking group

(thousands of euros) Items/Values	31/12/2016 Level 1	Level 2	Level 3	31/12/2015 Level 1	Level 2	Level 3
1. Debt securities	7,591,089			5,805,795		
1.1 Structured securities						
1.2 Other debt securities	7,591,089			5,805,795		
2. Equity securities			11,680			12,611
2.1 At fair value			9,568			10,499
2.2 At cost			2,112			2,112
3. Units in collective investment undertakings			897,872			667,613
4. Loans						
Total	**7,591,089**		**909,552**	**5,805,795**		**680,224**

4.1 of which: pertaining to Other entities

(thousands of euros) Items/Values	31/12/2016 Level 1	Level 2	Level 3	31/12/2015 Level 1	Level 2	Level 3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities	1,527		7,180	36,641		7,401
2.1 At fair value	1,489		550	36,641		915
2.2 At cost	38		6,630			6,486
3. Units in collective investment undertakings		4,056			5,390	
4. Loans						
Total	**1,527**	**4,056**	**7,180**	**36,641**	**5,390**	**7,401**

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

(thousands of euros) Items/Values	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
1. Debt securities	7,591,089			7,591,089	5,805,795
a) Governments and central banks	6,704,204			6,704,204	4,995,106
b) Other government agencies					
c) Banks	886,885			886,885	810,689
d) Other					
2. Equity securities	11,680		8,707	20,387	56,653
a) Banks	2,066			2,066	2,066
b) Other issuers:	9,614		8,707	18,321	54,587
- insurance undertakings					
- financial companies	3,847		5,164	9,011	9,723
- non-financial companies	5,767		3,211	8,978	44,680
- other			332	332	184
3. Units in collective investment undertakings	897,872		4,056	901,928	673,003
4. Loans					
a) Governments and central banks					
b) Other government agencies					
c) Banks					
d) Other					
Total	**8,500,641**		**12,763**	**8,513,404**	**6,535,451**

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by type

(thousands of euros) Items/Values	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3	31/12/2015 Carrying amount	31/12/2015 Fair value Level 1	31/12/2015 Fair value Level 2	31/12/2015 Fair value Level 3
1. Debt securities	33,773,865	36,874,535		7	26,073,862	29,787,255		10
- structured								
- other	33,773,865	36,874,535		7	26,073,862	29,787,255		10
2. Loans								
Total	**33,773,865**	**36,874,535**		**7**	**26,073,862**	**29,787,255**		**10**

The item mainly includes fixed-rate government securities held by the Parent Company with a carrying amount of about euro 28.4 billion, and inflation-linked government securities with a carrying amount of about euro 3.9 billion, the latter held to hedge the exposure to inflation.

5.2 Financial assets held to maturity: debtors/issuers

(thousands of euros) Type of transactions/Amounts	31/12/2016	31/12/2015
1. Debt securities	**33,773,865**	**26,073,862**
a) Governments and central banks	33,706,254	26,007,428
b) Other government agencies		
c) Banks	20,534	20,526
d) Other	47,077	45,908
2. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**33,773,865**	**26,073,862**
Total (fair value)	**36,874,542**	**29,787,265**

Section 6 - Loans to banks - Item 60

6.1 Loans to banks: breakdown by type

(thousands of euros) Type of transactions/Securities	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3	31/12/2015 Carrying amount	31/12/2015 Fair value Level 1	31/12/2015 Fair value Level 2	31/12/2015 Fair value Level 3
A. Claims on central banks	8,036,062			8,036,062	3,949,073			3,949,073
1. Fixed-term deposits		X	X	X		X	X	X
2. Reserve requirement	8,036,062	X	X	X	3,949,073	X	X	X
3. Repurchase agreements		X	X	X		X	X	X
4. Other		X	X	X		X	X	X
B. Loans to banks	19,694,541			20,179,952	24,992,749			29,595,206
1. Loans	19,545,099			20,030,693	24,992,749			29,595,206
1.1 Current accounts and free deposits	3,561,225	X	X	X	4,262,174	X	X	X
1.2 Fixed-term deposits	971,360	X	X	X	922,214	X	X	X
1.3 Other financing:	15,012,514	X	X	X	19,808,361	X	X	X
- Repurchase agreements	510,560	X	X	X	5,343,153	X	X	X
- Finance leasing		X	X	X		X	X	X
- Other	14,501,954	X	X	X	14,465,208	X	X	X
2. Debt securities	149,442			149,259				
2.1 Structured		X	X	X		X	X	X
2.2 Other debt securities	149,442	X	X	X		X	X	X
Total	27,730,603			28,216,014	28,941,822			33,544,279

Loans to banks are primarily composed of:

- the balance on the management account of the reserve requirement of about euro 8,036 million;
- loans of approximately euro 14,502 million, mostly attributable to loans granted by the Parent Company to the banking system as part of initiatives to support SMEs;
- fixed-term deposits for approximately euro 971 million, of which about euro 409 million in respect of Credit Support Annexes (cash collateral) opened by the Parent Company to hedge counterparty credit risk on derivatives and euro 418 million due to the contribution from SACE;
- repurchase agreements of the Parent Company for approximately euro 511 million;
- current account balances amounting to about euro 3,561 million.

6.1 of which: pertaining to the Banking group

(thousands of euros) Type of transactions/Securities	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3	31/12/2015 Carrying amount	31/12/2015 Fair value Level 1	31/12/2015 Fair value Level 2	31/12/2015 Fair value Level 3
A. Claims on central banks	8,036,062			8,036,062	3,949,073			3,949,073
1. Fixed-term deposits		X	X	X		X	X	X
2. Reserve requirement	8,036,062	X	X	X	3,949,073	X	X	X
3. Repurchase agreements		X	X	X		X	X	X
4. Other		X	X	X		X	X	X
B. Loans to banks	16,114,713			16,600,124	21,254,485			25,878,050
1. Loans	15,965,271			16,450,865	21,254,485			25,878,050
1.1 Current accounts and free deposits	544,208	X	X	X	1,176,561	X	X	X
1.2 Fixed-term deposits	408,549	X	X	X	269,613	X	X	X
1.3 Other financing:	15,012,514	X	X	X	19,808,311	X	X	X
- Repurchase agreements	510,560	X	X	X	5,343,153	X	X	X
- Finance leasing		X	X	X		X	X	X
- Other	14,501,954	X	X	X	14,465,158	X	X	X
2. Debt securities	149,442			149,259				
2.1 Structured		X	X	X		X	X	X
2.2 Other debt securities	149,442	X	X	X		X	X	X
Total	24,150,775			24,636,186	25,203,558			29,827,123

6.1 of which: pertaining to the Insurance companies

(thousands of euros) Type of transactions/Securities	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3	31/12/2015 Carrying amount	31/12/2015 Fair value Level 1	31/12/2015 Fair value Level 2	31/12/2015 Fair value Level 3
A. Claims on 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	514,256			514,256	801,505			801,505
1. Loans	514,256			514,256	801,505			801,505
1.1 Current accounts and free deposits	96,047	X	X	X	169,962	X	X	X
1.2 Fixed-term deposits	418,209	X	X	X	631,493	X	X	X
1.3 Other financing:		X	X	X	50	X	X	X
- Repurchase agreements		X	X	X		X	X	X
- Finance leasing		X	X	X		X	X	X
- Other		X	X	X	50	X	X	X
2. Debt securities								
2.1 Structured		X	X	X		X	X	X
2.2 Other debt securities		X	X	X		X	X	X
Total	514,256			514,256	801,505			801,505

6.1 of which: pertaining to Other entities

(thousands of euros) Type of transactions/Securities	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3	31/12/2015 Carrying amount	31/12/2015 Fair value Level 1	31/12/2015 Fair value Level 2	31/12/2015 Fair value Level 3
A. Claims on 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	**3,065,572**			**3,065,572**	**2,936,759**			**2,915,651**
1. Loans	3,065,572			3,065,572	2,936,759			2,915,651
1.1 Current accounts and free deposits	2,920,970	X	X	X	2,915,651	X	X	X
1.2 Fixed-term deposits	144,602	X	X	X	21,108	X	X	X
1.3 Other financing:		X	X	X		X	X	X
- Repurchase agreements		X	X	X		X	X	X
- Finance leasing		X	X	X		X	X	X
- Other		X	X	X		X	X	X
2. Debt securities								
2.1 Structured		X	X	X		X	X	X
2.2 Other debt securities		X	X	X		X	X	X
Total	**3,065,572**			**3,065,572**	**2,936,759**			**2,915,651**

6.2 Loans to banks: assets hedged specifically

(thousands of euros) Type of transactions/Amounts	31/12/2016	31/12/2015
1. Loans with specific fair value hedges	**327,468**	**206,288**
a) Interest rate risk	327,468	206,288
b) Exchange rate risk		
c) Credit risk		
d) Multiple risks		
2. Loans with specific cash flow hedges		
a) Interest rate risk		
b) Exchange rate risk		
c) Other		
Total	**327,468**	**206,288**

Loans subject to specific hedges are included in the assets of the Parent Company.

Section 7 - Loans to customers - Item 70

Loans to customers mainly regard lending operations under the Separate Account and Ordinary Account of CDP. The item also reports liquidity held with the Central State Treasury.

The following table provides a breakdown of the positions by technical form.

7.1 Loans to customers: breakdown by type

(thousands of euros) Type of transactions/ Amounts	31/12/2016						31/12/2015					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Non-performing		Level 1	Level 2	Level 3	Performing	Non-performing		Level 1	Level 2	Level 3
		Acquired	Other					Acquired	Other			
Loans	**249,843,778**		**406,047**		**8,000**	**260,588,137**	**253,744,913**		**376,108**		**187,585**	**265,538,107**
1. Current accounts	488,104			X	X	X	483,220			X	X	X
1.1 Liquidity held with Central State Treasury	147,845,566			X	X	X	152,397,757			X	X	X
2. Repurchase agreements	4,037,652			X	X	X	5,165,503			X	X	X
3. Loans	93,047,626		233,945	X	X	X	89,484,804		243,062	X	X	X
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	466			X	X	X	470			X	X	X
5. Finance leasing				X	X	X				X	X	X
6. Factoring	1,735,114		159,235	X	X	X	1,599,517		106,764	X	X	X
7. Other	2,689,250		12,867	X	X	X	4,613,642		26,282	X	X	X
Debt securities	**11,706,890**			**463,313**	**9,676,646**	**1,654,173**	**6,923,272**				**4,827,966**	**2,371,672**
8. Structured				X	X	X				X	X	X
9. Other debt securities	11,706,890			X	X	X	6,923,272			X	X	X
Total	**261,550,668**		**406,047**	**463,313**	**9,684,646**	**262,242,310**	**260,668,185**		**376,108**		**5,015,551**	**267,909,779**

Liquidity held with the central State Treasury consists mainly of the balance on current account no. 29814 in the name of "Cassa DP S.p.A. - Gestione Separata", which comprises liquidity generated by Separate Account transactions executed by the Parent Company. Since 1 January 2016 the Ministry of Economy and Finance has paid CDP interest at a floating 6-month rate equal to the weighted average (using weightings at 20% and 80%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs.

The item "repurchase agreements", equal to approximately euro 4,038 million, refers entirely to the Parent Company and the reduction of euro 5,166 million compared to the 2015 balance is mainly due to the decrease in the volume of repurchase agreement transactions.

The volume of long-term loans and other financing, totalling about euro 95,984 million, shows a decrease of about euro 6,219 million compared to 31 December 2015.

Factoring receivables, which total euro 1,894 million, regard loans granted by the subsidiary SACE FCT and show an increase of euro 188 million over 2015.

The item relating to debt securities, totalling about euro 11,707 million, refers mainly to the balance of the Parent Company for euro 11,085 million and shows an increase of about euro 4,784 million compared to the end of 2015, mainly attributable to the operations of the Parent Company.

Non-performing positions amounted to about euro 406 million (of which about euro 234 million pertaining to the Parent Company), with an increase of about euro 30 million compared to 31 December 2015.

The positive difference between the fair value and the carrying amount of loans to customers reflects the lower interest rates prevailing on the market.

7.2 Loans to customers: breakdown by debtor/issuer

(thousands of euros) Type of transactions/Amounts	31/12/2016			31/12/2015		
	Performing	Non-performing		Performing	Non-performing	
		Acquired	Other		Acquired	Other
1. Debt securities:	**11,706,890**			**6,923,272**		
a) Governments	8,661,382			4,895,450		
b) Other government agencies	418,661			412,453		
c) Other issuers:	2,626,847			1,615,369		
- non-financial companies	1,846,206			1,098,361		
- financial companies	780,641			517,008		
- insurance undertakings						
- other						
2. Loans to:	**249,843,778**		**406,047**	**253,744,913**		**376,108**
a) Governments	184,897,419		34,760	190,149,295		29,214
b) Other government agencies	47,304,964		58,923	46,148,662		76,282
c) Other:	17,641,395		312,364	17,446,956		270,612
- non-financial companies	10,857,824		308,872	10,713,840		267,922
- financial companies	6,359,943			6,502,105		
- insurance undertakings				35		
- other	423,628		3,492	230,976		2,690
Total	**261,550,668**		**406,047**	**260,668,185**		**376,108**

7.3 Loans to customers: assets hedged specifically

(thousands of euros) Type of transactions/Amounts	31/12/2016	31/12/2015
1. Loans with specific fair value hedges	**29,736,493**	**20,203,934**
a) Interest rate risk	29,615,065	20,078,950
b) Exchange rate risk		
c) Credit risk		
d) Multiple risks	121,428	124,984
2. Loans with specific cash flow hedges	**458,264**	**421,833**
a) Interest rate risk		
b) Exchange rate risk		
c) Other	458,264	421,833
Total	**30,194,757**	**20,625,767**

Section 8 - Hedging derivatives - Item 80

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

(thousands of euros)	Fair value 31/12/2016			Notional value 31/12/2016	Fair value 31/12/2015			Notional value 31/12/2015
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives		1,109,475		20,921,669		1,575,794		22,436,405
1) Fair value		1,015,389		20,328,315		1,449,542		21,763,409
2) Cash flow		94,086		593,354		126,252		672,996
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**1,109,475**		**20,921,669**		**1,575,794**		**22,436,405**

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

(thousands of euros) Transactions/Hedging transactions	Fair value						Cash flow		Investment in foreign operation
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale								X	X
2. Loans	155,782			X		X	89,183	X	X
3. Financial assets held to maturity	X			X		X		X	X
4. Portfolio	X	X	X	X	X		X		X
5. Other		8,720				X	1,338	X	
Total assets	**155,782**	**8,720**					**90,521**		
1. Financial liabilities	850,887			X		X	3,565	X	X
2. Portfolio	X	X	X	X	X		X		X
Total liabilities	**850,887**						**3,565**		
1. Forecast transactions	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X		X		

Section 10 - Equity investments - Item 100

10.1 Information on equity investments

Company name	Registered office	Operational headquarters	Type of relation-ship [1]	Equity investment		% of votes [2]
				Investor	% holding	
A. Joint ventures						
1. Accialtalia S.p.A.	Milan	Milan	7	CDP S.p.A.	27.50%	27.50%
2. Alfiere S.p.A	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
3. Ansaldo Energia	Genoa	Genoa	7	CDP Equity S.p.A.	44.84%	44.84%
4. AS Gasinfrastruktur Beteiligung GmbH	Vienna (A)	Vienna (A)	7	SNAM S.p.A.	40.00%	40.00%
5. Camper and Nicholsons International S.A.	Luxembourg (LU)	Luxembourg (LU)	7	Fincantieri S.p.A.	49.96%	49.96%
6. Cinque Cerchi S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
7. CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong (RC)	Hong Kong (RC)	7	Fincantieri S.p.A.	40.00%	40.00%
8. Elmed Etudes S.a.r.l.	Tunis (TN)	Tunis (TN)	7	Terna S.p.A.	50.00%	50.00%
9. Etihad Ship Building LLC	Abu Dhabi (UAE)	Abu Dhabi (UAE)	7	Fincantieri S.p.A.	35.00%	35.00%
10. FSI SGR S.p.A.	Milan	Milan	7	CDP S.p.A.	49.00%	49.00%
11. GasBridge 1 B.V.	Rotterdam (NL)	Rotterdam (NL)	7	SNAM S.p.A.	50.00%	50.00%
12. GasBridge 2 B.V.	Rotterdam (NL)	Rotterdam (NL)	7	SNAM S.p.A.	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. M.T. Manifattura Tabacchi S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	90.91%	90.91%
15. Manifatture Milan S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
16. Metano S. Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano (LO)	Sant'Angelo Lodigiano (LO)	7	Italgas Reti S.p.A.	50.00%	50.00%
17. Open Fiber S.p.A.	Milan	Milan	7	CDP Equity S.p.A.	50.00%	50.00%
18. Orizzonte Sistemi Navali S.p.A.	Genoa	Genoa	7	Fincantieri S.p.A.	51.00%	51.00%
19. Pentagramma Perugia S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
20. Pentagramma Piemonte S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
21. Risparmio Holding S.p.A.	Rome	Rome	7	CDP S.p.A.	20.00%	20.00%
22. Saipem S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	7	CDP Equity S.p.A.	12.55%	12.55%
23. SIA S.p.A.	Milan	Milan	7	FSIA Investimenti S.r.l.	49.48%	49.48%
24. TIGF Holding S.A.S.	Pau (F)	Pau (F)	7	SNAM S.p.A.	40.50%	40.50%
25. Toscana Energia S.p.A.	Florence	Florence	7	Italgas Reti S.p.A.	48.08%	48.08%
26. Trans Austria Gasleitung GmbH [4]	Vienna (A)	Vienna (A)	7	SNAM S.p.A.	84.47%	84.47%
27. Umbria Distribuzione GAS S.p.A.	Terni	Terni	7	Italgas Reti S.p.A.	45.00%	45.00%
28. 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 (KN)	Nairobi (KN)	4	SACE S.p.A.	5.51%	5.51%
2. Brevik Technology AS	Brevik (N)	Brevik (N)	4	Vard Group AS	34.00%	34.00%
3. Bridge Eiendom AS	Brevik (N)	Brevik (N)	4	Vard Group AS	50.00%	50.00%
4. Canadian Subsea Shipping Company AS	Bergen (N)	Bergen (N)	4	Vard Group AS	45.00%	45.00%
5. Castor Drilling Solution AS	Kristiansand S (N)	Kristiansand S (N)	4	Seaonics AS	34.13%	34.13%
6. CESI S.p.A.	Milan	Milan	4	Terna S.p.A.	42.70%	42.70%
7. CGES A.D.	Podgorica (MNE)	Podgorica (MNE)	4	Terna S.p.A.	22.09%	22.09%
8. CORESO S.A.	Brussels (B)	Brussels (B)	4	Terna S.p.A.	16.67%	20.00%
9. CSS Design Limited	British Virgin Islands (GB)	British Virgin Islands (GB)	4	Vard Marine Inc.	31.00%	31.00%
10. Dameco AS	Skien (N)	Skien (N)	4	Vard Offshore Brevik AS	34.00%	34.00%
11. DOF Iceman AS	Norvegia	Norvegia	4	Vard Group AS	50.00%	50.00%
12. ENI S.p.A.	Rome	Rome	4	CDP S.p.A.	25.76%	25.76%
13. Europrogetti & Finanza S.p.A. in liquidazione	Rome	Rome	4	CDP S.p.A.	31.80%	31.80%
14. Fondo Italiano di Investimento SGR S.p.A.	Milan	Milan	4	CDP S.p.A.	25.00%	25.00%
15. Galaxy S.àr.l. SICAR	Luxembourg	Luxembourg	4	CDP S.p.A.	40.00%	40.00%
16. Inalca S.p.A.	Castelvetro (MO)	Castelvetro (MO)	4	IQ Made in Italy Investment Company S.p.A.	28.40%	28.40%
17. Kedrion S.p.A.	Castelvecchio Pascoli (LU)	Castelvecchio Pascoli (LU)	4	FSI Investimenti S.p.A.	25.06%	25.06%
18. Ligestra Due S.r.l. [5]	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%
19. Ligestra S.r.l. [5]	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%
20. Ligestra Tre S.r.l. [5]	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%

Company name	Registered office	Operational headquarters	Type of relation-ship [1]	Equity investment		% of votes [2]
				Investor	% holding	
21. Møkster Supply AS	Stavanger (N)	Stavanger (N)	4	Vard Group AS	40.00%	40.00%
22. Møkster Supply KS	Stavanger (N)	Stavanger (N)	4	Vard Group AS	36.00%	36.00%
23. Olympic Challenger KS	Fosnavåg (N)	Fosnavåg (N)	4	Vard Group AS	35.00%	35.00%
24. Olympic Green Energy KS	Fosnavåg (N)	Fosnavåg (N)	4	Vard Group AS	30.00%	30.00%
25. Poste Italiane S.p.A.	Rome	Rome	4	CDP S.p.A.	35.00%	35.00%
26. QuattroR SGR S.p.A.	Milan	Milan	7	CDP S.p.A.	29.41%	29.41%
27. Rem Supply AS	Fosnavåg (N)	Fosnavåg (N)	4	Vard Group AS	26.66%	26.66%
28. Rocco Forte Hotels Limited	Londra (UK)	Londra (UK)	4	FSI Investimenti S.p.A.	23.00%	23.00%
29. Taklift AS	Skien (N)	Skien (N)	4	Vard Group AS	25.47%	25.47%
30. Trans Adriatic Pipeline AG	Baar (CH)	Baar (CH)	4	SNAM S.p.A.	20.00%	20.00%
31. Trevi Finanziaria Industriale S.p.A.	Cesena	Cesena	4	FSI Investimenti S.p.A.	16.86%	16.86%
32. Unifer Navale S.r.l.	Finale Emilia (MO)	Finale Emilia (MO)	4	Seaf S.p.A.	20.00%	20.00%
C. Unconsolidated subsidiaries [3]						
1. Alitalia Servizi S.p.A. in amm.ne straordinaria	Fiumicino (RM)	Fiumicino (RM)	1	Fintecna S.p.A.	68.85%	68.85%
2. Asset Company 1 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100.00%	100.00%
3. Asset Company 2 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100.00%	100.00%
4. Cagliari 89 S.c.a r.l. in liquidazione	Monastir (CA)	Monastir (CA)	1	Fintecna S.p.A.	51.00%	51.00%
5. Cinecittà Luce S.p.A. in liquidazione	Rome	Rome	1	Ligestra Quattro S.r.l.	100.00%	100.00%
6. Consorzio Aerest in liquidazione	Rome	Rome	1	Fintecna S.p.A.	97.38%	97.38%
7. Consorzio Codelsa in liquidazione	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
8. Consorzio Edinsud in liquidazione	Naples	Naples	1	Fintecna S.p.A.	58.82%	58.82%
9. Consorzio G1 in liquidazione	Rome	Rome	1	CDP Immobiliare S.r.l.	99.90%	99.90%
10. Consorzio IMAFID in liquidazione	Naples	Naples	1	Fintecna S.p.A.	56.85%	56.85%
11. Consorzio Italtecnasud in liquidazione	Rome	Rome	1	Fintecna S.p.A.	75.00%	75.00%
12. Consorzio MED.IN. in liquidazione	Rome	Rome	1	Fintecna S.p.A.	85.00%	85.00%
13. Ligestra Quattro S.r.l.	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
14. Tirrenia di Navigazione S.p.A. in amm.ne straordinaria.	Naples	Naples	1	Fintecna S.p.A.	100.00%	100.00%
15. XXI Aprile S.r.l.	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
D. Unconsolidated associates [3]						
1. Altiforni Ferriere Servola S.p.A. in amm.ne straordinaria	Udine	Udine	4	Fintecna S.p.A.	24.10%	24.10%
2. Consorzio Condif in liquidazione	Rome	Rome	4	CDP Immobiliare S.r.l.	33.33%	33.33%
3. Consorzio Edinca in liquidazione	Naples	Naples	4	Fintecna S.p.A.	47.32%	47.32%
4. Consorzio INCOMIR in liquidazione	Mercogliano (AV)	Mercogliano (AV)	4	Fintecna S.p.A.	45.46%	45.46%
5. Fonderit Etruria S.r.l. in fallimento	Campiglia Marittima (LI)	Campiglia Marittima (LI)	4	Fintecna S.p.A.	36.25%	36.25%
6. FOSIDER S.r.l. in A.S.	Bologna	Bologna	4	CDP Immobiliare S.r.l.	40.00%	40.00%
7. OMSAV S.p.A. in fallimento	Savona	Savona	4	Fintecna S.p.A.	30.00%	30.00%
8. S.P.S. S.c.p.A. in fallimento	Italia	Italia	4	Fintecna S.p.A.	20.40%	20.40%
9. Sviluppo Turistico Culturale Golfo di Napoli S.c.a r.l.	Naples	Naples	4	CDP Immobiliare S.r.l.	25.00%	25.00%
10. Bonafous S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
11. Pentagramma Romegna S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
12. Quadrifoglio Brescia S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
13. Quadrifoglio Genova S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
14. Quadrifoglio Modena S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
15. Quadrifoglio Piacenza S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
16. Quadrifoglio Verona S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%

Key

(1) Type of relationship:
1 = majority of voting rights in ordinary shareholders' meeting;
2 = dominant influence in ordinary shareholders' meeting;
3 = agreements with other shareholders;
4 = other form of control;
5 = unitary management pursuant to Article 26.1 of Legislative Decree 87/92;
6 = unitary management pursuant to Article 26.2 of Legislative Decree 87/92;
7 = joint control.

(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes.
(3) Companies in liquidation or subsidiaries in the start-up phase without assets and liabilities.
(4) Participation in financial rights is equal to 89,2%.
(5) It concerns companies estabilished to run some separate accounts whose revenues belong, for their majority, to Ministry for the Economy and Finance. For this reason these companies, even if are totally owned, are consolidated with the equity method.

10.2 Significant equity investments: carrying amount, fair value and dividends received

(thousands of euros) Company name	Carrying amount	Fair value	Dividends received
A. Joint ventures			
1. Saipem S.p.A.	648,190	685,290	
B. Companies subject to significant influence			
1. ENI S.p.A.	14,290,836	14,482,697	748,944
2. Poste Italiane S.p.A.	2,617,849	2,882,258	

Equity investments were affected by the restatement of comparative figures, as illustrated in Section 5 "Other issues" – "Restatement of the comparative figures at 31 December 2015", which caused an increase in the initial amount of euro 972 million for the equity investment held in ENI, and thus a total net amount of euro 18,172 million.

Considering the restated initial amount, the principal changes during the year, which generated a net change of euro 2,398 million, related substantially to:

- purchase of the equity investment in Saipem by the subsidiary CDP Equity, with subsequent subscription of part of the capital increase, which entailed an initial total investment of euro 902.7 million. The transaction, whose terms had been set at the end of last year, led CDP Equity to acquire from ENI 12.5% plus one share of that company's share capital on 22 January 2016, after satisfaction of all the conditions precedent. Saipem is one of the world's leading drilling, engineering, procurement, construction and installation service providers for pipelines and large plants in the offshore and onshore oil and gas sector. CDP Equity subsequently subscribed the capital increase that raised its stake to 12.55%. Under the agreements made with ENI, the equity investment has been classified as a joint arrangement;
- the transfer to CDP by the Ministry of Economy and Finance of a 35% equity interest in Poste Italiane S.p.A., amounting to euro 2,930 million;
- the effects of equity accounting, and particularly of Eni, Saipem, and Poste Italiane, which reflect the intervening changes in reserves and the losses made since the Group has invested in them;
- the transaction executed by CDP Equity and FSI Investimenti which resulted in the investment in the investee Open Fiber and transfer to the latter of the investment in Metroweb Italia.

The euro 340 million decease related to the equity investment in SIA refers only to its reclassification as "Non-current assets and disposal groups", as required under IFRS 5, due to the pending transaction for the sale of part of the 30% stake held in FSIA Investimenti, completed in 2017.

Impairment testing of equity investments

In compliance with the provisions of the reference accounting standards, at every reporting date the company checks the presence of objective evidence that may give it reason to believe that the carrying amount of the assets is no longer fully recoverable.

The identification of this evidence, based on the existence of qualitative and quantitative indicators, as described in the accounting policies, and set out in detail in the internal policies, differs according to whether or not they are equity investments in companies whose shares listed in active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying amount to determine the recognition of any impairment losses.

Certain indicators appeared at the reporting date, which entailed running impairment tests. No adjustments resulted from those tests.

The interest in ENI features significantly in the equity investment portfolio of CDP. Consequently, the risk profile of the CDP Group risk profile is linked to the principal factors that determine the value and profitability of the associate.

Oil price trends assume special importance among these factors.

In consequence of this element of volatility and considering, among the impairment indicators, the presence of a market capitalisation below the associate's book equity, the equity investment was tested for impairment.

Specifically, the value in use was determined on the basis of IAS 36, by using the Discounted Cash Flow (DCF) method as provided for in the accounting standard.

The plan used to construct the cash flows and the other information needed to calculate the DCF were taken from public sources. The impairment test identified that the value in use was higher than the carrying amount and, consequently, the carrying amount of the associate was confirmed.

Acting through its subsidiary CDP Equity, CDP acquired an equity stake in the Saipem Group during the year, as previously illustrated in the annual financial report 2015 and as updated in the report on operations of this document, by making a total initial investment of euro 902.7 million, both for the initially acquired equity interest (euro 463.2 million) and subscription of the newly issued shares (euro 439.4 million).

The Group equity holdings consequently include the investment in Saipem. During the year, CDP Equity found that this investment was impaired. In particular, the market prices at which the stock was trading in 2016 were significantly lower than the value of the investment carried on the separate financial statements of CDP Equity and of Saipem itself. When the Strategic Plan 2017-2020 and its 3Q 2016 and 9M 2016 results were approved, it announced that it had made a loss. The resulting large write-down of its assets and receivables caused it to miss its budget targets.

Therefore, CDP Equity calculated the value in use of the equity investment in accordance with IAS 36, paragraph 18, and internal policies to identify the recoverable value of its investment at the reporting date. The information needed to calculate the recoverable value was taken from public sources.

This value has been considered by the Parent Company in measuring its own equity investment in Saipem, as reported in the consolidated financial statements. The recoverable value estimated by CDP Equity for reporting in the consolidated financial statements turned out to be higher than the book value of the equity investment.

The fairness of the estimated value in use of the equity investment calculated by CDP Equity has been confirmed in a third party's fairness opinion.

Considering a market capitalisation lower than the book equity of Poste Italiane, this activity was tested for impairment as well. The information needed to calculate the DCF was taken from public sources. The impairment test found that the value in use was higher than the carrying amount and, consequently, the carrying amount of the equity investment was confirmed.

10.3 Significant equity investments: accounting data

(millions of euros) Company name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	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 disposal groups held for sale	Income (loss) for the year (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3) = (1) + (2)
A. Joint ventures														
1. Saipem S.p.A.	1,892	55	12,336	3,400	5,998	10,009	(154)	(2,408)	(1,635)	(2,087)		(2,087)	48	(2,039)
B. Companies under significant influence														
1. ENI S.p.A.	5,674	8,264	26,394	27,239	29,456	56,693	(382)	(475)	892	(1,457)	(413)	(1,044)	(413)	(1,457)
2. Poste S.p.A.	6,396	174,362	6,657	60,921	24,890	33,112	9		1,056	622		622		622

10.4 Non-significant equity investments: accounting data

(thousands of euros) Company name	Carrying amount of the investments	Total assets	Total liabilities	Total revenues	Income (loss) after tax on continuing operations	Income (loss) after tax on disposal groups held for sale	Income (loss) for the year (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
Joint ventures	2,500,546	9,365,567	5,903,954	2,949,501	216,231		216,231	(15,342)	200,889
Companies subject to significant influence	512,394	7,726,816	5,372,169	3,875,932	(147,292)		(147,292)	35,133	(112,159)
Unconsolidated subsidiaries	272	5,394	7,671	3,518	2,076		2,076		2,076

The accounting data for joint ventures and investments in associates were taken from the most recent (annual or interim) financial statements of the companies.

10.5 Equity investments: changes for the year

(thousands of euros)	31/12/2016	31/12/2015
A. Opening balance	**18,172,243**	**20,363,958**
B. Increases	**5,140,395**	**1,686,321**
B.1 Purchases	4,343,045	282,881
B.2 Writebacks	10	178
B.3 Revaluations	235,984	197,627
B.4 Other increases	561,356	1,205,635
C. Decreases	**2,742,551**	**3,878,036**
C.1 Sales	112,264	174,095
C.2 Writedowns	6,711	67,593
C.3 Other decreases	2,623,576	3,636,348
D. Closing balance	**20,570,087**	**18,172,243**
E. Total revaluations	**3,528,360**	**3,541,937**
F. Total writedowns	**3,123,602**	**1,800,529**

10.6 Significant assessments or assumptions made to determine whether there is joint control or significant influence

Please refer to the contents of Section 7 “Equity Investments” Part A.2 of these Notes to the Consolidated Financial Statements.

10.7 Obligations relating to joint ventures

The most significant commitments in respect of joint ventures comprise:

- the acquisition of Edicima S.p.A. for euro 10.2 million;
- the commitments related to the investment in Kedrion S.p.A., broken down as follows:
  a) earn-out clause: Sestant, a Marcucci family SPV and shareholder in Kedrion, is to receive a bonus from FSI Investimenti in the event of changes in the ownership structure of the investee, if the value of the investment rises significantly. At 31 December 2016, the value of the option was negative by approximately euro 5,697 thousand;
  b) FSI Investimenti has undertaken to provide Kedrion with a loan of up to euro 50 million to service its general financial requirements, to be made through one or more draw-downs upon request of the company. Kedrion will pay a gross annual interest rate

of 6%, on an arm's length basis, and will be allowed to repay the loan (principal and interest) within 120 days of its disbursement, or within 180 days if the funds are used to fund a growth project in which both parties are involved. In the event that repayment is not made within these terms, FSI Investimenti will be entitled to demand a capital increase corresponding to the amount drawn down. At 31 December 2016 this loan had not been drawn down and was treated in the accounts as a commitment, partly in view of the fact that Kedrion Group must first grant the conversion option to FSI Investimenti;

- commitments related to the equity investment in Ansaldo Energia S.p.A. These call for FSI Investimenti to acquire an additional share, amounting to 15%, of the share capital of Ansaldo Energia, through purchase of a call option. This grants it the right to purchase from Leonardo Finmeccanica, during the period running from 30 June 2017 to 31 December 2017, the indicated shareholding at a price of euro 147.1 million and the sale to Leonardo Finmeccanica of a put option that grants it the right, during the same period and at the same price, to sell the remaining 15% of the equity stake in Ansaldo Energia to FSI Investimenti. At 31 December 2016, the put-call option was estimated to be worth about euro 8,856 thousand;
- pursuant to the existing shareholders' agreements (Pentagramma Piemonte and Bonafous) between CDP Immobiliare and the private shareholders in the partnerships, the shareholders are, with each being liable to the extent of its own commitment:
  a) mutually obligated to the investees ("Company"), pursuant to and in accordance with Article 1411 Italian Civil Code C.C.) to ensure, as necessary, any additional financial support to meet the Company's needs in excess of third party financing, including the support need to finance the management, ordinary operating and start-up costs and/or for the disbursement of third-party financing;
  b) mutually undertake in favour of the Company, to cover its losses for an amount no less than necessary to replenish the minimum required capital pursuant to Article 2327 of the Italian Civil Code, by using, firstly, each part up to the amount of the receivable claimed for the partner's loan offered by each party, and for the remaining amount required, within the limits specifically set out in current shareholders' agreements and indicated in the report on operations in the sections relating to each partnership.

10.8 Obligations relating to equity investments subject to significant influence

The commitments on equity investments in companies subject to significant influence refer:

- in relation to the equity investment in Trevi Finanziaria Industria le S.p.A., to the earn out granted by FSI and FSI Investimenti to Trevi Holding S.E. and Mr Davide Trevisani, in the event of a significant increase in the value of the investment if the shareholders' agreements are legitimately terminated, not renewed at expiry or cease to be effective. The market value of these liabilities was measured at inception and added to the carrying value of the investment. At 31 December 2016, the fair value of the earn out was negative for about euro 9 thousand;
- to commitments by certain companies of the Vard Group to make loans to certain special purpose vehicles amounting to euro 7,044 thousand at 31 December 2016.

10.9 Significant restrictions

In regard to any significant restrictions on equity investments, as envisaged in IFRS 12 at paragraphs 13 and 22, the following are mentioned:

- equity investments held by the subsidiary Fintecna in the subsidiaries Ligestra S.r.l., Ligestra Due S.r.l. and Ligestra Tre S.r.l., valued at equity. It should be noted that these are entities that manage the separate accounts entrusted by the Italian Government to Fintecna on behalf of the latter. However, based on the regulations that established separate accounts, the majority of economic benefits that can be achieved through the management of separate accounts refer to the Ministry of Economy and Finance, even without an equity interest in the company's share capital. Therefore, the influence of the subsidiary Fintecna over these companies can be classed as significant and, as a result of this, based on IFRS, they are considered investments in associates valued at equity;
- to the equity investment held by Fintecna in the subsidiary Ligestra Quattro S.r.l., recognised at cost as in view of the obligation to cover the loss for the year imposed by lawmakers to the Ministry for Cultural Heritage, Activities and Tourism (MiBACT).

Section 11 - Reinsurers' share of technical provisions - Item 110

11.1 Reinsurers' share of technical provisions: breakdown

(thousands of euros)	31/12/2016	31/12/2015
A. Non-life insurance	**612,981**	**465,015**
A.1 Provision for unearned premiums	508,443	354,394
A.2 Provision for claims outstanding	62,629	63,472
A.3 Other	41,909	47,149
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 reinsurers' share of technical provisions	**612,981**	**465,015**

The increase in reinsurers' share of technical provisions was due to the increase from the previous year of the volume of transactions to support export and internationalisation. This triggered reinsurance with the Ministry of Economy and Finance pursuant to the Agreement between SACE and MEF approved by Decree of the Prime Minister on 20 November 2014, registered at the Court of Audit on 23 December 2014, for reinsurance by MEF of the risks that could determine high levels of concentration for SACE.

11.2 Change in item 110 "Reinsurers' share of technical provisions"

	Non-life insurance		
(thousands of euros)	Provision for unearned premiums	Provision for claims outstanding	Other
Opening balance	**354,394**	**63,472**	**47,149**
a) Increases	154,049		
b) Decreases		(843)	(5,240)
Closing balance	**508,443**	**62,629**	**41,909**

Section 12 - Property, plant and equipment - Item 120

12.1 Property, plant and equipment: breakdown of assets measured at cost

(thousands of euros) Assets/Values	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
1. Owned	**272,747**	**87,668**	**34,755,812**	**35,116,227**	**34,566,952**
a) Land	117,406	55,510	430,038	602,954	601,696
b) Buildings	60,014	30,533	2,233,408	2,323,955	2,034,324
c) Movables	1,976	1,368	7,571	10,915	11,256
d) Electrical plant	1,267	209	390,595	392,071	386,573
e) Other	92,084	48	31,694,200	31,786,332	31,533,103
2. Acquired under finance leases			**8,968**	**8,968**	**9,139**
a) Land					
b) Buildings			1,622	1,622	1,179
c) Movables					
d) Electrical plant					
e) Other			7,346	7,346	7,960
Total	**272,747**	**87,668**	**34,764,780**	**35,125,195**	**34,576,091**

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 euro 8.8 billion, referring to power lines for euro 5.9 billion and transformation stations for euro 2.9 billion;
- investments by SNAM for approximately euro 17.7 billion for transport (gas pipelines, gas reduction regulation stations and plants), storage (wells, processing and compression stations, pipelines) and regasification;
- assets under construction and accounts for euro 2.6 billion, of which euro 1.5 billion ascribable to Terna and euro 1.0 billion to SNAM.

12.2 Investment property: breakdown of assets measured at cost

(thousands of euros) Assets/Values	31/12/2016				31/12/2015			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	33,462		27,931	7,593	45,666		37,510	7,593
a) Land	3,655		5,387		4,185		5,917	
b) Buildings	29,807		22,544	7,593	41,481		31,593	7,593
2. Acquired under finance leases								
a) Land								
b) Buildings								
Total	33,462		27,931	7,593	45,666		37,510	7,593

12.2 of which: pertaining to the Insurance companies

(thousands of euros) Assets/Values	31/12/2016				31/12/2015			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	12,713		14,775		14,393		16,330	
a) Land	3,655		5,387		4,185		5,917	
b) Buildings	9,058		9,388		10,208		10,413	
2. Acquired under finance leases								
a) Land								
b) Buildings								
Total	12,713		14,775		14,393		16,330	

12.2 of which: pertaining to Other entities

(thousands of euros) Assets/Values	31/12/2016				31/12/2015			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	20,749		13,156	7,593	31,273		21,180	7,593
a) Land								
b) Buildings	20,749		13,156	7,593	31,273		21,180	7,593
2. Acquired under finance leases								
a) Land								
b) Buildings								
Total	20,749		13,156	7,593	31,273		21,180	7,593

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

(thousands of euros)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**626,155**	**2,854,001**	**29,919**	**759,816**	**46,129,417**	**50,399,308**
A.1 Total net writedowns	(24,459)	(818,498)	(18,663)	(373,243)	(14,588,354)	(15,823,217)
A.2 Opening net balance	**601,696**	**2,035,503**	**11,256**	**386,573**	**31,541,063**	**34,576,091**
B. Increases	**13,761**	**377,044**	**1,746**	**122,454**	**1,838,643**	**2,353,648**
B.1 Purchases	6,461	236,480	1,567	25,407	1,575,284	1,845,199
- *of which: business combinations*		*17*		*122*		*139*
B.2 Capitalized improvement costs		362				362
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences	1,095	20,168		19,810	3,027	44,100
B.6 Transfers from investment property		7,300			190	7,490
B.7 Other changes	6,205	112,734	179	77,237	260,142	456,497
C. Decreases	**12,503**	**86,970**	**2,087**	**116,956**	**1,586,028**	**1,804,544**
C.1 Sales	945	770	68	1,602	4,716	8,101
- *of which: business combinations*						
C.2 Depreciation		79,251	1,913	68,016	1,153,089	1,302,269
C.3 Writedowns for impairment recognised in:	1,137	2,257			33,699	37,093
a) equity						
b) income statement	1,137	2,257			33,699	37,093
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	14	3,784		6,417	1,159	11,374
C.6 Transfers to:				185		185
a) investment property						
b) assets held for sale				185		185
C.7 Other changes	10,407	908	106	40,736	393,365	445,522
D. Closing net balance	**602,954**	**2,325,577**	**10,915**	**392,071**	**31,793,678**	**35,125,195**
D.1 Total net writedowns	(25,506)	(1,006,425)	(17,928)	(388,430)	(15,654,527)	(17,092,816)
D.2 Closing gross balance	**628,460**	**3,332,002**	**28,843**	**780,501**	**47,448,205**	**52,218,011**
E. Measurement at cost						

12.5 of which: pertaining to the Banking group

(thousands of euros)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**117,406**	**90,630**	**13,496**	**10,933**	**92,941**	**325,406**
A.1 Total net writedowns		(28,329)	(11,471)	(10,056)	(22,917)	(72,773)
A.2 Opening net balance	**117,406**	**62,301**	**2,025**	**877**	**70,024**	**252,633**
B. Increases		**435**	**492**	**839**	**23,235**	**25,001**
B.1 Purchases			383	624	23,235	24,242
- *of which: business combinations*						
B.2 Capitalized improvement costs		362				362
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes		73	109	215		397
C. Decreases		**2,722**	**541**	**449**	**1,175**	**4,887**
C.1 Sales						
- *of which: business combinations*						
C.2 Depreciation		2,722	538	449	905	4,614
C.3 Writedowns for impairment recognised in:						
a) equity						
b) income statement						
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) investment property						
b) assets held for sale						
C.7 Other changes			3		270	273
D. Closing net balance	**117,406**	**60,014**	**1,976**	**1,267**	**92,084**	**272,747**
D.1 Total net writedowns		(31,051)	(11,801)	(10,503)	(23,822)	(77,177)
D.2 Closing gross balance	**117,406**	**91,065**	**13,777**	**11,770**	**115,906**	**349,924**
E. Measurement at cost						

12.5 of which: pertaining to the Insurance companies

(thousands of euros)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**89,039**	**26,947**	**3,676**	**582**	**51**	**120,295**
A.1 Total net writedowns	(24,222)	(4,138)	(2,107)	(448)	(3)	(30,918)
A.2 Opening net balance	**64,817**	**22,809**	**1,569**	**134**	**48**	**89,377**
B. Increases		**9,307**	**458**	**163**		**9,928**
B.1 Purchases			456	163		619
- *of which: business combinations*						
B.2 Capitalized improvement costs						
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes		9,307	2			9,309
C. Decreases	**9,307**	**1,583**	**659**	**88**		**11,637**
C.1 Sales						
- *of which: business combinations*						
C.2 Depreciation		1,583	557	58		2,198
C.3 Writedowns for impairment recognised in:						
a) equity						
b) income statement						
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) investment property						
b) assets held for sale						
C.7 Other changes	9,307		102	30		9,439
D. Closing net balance	**55,510**	**30,533**	**1,368**	**209**	**48**	**87,668**
D.1 Total net writedowns	(24,122)	(3,054)	(402)	(64)		(27,642)
D.2 Closing gross balance	**79,632**	**33,587**	**1,770**	**273**	**48**	**115,310**
E. Measurement at cost						

12.5 of which: pertaining to Other entities

(thousands of euros)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**419,710**	**2,736,424**	**12,747**	**748,301**	**46,036,425**	**49,953,607**
A.1 Total net writedowns	(237)	(786,031)	(5,085)	(362,739)	(14,565,434)	(15,719,526)
A.2 Opening net balance	**419,473**	**1,950,393**	**7,662**	**385,562**	**31,470,991**	**34,234,081**
B. Increases	**13,761**	**367,302**	**796**	**121,452**	**1,815,408**	**2,318,719**
B.1 Purchases	6,461	236,480	728	24,620	1,552,049	1,820,338
- *of which: business combinations*		17		122		*139*
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	1,095	20,168		19,810	3,027	44,100
B.6 Transfers from investment property		7,300			190	7,490
B.7 Other changes	6,205	103,354	68	77,022	260,142	446,791
C. Decreases	**3,196**	**82,665**	**887**	**116,419**	**1,584,853**	**1,788,020**
C.1 Sales	945	770	68	1,602	4,716	8,101
- *of which: business combinations*						
C.2 Depreciation		74,946	818	67,509	1,152,184	1,295,457
C.3 Writedowns for impairment recognised in:	1,137	2,257			33,699	37,093
a) equity						
b) income statement	1,137	2,257			33,699	37,093
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	14	3,784		6,417	1,159	11,374
C.6 Transfers to:				185		185
a) investment property						
b) assets held for sale				185		185
C. 7 Other changes	1,100	908	1	40,706	393,095	435,810
D. Closing net balance	**430,038**	**2,235,030**	**7,571**	**390,595**	**31,701,546**	**34,764,780**
D.1 Total net writedowns	(1,384)	(972,320)	(5,725)	(377,863)	(15,630,705)	(16,987,997)
D.2 Closing gross balance	**431,422**	**3,207,350**	**13,296**	**768,458**	**47,332,251**	**51,752,777**
E. Measurement at cost						

12.6 Investment property: changes for the year

	Banking group		Insurance companies		Other entities	
(thousands of euros)	Land	Buildings	Land	Buildings	Land	Buildings
A. Opening balance			**4,185**	**10,208**		**31,273**
B. Increases						**41**
B.1 Purchases						13
B.2 Other intangible assets: internally generated						
B.3 Fair value gains						
B.4 Writebacks						
B.5 Positive exchange rate differences						
B.6 Transfers from operating property						
B.7 Other changes						28
C. Decreases			**530**	**1,150**		**10,565**
C.1 Sales						2,363
C.2 Depreciation						
C.3 Fair value losses						
C.4 Writedowns for impairment			530	1,150		712
C.5 Negative exchange rate differences						
C.6 Transfers to:						7,490
a) operating property						7,490
b) assets held for sale						
C.7 Other changes						
D. Closing balance			**3,655**	**9,058**		**20,749**
E. Measurement at cost			**5,387**	**9,388**		**20,749**

12.7 Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment refer mainly to:
- the subsidiary Fincantieri which, at 31 December 2015, had commitments for the purchase of property, plant and equipment for approximately euro 51 million, referring mainly to investing activities in property, plant and equipment;
- the subsidiary SNAM, whose purchase commitments with respect to property, plant and equipment amounted to euro 361 million.

Section 13 - Intangible assets - Item 130

13.1 Intangible assets: breakdown by category

(thousands of euros) Assets/Values	Banking group		Insurance companies		Other entities		31/12/2016		31/12/2015	
	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X		X		X	659,576	X	659,576	X	649,775
A.1.1 Pertaining to Group	X		X		X	659,576	X	659,576	X	649,775
A.1.2 Non-controlling interests	X		X		X		X		X	
A.2 Other financial assets	8,604		7,783		7,241,823	17,551	7,258,210	17,551	7,272,638	16,993
A.2.1 Assets carried at cost:	8,604		7,783		7,241,823	17,551	7,258,210	17,551	7,272,638	16,993
a) internally generated intangible assets			5,748		119,981		125,729		81,600	
b) other assets	8,604		2,035		7,121,842	17,551	7,132,481	17,551	7,191,038	16,993
A.2.2 Assets carried at fair value:										
a) internally generated intangible assets										
b) other assets										
Total	8,604		7,783		7,241,823	677,127	7,258,210	677,127	7,272,638	666,768

Other intangible assets include the recognition of intangible assets resulting from business combinations involving the various companies of the Group.

They mainly regard:

- concessions and licences worth euro 979,044 thousand, which mainly include the value of concessions for the storage of natural gas;
- infrastructure rights worth euro 5,553,205 thousand, of which euro 5,442,372 thousand refer to Italgas, and the remainder to Terna. The item includes the value of the public-private service concession agreements relating to the development, maintenance and operation of infrastructure under concession arrangements. Under the terms of the agreements, the operator holds the right to use the infrastructure in order to provide the public service;
- customer contracts valued at euro 146,787 thousand;
- trademarks worth euro 9,636 thousand;
- technological know-how worth euro 15,600 thousand;
- software licences worth euro 212,631 thousand.

13.2 Intangible assets: changes for the year

(thousands of euros)	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening gross balance	**649,775**	**235,296**		**11,700,285**	**16,993**	**12,602,349**
A.1 Total net writedowns		(153,696)		(4,509,247)		(4,662,943)
A.2 Opening net balance	**649,775**	**81,600**		**7,191,038**	**16,993**	**7,939,406**
B. Increases	**20,539**	**70,389**		**666,528**	**558**	**758,014**
B.1 Purchases		44,687		501,479		546,166
- *of which: business combinations*		*441*				*441*
B.2 Other intangible assets: internally generated	X					
B.3 Writebacks	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences	11,140	170		7,571	558	19,439
B.6 Other changes	9,399	25,532		157,478		192,409
C. Decreases	**10,738**	**26,260**		**725,085**		**762,083**
C.1 Sales		316		8,468		8,784
- *of which: business combinations*						
C.2 Writedowns	635	25,944		489,211		515,790
- Amortisation	X	25,944		489,209		515,153
- Impairment:	635			2		637
+ equity	X					
+ income statement	635			2		637
C.3 Fair value losses:						
- equity	X					
- income statement	X					
C.4 Transfer to non-current assets held for sale				30		30
C.5 Negative exchange rate differences	2,361					2,361
C.6 Other changes	7,742			227,376		235,118
D. Closing net balance	**659,576**	**125,729**		**7,132,481**	**17,551**	**7,935,337**
D.1 Total net writedowns	(3,599)	(187,973)		(4,890,891)		(5,082,463)
E. Closing gross balance	**663,175**	**313,702**		**12,023,372**	**17,551**	**13,017,800**
F. Measurement at cost						

13.2 of which: pertaining to the Banking group

(thousands of euros)	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening balance				**27,365**		**27,365**
A.1 Total net writedowns				(21,969)		(21,969)
A.2 Opening net balance				**5,396**		**5,396**
B. Increases				**5,732**		**5,732**
B.1 Purchases				5,704		5,704
- *of which: business combinations*						
B.2 Increases in internally-generated intangible assets	X					
B.3 Writebacks	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences						
B.6 Other changes				28		28
C. Decreases				**2,524**		**2,524**
C.1 Sales						
- *of which: business combinations*						
C.2 Writedowns				2,524		2,524
- Amortisation	X			2,524		2,524
- 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						
D. Closing net balance				**8,604**		**8,604**
D.1 Total net writedowns				(25,849)		(25,849)
E. Closing gross balance				**34,453**		**34,453**
F. Measurement at cost						

13.2 of which: pertaining to the Insurance companies

(thousands of euros)	Goodwill	Other intangible assets: internally generated		Other intangible assets: internally generated		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening balance		**10,630**		**2,872**		**13,502**
A.1 Total net writedowns		(4,678)		(1,286)		(5,964)
A.2 Opening net balance		**5,952**		**1,586**		**7,538**
B. Increases		**1,204**		**1,099**		**2,303**
B.1 Purchases		1,204		1,099		2,303
- *of which: business combinations*						
B.2 Increases in internally-generated intangible assets	X					
B.3 Writebacks	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences						
B.6 Other changes						
C. Decreases		**1,408**		**650**		**2,058**
C.1 Sales						
- *of which: business combinations*						
C.2 Writedowns		1,408		624		2,032
- Amortisation	X	1,408		624		2,032
- 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				26		26
D. Closing net balance		**5,748**		**2,035**		**7,783**
D.1 Total net writedowns		(598)		(1,669)		(2,267)
E. Closing gross balance		**6,346**		**3,704**		**10,050**
F. Measurement at cost						

13.2 of which: pertaining to Other entities

(thousands of euros)	Goodwill	Other intangible assets: internally generated – Definite life	Other intangible assets: internally generated – Indefinite life	Other intangible assets: internally generated – Definite life	Other intangible assets: internally generated – Indefinite life	Total
A. Opening balance	**649,775**	**224,666**		**11,670,048**	**16,993**	**12,561,482**
A.1 Total net writedowns		(149,018)		(4,485,992)		(4,635,010)
A.2 Opening net balance	**649,775**	**75,648**		**7,184,056**	**16,993**	**7,926,472**
B. Increases	**20,539**	**69,185**		**659,697**	**558**	**749,979**
B.1 Purchases		43,483		494,676		538,159
- *of which: business combinations*		*441*				*441*
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	11,140	170		7,571	558	19,439
B.6 Other changes	9,399	25,532		157,450		192,381
C. Decreases	**10,738**	**24,852**		**721,911**		**757,501**
C.1 Sales		316		8,468		8,784
- *of which: business combinations*						
C.2 Writedowns	635	24,536		486,063		511,234
- Amortisation	X	24,536		486,061		510,597
- Impairment:	635			2		637
+ equity	X					
+ income statement	635			2		637
C.3 Fair value losses:						
- equity	X					
- income statement	X					
C.4 Transfer to non-current assets held for sale				30		30
C.5 Negative exchange rate differences	2,361					2,361
C.6 Other changes	7,742			227,350		235,092
D. Closing net balance	**659,576**	**119,981**		**7,121,842**	**17,551**	**7,918,950**
D.1 Total net writedowns	(3,599)	(187,375)		(4,863,373)		(5,054,347)
E. Closing gross balance	**663,175**	**307,356**		**11,985,215**	**17,551**	**12,973,297**
F. Measurement at cost						

Impairment testing of goodwill

Goodwill recognised in the balance sheet in the amount of euro 660 million, mainly consists of:

- euro 215 million for the Terna group;
- euro 235 million for the SNAM group;
- euro 64 million for the Italgas Group;
- the companies in the Vard group, included in the scope of consolidation in 2013, in relation to which goodwill of euro 145 million was recognised directly by the subsidiary Fincantieri.

In relation to Terna and SNAM, the CGUs to which goodwill was allocated coincide with the individual legal entities and the recoverable value is equivalent to the market value of the companies, determined on the basis of the average weighted with the volumes of the prices quoted in December.

The fair value for each of these three companies was higher than the value of their respective net assets, inclusive of the results of the purchase price allocation and goodwill.

Section 14 - Tax assets and liabilities - Item 140 of assets and item 80 of liabilities

14.1 Deferred tax assets: breakdown

(thousands of euros)	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
Deferred tax assets recognised in income statement	**293,203**	**82,937**	**854,563**	**1,230,703**	**1,309,569**
Losses carried forward	29,799		44,801	74,600	151,739
Grants			78,444	78,444	23,326
Sundry writedowns		5,434	46,011	51,445	64,369
Financial instruments		5,573	1,533	7,106	13,463
Debts	15			15	16
Dismantling and site restoration			176,141	176,141	143,949
Provisions for risks and charges	9,217	18,418	132,794	160,429	177,284
Writedowns of receivables	89,001	6,487	38,975	134,463	142,897
Property, plant and equipment/intangible assets	2,732	416	213,820	216,968	214,897
Product guarantee			9,197	9,197	8,214
Employee benefits	363		32,503	32,866	33,124
Technical provisions		27,926		27,926	106,166
Exchange differences		17,147		17,147	23,919
Other temporary differences	162,076	1,536	80,344	243,956	206,206
Deferred tax assets recognised in equity	**45,454**		**27,909**	**73,363**	**61,432**
Assets available for sale	43,338		1,379	44,717	36,629
Cash flow hedge	1,913		17,098	19,011	8,821
Other assets	203		9,432	9,635	15,982
Total	**338,657**	**82,937**	**882,472**	**1,304,066**	**1,371,001**

14.2 Deferred tax liabilities: breakdown

(thousands of euros)	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
Deferred tax liabilities recognised in income statement	**74,595**	**193,917**	**3,115,203**	**3,383,715**	**3,530,952**
Capital gains taxed in instalments			1,323	1,323	18,107
Severance pay		163	5,038	5,201	8,389
Leasing			1,311	1,311	
Property, plant and equipment		8,658	2,700,846	2,709,504	2,545,123
Own securities portfolio		3,026		3,026	3,025
Equity investments	74,332	556	40,282	115,170	127,221
Other financial instruments	83	8,710	27	8,820	10,461
Technical reserves		54,812		54,812	45,794
Exchange differences		93,472	17	93,489	109,442
Offsetting against deferred tax assets	180	24,520	366,359	391,059	663,390
Deferred tax liabilities recognised in equity	**88,280**		**4**	**88,284**	**81,173**
Assets available for sale	75,746		4	75,750	71,637
Other liabilities	12,534			12,354	9,536
Total	**162,875**	**193,917**	**3,115,207**	**3,471,999**	**3,612,125**

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

(thousands of euros)	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
1. Opening balance	**293,026**	**223,954**	**792,589**	**1,309,569**	**1,203,728**
2. Increases	**82,769**	**5,335**	**120,897**	**209,001**	**301,493**
2.1 Deferred tax assets recognised during the year:	77,275	5,335	75,900	158,510	213,258
a) in respect of previous periods					133
b) due to change in accounting policies					
c) writebacks					
d) other	77,275	5,335	75,900	158,510	213,125
2.2 New taxes or increases in tax rates			2,304	2,304	16,756
2.3 Other increases	5,494		42,693	48,187	71,479
2.4 Business combinations					
3. Decreases	**82,592**	**146,352**	**58,923**	**287,867**	**195,652**
3.1 Deferred tax assets derecognised during the year:	35,046	72,138	54,742	161,926	61,918
a) reversals	34,560	70,199	54,664	159,423	57,975
b) writedowns for supervening non-recoverability					
c) due to change in accounting policies					
d) other	486	1,939	78	2,503	3,943
3.2 Reduction in tax rates	12	68,721	3,077	71,810	88,020
3.3 Other decreases:	47,534	5,493	1,104	54,131	45,714
a) transformation in tax credits under Law 214/2011					
b) other	47,534	5,493	1,104	54,131	45,714
3.4 Business combinations					
4. Closing balance	**293,203**	**82,937**	**854,563**	**1,230,703**	**1,309,569**

14.4 Change in deferred tax liabilities (recognised in the income statement)

(thousands of euros)	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
1. Opening balance	**92,114**	**202,086**	**3,236,752**	**3,530,952**	**4,108,955**
2. Increases	**16,578**	**26,065**	**87,027**	**129,670**	**124,292**
2.1 Deferred tax liabilities recognised during the year:	16,453	10,293	42,384	69,130	99,199
a) in respect of previous periods					
b) due to change in accounting policies					
c) altre	16,453	10,293	42,384	69,130	99,199
2.2 New taxes or increases in tax rates		15,772	2,693	18,465	22
2.3 Other increases	125		41,950	42,075	25,071
2.4 Business combinations					
3. Decreases	**34,097**	**34,234**	**208,576**	**276,907**	**702,295**
3.1 Deferred tax liabilities derecognised during the year:	34,097	22,778	197,841	254,716	473,191
a) reversals	34,097	22,778	170,148	227,023	420,902
b) due to change in accounting policies					
c) altre			27,693	27,693	52,289
3.2 Reduction in tax rates		11,331	29	11,360	187,273
3.3 Other decreases		125	10,706	10,831	41,831
3.4 Business combinations					
4. Closing balance	**74,595**	**193,917**	**3,115,203**	**3,383,715**	**3,530,952**

14.5 Changes in deferred tax assets (recognised in equity)

(thousands of euros)	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
1. Opening balance	**40,080**	**11**	**21,341**	**61,432**	**65,108**
2. Increases	**60,084**		**11,249**	**71,333**	**11,869**
2.1 Deferred tax assets recognised during the year:	60,073		3,283	63,356	11,653
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	60,073		3,283	63,356	11,653
2.2 New taxes or increases in tax rates					
2.3 Other increases	11		7,966	7,977	216
2.4 Business combinations					
3. Decreases	**54,710**	**11**	**4,681**	**59,402**	**15,545**
3.1 Deferred tax assets derecognised during the year:	54,709			54,709	5,376
a) reversals	54,708			54,708	5,376
b) writedowns for supervening non-recoverability					
c) due to change in accounting policies					
d) other	1			1	
3.2 Reduction in tax rates	1		129	130	1,152
3.3 Other decreases		11	4,552	4,563	9,017
3.4 Business combinations					
4. Closing balance	**45,454**		**27,909**	**73,363**	**61,432**

14.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euros)	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
1. Opening balance	**75,585**		**5,588**	**81,173**	**140,698**
2. Increases	**38,584**		**731**	**39,315**	**24,919**
2.1 Deferred tax liabilities recognised during the year:	38,584		38	38,622	23,513
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	38,584		38	38,622	23,513
2.2 New taxes or increases in tax rates					
2.3 Other increases			693	693	1,406
2.4 Business combinations					
3. Decreases	**25,889**		**6,315**	**32,204**	**84,444**
3.1 Deferred tax liabilities derecognised during the year:	25,889		6,298	32,187	84,349
a) reversals	25,889		6,298	32,187	84,349
b) due to change in accounting policies					
c) other					
3.2 Reduction in tax rates					
3.3 Other decreases			17	17	95
3.4 Business combinations					
4. Closing balance	**88,280**		**4**	**88,284**	**81,173**

Section 15 - Non-current assets and disposal groups held for sale and associated liabilities - Item 150 of the assets and item 90 of the liabilities

15.1 Non-current assets and disposal groups: breakdown by category

(thousands of euros)	31/12/2016	31/12/2015
A. Individual assets		
A.1 Financial assets	533	
A.2 Equity investments		
A3 Property, plant and equipment	185	24,479
A4 Intangible assets	30	
A.5 Other non-current assets	5,781	
Total A	6,529	24,479
- *of which carried at cost*	*6,529*	*24,479*
- *of which designated at fair value – Level 1*		
- *of which designated at fair value – Level 2*		
- *of which designated at fair value – Level 3*		
B. Groups of assets (discontinued operations)		
B.1 Financial assets held for trading	13,196	
B.2 Financial assets at fair value		
B.3 Financial assets available for sale		
B.4 Financial assets held to maturity		
B.5 Loans to banks	2,548	
B.6 Loans to customers		
B.7 Equity investments	339,633	
B.8 Property, plant and equipment	24,949	
B.9 Intangible assets		
B.10 Other assets	9	
Total B	380,335	
- *of which carried at cost*	*342,190*	
- *of which designated at fair value – Level 1*		
- *of which designated at fair value – Level 2*		
- *of which designated at fair value – Level 3*	*38,145*	
C. Liabilities associated with individual assets held for sale		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities	5,103	6,782
Total C	5,103	6,782
- *of which carried at cost*	*5,103*	*6,782*
- *of which designated at fair value – Level 1*		
- *of which designated at fair value – Level 2*		
- *of which designated at fair value – Level 3*		
D. Liabilities associated with disposal groups held for sale		
D.1 Due to banks	63,020	
D.2 Due to customers		
D.3 Securities issued		
D.4 Financial liabilities held for trading	441	
D.5 Financial liabilities at fair value		
D.6 Provisions	5,970	
D.7 Other liabilities	23	
Total D	69,454	
- *of which carried at cost*	*63,043*	
- *of which designated at fair value – Level 1*		
- *of which designated at fair value – Level 2*		
- *of which designated at fair value – Level 3*	*6,411*	

15.2 Other information

On 15 September 2016 the investee FSI Investimenti entered into a preliminary agreement for the sale of a 30% stake in FSIA Investimenti (an entity that owns 49.5% of the share capital and voting shares of SIA S.p.A.) to Poste Italiane S.p.A. ("Poste") for a price of about euro 278 million, of which about euro 223 million paid at the closing and the remainder, amounting to about euro 55 million, to be paid in 2018.

The transaction was completed on 15 February 2017, upon satisfaction of the conditions precedent, such as obtaining a waiver from the lending banks and applicable antitrust authorisations. In accordance with IFRS 5, paragraph 15, the assets and liabilities of FSIA, including the equity investment in SIA, have been classified as assets and liabilities held for sale.

Section 16 - Other assets - Item 160

16.1 Other assets: breakdown

(thousands of euros)	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
Payments on account for withholding tax on postal passbooks	102,949			102,949	205,550
Other tax receivables	29	4,137	132,662	136,828	207,604
Leasehold improvements			6,606	6,606	7,445
Receivables due from investees	119		105,076	105,195	146,324
Trade receivables and advances to public entities	4,729		24,104	28,833	39,369
Construction contracts			1,409,094	1,409,094	2,601,435
Advances to suppliers	639	849	175,535	177,023	146,754
Inventories		19	2,388,694	2,388,713	2,378,406
Advances to personnel	19	1,093	13,258	14,370	15,495
Other trade receivables	91	109,083	4,321,056	4,430,230	3,732,664
Other items	15,286	4,299	259,071	278,656	474,095
Accrued income and prepaid expenses	2,604	1,594	218,281	222,479	223,094
Total	**126,465**	**121,074**	**9,053,437**	**9,300,976**	**10,178,235**

The item includes assets that are not classified under the previous items.

The most significant amounts refer to:

- trade receivables for euro 4,430 million, referred mainly to SNAM for euro 1,240 million, Terna for euro 1,414 million, Fincantieri for euro 1,030 million, Italgas for 561 million and SACE for euro 109 million;
- contract work in progress for euro 1,409 million, mainly regarding the shipbuilding activities of Fincantieri;
- inventories of semi-finished goods and work in progress in the amount of euro 2,389 million, which include:
  - mandatory gas reserves, kept at its storage sites by the subsidiary Stogit;
  - the assets for sale represented by real estate and owned by CDP Immobiliare and FIV Extra for, respectively, euro 736 and euro 689 million;
  - the semi-finished goods inventories of the Fincantieri Group, amounting to about euro 421 million.

Liabilities

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by type

(thousands of euros)

Type of operations/Components of group	31/12/2016	31/12/2015
1. Due to central banks	2,474,850	4,677,343
2. Due to banks	23,217,365	18,845,196
2.1 Current accounts and demand deposits	1,649,589	1,504,677
2.2 Fixed-term deposits	2,113,843	2,362,513
2.3 Loans:	19,116,966	14,753,833
2.3.1 Repurchase agreements	4,977,383	2,270,553
2.3.2 Other	14,139,583	12,483,280
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.5 Other payables	336,967	224,173
Total	**25,692,215**	**23,522,539**
Fair value - Level 1		
Fair value - Level 2		
Fair value - Level 3	25,610,104	22,215,986
Total fair value	**25,610,104**	**22,215,986**

The amounts “Due to central banks”, which refer exclusively to the Parent Company, CDP, relate to the credit facilities granted by the ECB. They appear to have decreased when compared with the previous year (-euro 2,202 million), inter alia due to substitution of this type of funding (at a 0% rate on standard transactions and on the TLTRO credit facility), with the most economical funding currently available for CDP at negative rates.

Fixed-term deposits held by the Parent Company, mainly consist of:
- the balance of passbook savings accounts and postal savings bonds held by banks (approximately euro 1,286 million);
- the amounts referred to Credit Support Annex contracts to hedge counterparty risk on derivative contracts (approximately euro 441 million);
- liabilities for interbank deposits (euro 387 million).

Loans payable refer mainly to:
- repurchase agreements (around euro 4,977 million) and loans received from the EIB (around euro 4,921 million), with respect to the Parent Company;
- loans granted by the banking system to SNAM for approximately euro 1,982 million, Terna for approximately euro 1,636 million, Fincantieri for euro 977 million and Italgas euro 3,405 million.

1.2 Details of item 10 “Due to banks”: subordinated debts

At 31 December 2016, there were no subordinated debts due to banks.

1.3 Details of item 10 “Due to banks”: structured debts

The structured debts to banks totalled about euro 496 thousand at 31 December 2016 and are represented by postal savings bonds indexed to equity baskets from which the embedded derivative has been separated.

1.4 Due to banks: liabilities hedged specifically

(thousands of euros)	31/12/2016	31/12/2015
1. Liabilities covered by specific fair value hedges		
a) Interest rate risk		
b) Exchange rate risk		
c) Multiple risks		
2. Liabilities covered by specific cash flow hedges	**2,071,955**	**2,577,436**
a) Interest rate risk	2,071,955	2,577,436
b) Exchange rate risk		
c) Other		
Total	**2,071,955**	**2,577,436**

Section 2 - Due to customers - Item 20

2.1 Loans to customers: breakdown by type

(thousands of euros) Type of operations/Components of group	31/12/2016	31/12/2015
1. Current accounts and demand deposits	359,000	6,405
2. Fixed-term deposits	282,416,933	281,160,407
3. Loans:	14,171,458	4,857,573
3.1 Repurchase agreements	13,718,223	4,409,596
3.2 Other	453,235	447,977
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	5,242,152	5,775,860
Total	**302,189,543**	**291,800,245**
Fair value - Level 1		
Fair value - Level 2		17,809
Fair value - Level 3	302,190,231	291,782,335
Total fair value	**302,190,231**	**291,800,144**

Loans to customers consist mainly of fixed-term deposits, which include:
- the balance of passbook savings accounts, equal to euro 118.8 billion, and postal savings bonds, equal to euro 131 billion, issued by the Parent Company;
- the balance of the liquidity management transactions of MEF, totalling about euro 33 billion.

Other payables mainly regard amounts not yet disbursed at the end of the year on loans being repaid granted by the Parent Company to public entities and public-law bodies, for about euro 5 billion.

For the part relating to postal savings bonds issued by the Parent Company, the fair value reported above is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium (spread) in line with that on medium/long-term government securities. The application of these valuation techniques would lead to a fair value greater than the carrying amount in cases where the rates paid to savers are higher than market rates, when also taking into account early redemption options.

The net effect of these differences may fully or partially offset the positive differences recognised between the fair value and the carrying amount of loans.

However, the fair value assessments based on a combination of statistical predictions on redemptions and technical assessment of the options, are not very reliable due to the uncertainty affecting market conditions at 31 December 2016. These elements are represented by the high percentage impact of credit spreads on overall interest rates, given that interest rates, net of credit spreads, are very low and for many maturities even negative. Taking into account the considerable uncertainty about redemption forecasts in the presence of these conditions, it was decided that the best estimate of the fair value of postal savings bonds is their carrying amount.

2.2 Breakdown of item 20 “Due to customers”: subordinated debts

At 31 December 2016, there were no subordinated debts due to customers.

2.3 Breakdown of item 20 “Due to customers”: structured debts

Structured debts at 31 December 2016 refer to the Parent Company and amount to around euro 6,569 million. They consist of postal saving bonds index-linked to baskets of shares for which the embedded derivative classified as a financial liability held for trading has been separated.

2.4 Due to customers: liabilities hedged specifically

(thousands of euros)	31/12/2016	31/12/2015
1. Liabilities covered by specific fair value hedges		
a) Interest rate risk		
b) Exchange rate risk		
c) Multiple risks		
2. Liabilities covered by specific cash flow hedges	**355,960**	**449,231**
a) Interest rate risk	355,960	449,231
b) Exchange rate risk		
c) Other		
Total	**355,960**	**449,231**

Amounts due to customers covered by specific cash flow hedges refer to part of the inflation-linked postal savings bonds issued by the Parent Company and subject to cash flow hedge.

2.5 Due to customers for finance leases

(thousands of euros)	Discounted value of minimum payments
Up to 3 months	
From 3 months to 1 year	411
From 1 year to 5 years	517
More than 5 years	
Present value of minimum payments gross/net	**928**

SECTION 3 - SECURITIES ISSUED - ITEM 30

3.1 Securities issued: breakdown by type

	31/12/2016				31/12/2015			
	Carrying amount	Fair value			Carrying amount	Fair value		
(thousands of euros)		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	28,067,752	16,517,395	12,371,491		29,906,440	18,226,688	12,948,668	
1.1 Structured	51,333		46,215		51,212		51,748	
1.2 Other	28,016,419	16,517,395	12,325,276		29,855,228	18,226,688	12,896,920	
2. Other securities	40,015		40,015		179,919		179,919	
2.1 Structured								
2.2 Other	40,015		40,015		179,919		179,919	
Total	**28,107,767**	**16,517,395**	**12,411,506**		**30,086,359**	**18,226,688**	**13,128,587**	

3.1 of which: pertaining to the Banking group

(thousands of euros)	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3	31/12/2015 Carrying amount	31/12/2015 Fair value Level 1	31/12/2015 Fair value Level 2	31/12/2015 Fair value Level 3
A. Securities								
1. Bonds	11,897,826		12,216,723		12,323,428		12,789,676	
1.1 Structured	51,333		46,215		51,212		51,748	
1.2 Other	11,846,493		12,170,508		12,272,216		12,737,928	
2. Other securities	40,015		40,015		179,919		179,919	
2.1 Structured								
2.2 Other	40,015		40,015		179,919		179,919	
Total	**11,937,841**		**12,256,738**		**12,503,347**		**12,969,595**	

With respect to the Banking group, the balance of securities issued at 31 December 2016 refers to the Parent Company and includes:

- bonds issued under the “Euro Medium Term Notes” programme for euro 9,008 million. During the year new issues were made under this programme for a total nominal value of euro 320 million, (of which euro 70 million as part of the Separate Account and euro 250 million as part of the Ordinary Account);
- the first bond for retail investors issued in March 2015 for euro 1.5 billion, with a view to diversifying the source of funding for the development of public interest projects (fully part of the Separate Account);
- the two bonds issued in December 2015, guaranteed by the Italian State, fully underwritten by Poste Italiane S.p.A., for a total amount of euro 1,517 million (fully part of the Separate Account);
- the stock of commercial paper for a book value of about euro 40 million, in the “Multi-Currency Commercial Paper Programme”.

3.1 of which: pertaining to the Insurance companies

(thousands of euros)	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3	31/12/2015 Carrying amount	31/12/2015 Fair value Level 1	31/12/2015 Fair value Level 2	31/12/2015 Fair value Level 3
A. Securities								
1. Bonds	531,533	496,283			531,733	503,369		
1.1 Structured								
1.2 Other	531,533	496,283			531,733	503,369		
2. Other securities								
2.1 Structured								
2.2 Other								
Total	**531,533**	**496,283**			**531,733**	**503,369**		

Securities issued pertaining to the Insurance companies refer to SACE’s subordinate bond issues placed with institutional investors, 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 date.

3.1 of which: pertaining to Other entities

(thousands of euros)	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3	31/12/2015 Carrying amount	31/12/2015 Fair value Level 1	31/12/2015 Fair value Level 2	31/12/2015 Fair value Level 3
A. Securities								
1. Bonds	15,638,393	16,021,112	154,768		17,051,279	17,723,319	158,992	
1.1 Structured								
1.2 Other	15,638,393	16,021,112	154,768		17,051,279	17,723,319	158,992	
2. Other securities								
2.1 Structured								
2.2 Other								
Total	**15,638,393**	**16,021,112**	**154,768**		**17,051,279**	**17,723,319**	**158,992**	

Securities issued by other entities mainly refer to the bond placements by SNAM and Terna on active markets (Level 1), amounting to euro 7,610 million and euro 7,314 million, respectively.

3.2 Breakdown of item 30 "Securities issued": subordinated securities

At 31 December 2016 subordinated securities issued, for a total amount of euro 532 million, related to issues of the Insurance companies previously referred to.

3.3 Breakdown of item 30 "Securities issued": securities hedged specifically

(thousands of euros)	31/12/2016	31/12/2015
1. Securities covered by specific fair value hedges	**13,183,758**	**19,107,405**
a) Interest rate risk	13,183,758	19,107,405
b) Exchange rate risk		
c) Multiple risks		
2. Securities covered by specific cash flow hedges	**80,958**	**76,448**
a) Interest rate risk		
b) Exchange rate risk	80,958	76,448
c) Altro		
Total	**13,264,716**	**19,183,853**

SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 40

4.1 Financial liabilities held for trading: breakdown by type

(thousands of euros)	31/12/2016					31/12/2015				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
Type of operations/Components of group		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			184,304	104,743				136,777	103,822	
1.1 Trading	X		111,652	5,697	X	X		68,409		X
1.2 Associated with fair value option	X				X	X				X
1.3 Other	X		72,652	99,046	X	X		68,368	103,822	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		184,304	104,743	X	X		136,777	103,822	X
Total (A + B)	**X**		**184,304**	**104,743**	**X**	**X**		**136,777**	**103,822**	**X**

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

The item mainly includes:
- the value of the optional component of bonds linked to baskets of shares that were separated from the host contract (approximately euro 99 million), issued by the Parent Company;
- the negative fair value of interest rate swaps (around euro 72.6 million) recorded in the Parent Company consolidated financial statements;
- the derivatives of SACE (mainly currency forward purchase/sale contracts) for euro 87.2 million.
- the fair value earn-out liability, euro 12.4 million, related to the investment in Open Fiber made by the subsidiary CDPE during 2016.

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedge and hierarchical levels

	Fair value 31/12/2016			Nominal value 31/12/2016	Fair value 31/12/2015			Nominal value 31/12/2015
(thousands of euros)	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives		**970,235**		**18,754,572**		**960,045**	**41,960**	**11,982,264**
1) Fair value		847,333		13,146,459		877,690		7,653,386
2) Cash flow		122,902		5,608,113		82,355	41,960	4,328,878
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**970,235**		**18,754,572**		**960,045**	**41,960**	**11,982,264**

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

	Fair value						Cash flow		Investment in foreign operation
	Specific					Generic	Specific	Generic	
(thousands of euros) Transactions/Type of hedging	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale						X		X	X
2. Loans	788,218			X	5,179	X		X	X
3. Financial assets held to maturity	X			X		X		X	X
4. Portfolio	X	X	X	X	X		X		X
5. Other		49,361				X	69,035	X	
Total assets	**788,218**	**49,361**			**5,179**		**69,035**		
1. Financial liabilities	4,575			X		X	53,867	X	X
2. Portfolio	X	X	X	X	X		X		X
Total liabilities	**4,575**						**53,867**		
1. Forecast transactions	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X		X		

Section 7 - Adjustment of financial liabilities hedged generically - Item 70

7.1 Value adjustments of hedged financial liabilities

(thousands of euros) Adjustment of hedged liabilities/Components of the group	31/12/2016	31/12/2015
1. Positive adjustments of financial liabilities	38,206	43,273
2. Negative adjustments of financial liabilities		
Total	**38,206**	**43,273**

7.2 Liabilities hedged generically against interest rate risk: breakdown

This item reports the net change in the value of the postal savings bonds portfolio hedged generically against interest rate risk. The hedging relationship was interrupted in 2009 in view of the closure of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of the validity of the hedging relationship, was subsequently accounted for on the basis of the amortised cost of the originally hedged postal savings bonds.

Section 8 - Tax liabilities - Item 80

For more information concerning this item, please see Section 14 of "Assets".

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

(thousands of euros) Type of transactions/Amounts	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
Items being processed	10,148			10,148	18,837
Amounts due to employees	4,428	1,883	108,717	115,028	125,446
Charges for postal funding service	363,975			363,975	396,696
Tax payables	191,059	2,535	55,138	248,732	444,578
Construction contracts			785,249	785,249	699,054
Trade payables	26,617	83,657	4,436,142	4,546,416	4,212,771
Due to social security institutions	4,193	2,470	90,409	97,072	100,479
Write-downs of guarantees and commitments	167,563			167,563	64,851
Accrued expenses and deferred income	2,665	8	334,175	336,848	370,553
Other items of insurance companies		17,476		17,476	18,313
- Due to insured for recovered amounts					8
- Liabilities for premiums to be reimbursed		17,441		17,441	18,272
- Premium deposits					
- Processing expenses		35		35	33
Collections from factoring being processed	13,342			13,342	72,467
Other	64,220	22,093	1,263,150	1,349,463	1,509,630
Total	**848,210**	**130,122**	**7,072,980**	**8,051,312**	**8,033,675**

The item reports other liabilities not otherwise classified under the previous items and is analysed as follows.

For the Banking group, the main items under this heading are:

- the payable to Poste Italiane of about euro 364 million, relating to the portion of commissions due in respect of the postal savings funding service not yet paid at the reporting date;
- tax payables totalling about euro 191 million, mainly regarding the tax on interest paid on postal savings products.

With regard to Other group entities, the item mainly regards:

- trade payables for about euro 4 billion, mainly related to Terna (about euro 2.3 billion), Fincantieri (about euro 1.3 billion), SNAM (about euro 0.4 billion), and Italgas (about euro 0.4 billion);
- other SNAM items for approximately euro 1 billion, referred to payables for investing activities for euro 384 million and liabilities towards Cassa per i Servizi Energetici e Ambientali for euro 381 million. The latter mainly refer to accessory tariff components pertaining to natural gas transportation and distribution activities.

Section 11 - Staff severance pay - Item 110

11.1 Staff severance pay: change for the year

(thousands of euros)	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
A. Opening balance	**1,276**	**6,302**	**220,024**	**227,602**	**262,480**
B. Increases	**201**	**501**	**18,747**	**19,449**	**11,584**
B.1 Provision for the year	137	501	5,225	5,863	5,599
B.2 Other increases	64		13,522	13,586	5,985
C. Decreases	**32**	**1,341**	**15,049**	**16,422**	**46,462**
C.1 Severance payments	15	974	8,084	9,073	28,661
C.2 Other increases	17	367	6,965	7,349	17,801
D. Closing balance	**1,445**	**5,462**	**223,722**	**230,629**	**227,602**

Section 12 - Provisions - Item 120

12.1 Provisions: composition

(thousands of euros) Items/Components	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
1. Company pension plans					
2. Other provisions	**44,937**	**154,240**	**2,520,081**	**2,719,258**	**2,623,115**
2.1 Legal disputes	22,999	3,023	246,956	272,978	742,958
2.2 Staff costs	17,831	8,131	166,112	192,074	195,640
2.3 Other	4,107	143,086	2,107,013	2,254,206	1,684,517
Total	**44,937**	**154,240**	**2,520,081**	**2,719,258**	**2,623,115**

12.2 Provisions: changes for the year

(thousands of euros) Items/Components	Banking group		Insurance companies		Other entities		31/12/2016	
	Pensions provisions	Other provisions	Pensions provisions	Other provisions	Pensions provisions	Other provisions	Pensions provisions	Other provisions
A. Opening balance		**39,780**		**228,218**		**2,355,117**		**2,623,115**
B. Increases		**16,812**		**9,416**		**457,426**		**483,654**
B.1 Provision for the year		2,954		8,421		278,775		290,150
B.2 Changes due to passage of time		33				15,452		15,485
B.3 Changes due to changes in discount rate						120,682		120,682
B.4 Other increases		13,825		995		42,517		57,337
C. Decreases		**12,254**		**82,795**		**292,462**		**387,511**
C.1 Use during the year		10,759		82,795		191,493		285,047
C.2 Changes due to changes in discount rate								
C.3 Other decreases		1,495				100,969		102,464
D. Closing balance		**44,338**		**154,839**		**2,520,081**		**2,719,258**

12.4 Provisions - Other provisions

(thousands of euros) Items/Values	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
2. Other provisions	**44,937**	**154,240**	**2,520,081**	**2,719,258**	**2,623,115**
2.1 Legal disputes	22,999	3,023	246,956	272,978	742,958
2.2 Staff costs:	17,831	8,131	166,112	192,074	195,640
- early retirement			81,410	81,410	40,791
- loyalty bonus			4,525	4,525	4,169
- electricity discount			28,847	28,847	33,709
- other	17,831	8,131	51,330	77,292	116,971
2.3 Other	4,107	143,086	2,107,013	2,254,206	1,684,517

The accruals included in 2.3 “Other risks and charges”, totalling approximately euro 2,254 million at 31 December 2016, consist principally:

- of approximately euro 629 million in provisions for the dismantling and reclamation of sites, recorded mainly for liabilities that are likely to be incurred to remove the structures and reclaim natural gas storage and transportation sites;
- of about euro 314 million in provisions for the reclamation and conservation of property sites, 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 about euro 57 million in potential liabilities for contractual guarantees issued to customers in line with market practices and conditions;
- for approximately euro 53 million in tax disputes.

Section 13 - Technical provisions - Item 130

13.1 Technical provisions: breakdown

(thousands of euros)	Direct business	Indirect business	Total 31/12/2016	Total 31/12/2015
A. Non-life insurance	**2,691,860**	**102,206**	**2,794,066**	**2,806,699**
A.1 Provision for unearned premiums	2,081,663	96,928	2,178,591	2,096,492
A.2 Provision for outstanding claims	609,211	5,278	614,489	709,202
A.3 Other	986		986	1,005
B. Life insurance				
B.1 Mathematical reserves				
B.2 Provision for claims outstanding				
B.3 Other				
C. Technical provisions where the investment risk is borne by the insured				
C.1 Reserves for contracts whose benefits are linked to investment funds and market indices				
C.2 Reserves from the operation of pension funds				
D. Total technical provisions	**2,691,860**	**102,206**	**2,794,066**	**2,806,699**

13.2 Technical provisions: changes for the year

(thousands of euros)	31/12/2016	31/12/2015
A. Non-life insurance	**2,794,066**	**2,806,699**
Opening balance	2,806,699	2,294,435
Business combinations		
Change in reserve (+/-)	(12,633)	512,264
B. Life insurance and other technical provisions		
Opening balance		
Business combinations		
Change in premiums		
Change in payments		
Change in income and other bonuses paid to policy holders (+/-)		
Change in exchange rate (+/-)		
Change in other technical reserves (+/-)		
C. Total technical provisions	**2,794,066**	**2,806,699**

SECTION 15 - GROUP EQUITY - ITEMS 140, 170, 180, 190, 210 AND 220

15.1 "Share capital" and "Treasury shares": breakdown

The share capital of the Parent Company of euro 4,051,143,264 at 31 December 2016 is fully paid up and is composed of 342,430,912 ordinary shares, without par value.

On 20 October 2016, the capital increase of CDP reserved to the Ministry of Economy and Finance (MEF) was subscribed for euro 2,930,257,785, including the share premium. The transaction had been approved by the shareholders of CDP at their extraordinary meeting on 24 June 2016. The capital increase was released with MEF transferring a 35% stake in the share capital of Poste Italiane S.p.A. to CDP.

In detail, the share capital of CDP has risen from euro 3,500,000,000 to euro 4,051,143,264, with a change of euro 551,143,264, to which are added euro 2,379,114,521 as the share premium (euro 2,378,517,244 net of costs and related tax benefits that are directly allocable to the transaction). The newly issued 45,980,912 ordinary shares of CDP have been subscribed and released by MEF through the transfer of 457,138,500 ordinary shares in Poste Italiane S.p.A., representing 35% of the share capital. The equity investment in Poste Italiane S.p.A. has been assigned to the Separate Accounts of CDP, while MEF continues to set the policy and manage that equity investment.

As a result of the transaction, the equity interest of MEF in CDP rose from 80.1% to 82.8% of the share capital.

At 31 December 2016 the Parent Company held treasury shares with a value of euro 57,220,116.

15.2 Share capital - Number of shares of the Parent Company: changes for the year

Items/Type	Ordinary	Other
A. Shares at start of the year	**296,450,000**	
- fully paid	296,450,000	
- partly paid		
A.1 Treasury shares (-)	(4,451,160)	
A.2 Shares in circulation: opening balance	**291,998,840**	
B. Increases	**45,980,912**	
B.1 New issues	45,980,912	
- For consideration:	45,980,912	
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other	45,980,912	
- 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		

15.4 Income reserves: additional information

(thousands of euros) Items/Type	31/12/2016	31/12/2015
Income reserves	**13,636,068**	**16,825,996**
Legal reserve	700,000	700,000
Other reserves	12,936,068	16,125,996

Section 16 - Non-controlling interests - Item 210

16.1 Detail of item 210 "Non-controlling interests"

(thousands of euros) Company name	31/12/2016	31/12/2015
Equity investments in consolidated companies with significant minority interests		
1. Terna S.p.A.	3,212,064	3,070,998
2. SNAM S.p.A.	6,507,659	7,952,746
3. Italgas S.p.A.	1,169,514	
Other equity investments	2,261,909	3,330,719
Total	**13,151,146**	**14,354,463**

During the year, the subsidiary SNAM exited the natural gas distribution sector, through a series of corporate actions, with the assignment to its shareholders of the majority of the shares held in Italgas. This transaction did not have any impact on the scope of consolidation, because it was established that de facto control, in accordance with IFRS 10, had still been maintained after the assignment. For accounting purposes, the transaction was represented as a transaction between companies subject to joint control and did not result in any changes in the contribution from SNAM and Italgas to the non controlling interest.

Other information

1. Guarantees issued and commitments

(thousands of euros) Transactions	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
1) Financial guarantees issued	**2,461,507**		**14,605**	2,476,112	**2,395,519**
a) Banks	1,546,736			1,546,736	1,550,000
b) Customers	914,771		14,605	929,376	845,519
2) Commercial guarantees issued	**49,335**		**219,105**	268,440	**125,495**
a) Banks			122,630	122,630	125,495
b) Customers	49,335		96,475	145,810	
3) Irrevocable commitments to disburse funds	**14,186,000**		**3,003**	14,189,003	**18,253,748**
a) Banks:	125,834			125,834	413,979
i) certain use	125,834			125,834	413,979
ii) uncertain use					
b) Customers:	14,060,166		3,003	14,063,169	17,839,769
i) certain use	14,001,462		3,003	14,004,465	17,807,634
ii) uncertain use	58,704			58,704	32,135
4) Commitments underlying credit derivatives: sales of protection					
5) Assets pledged as collateral for third-party debts					
6) Other commitments	**2,581,998**		**3,155,976**	**5,737,974**	**4,328,329**
Total	**19,278,840**		**3,392,689**	**22,671,529**	**25,103,091**

2. Assets pledged as collateral for own debts and commitments

(thousands of euros) Portfolios	Banking group	Other entities	31/12/2016	31/12/2015
1. Financial assets held for trading				
2. Financial assets at fair value				
3. Financial assets available for sale	1,584,400		1,584,400	766,000
4. Financial assets held to maturity	20,774,500		20,774,500	14,518,000
5. Loans to banks	1,074,943		1,074,943	1,035,836
6. Loans to customers	42,519,976		42,519,976	39,862,303
7. Property, plant and equipment		268,316	268,316	226,414
8. Other assets		447,126	447,126	488,056

The assets pledged as collateral for debts of the Banking group refer to the Parent Company and are mainly represented by receivables and securities pledged as collateral in refinancing operations with the ECB. The remainder are securities in repurchase agreements used for funding and receivables pledged as security for loans from the EIB and KfW.
The other assets posted as collateral derive from the contribution by CDP Immobiliare and mainly refer to the first mortgage on the former Poligrafico building on Piazza Verdi in Rome, as collateral for the associated bank loan.

3. Information on operating leases

(thousands of euros)	31/12/2016	31/12/2015
Information from lessee perspective		
Future non-cancellable operating lease payments	**75,412**	**87,019**
Up to 3 months		
From 3 months to 1 year	16,513	20,317
From 1 year to 5 years	36,604	40,784
More than 5 years	22,295	25,918
Information from lessor perspective		
Future non-cancellable operating lease payments		
Up to 3 months		
From 3 months to 1 year		
From 1 year to 5 years		
More than 5 years		

5. Management and intermediation services on behalf of third parties

(thousands of euros) Type of service	31/12/2016
1. Order execution on behalf of customers	
a) Purchases:	
1. settled	
2. not yet settled	
b) Sales:	
1. regolate	
2. not yet settled	
2. Asset management	
a) Individual	
b) Collective	672,326
3. Securities custody and administration	
a) Third-party securities held as part of depository bank services (excluding asset management):	
1. securities issued by consolidated companies	
2. other securities	
b) Other third-party securities on deposit (excluding asset management) - other:	1,054,746
1. securities issued by consolidated companies	
2. other securities	1,054,746
c) Third-party securities deposited with third parties	1,054,746
d) Own securities portfolio deposited with third parties	164,185,319
4. Other	**95,451,822**
Management on behalf of third parties in separate accounts on the basis of specific argreements:	
- Postal savings bonds managed on behalf of MEF (1)	69,841,317
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	6,573,224
- Payment PA payable - Decree Law 8 April 2013, no. 35 (3)	6,302,146
- Funds for Approved and Subsidised Residential Building initiatives (4)	2,827,898
- Funds for Regional Agreements and Area Contracts - Law 662/96, Article 2, paragraph 203 (4)	529,575
- Funds of Public Entities and Other Entities deposited pursuant to Legislative Decree 1058/1919 and Law no. 1041/1971 (4)	910,609
- Kyoto Fund (3)	627,669
- Funds for Methanisation of Southern Italy - Law 784/80, Law 266/97 and Law 73/98 (4)	204,579
- MIUR Student Accomodation - Law 388/00 (4)	90,918
- Minimum Environmental Impact Fund (4)	28,116
- Residential Construction Mortgages - Law 179/92 Article 5 (2)	11
- Contributions Fund pursuant to Law 295/73 c/o SIMEST (5)	2,211,105
- Revolving Fund pursuant to Law 394/81 c/o SIMEST (5)	712,098
- Revolving Fund for Venture Capital Operations (5)	229,555
- Start Up Fund (5)	4,235
- Revolving Fund for development cooperation (3)	4,103,455
- MEPLS Fund - contributions by the Ministry of Environment and Protection of the Land and See for cooperation	23,300
- Other funds (4)	232,012

(1) The figure represents the amount at the reporting date of the financial statements.
(2) The figure represents the remaining principal, at the reporting date of the financial statements, of loans managed on behalf of the MEF.
(3) The figure represents the sum of the remaining principal of the loans disbursed and the remaining funds on the dedicated current accounts, at the reporting date of the financial statements, of loans managed on behalf of the MEF.
(4) The figure represents the remaining balances of the funds on the dedicated current accounts at the reporting date of the financial statements.
(5) The figure shown relates to the total assets of the public subsidised fund.

6. Financial assets offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euros) Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities offset in balance sheet (b)	Net amount of financial assets reported in balance sheet (c = a - b)	Related amounts not offset in balance sheet		Net amount 31/12/2016 (f = c - d - e)	Net amount 31/12/2015
				Financial instruments (d)	Cash deposits received as guarantee (e)		
1. Derivatives	927,914		927,914	467,593	452,450	7,871	15,543
2. Repurchase agreements	4,548,212		4,548,212	4,548,212			
3. Securities lending							
4. Other							
Total 31/12/2016	**5,476,126**		**5,476,126**	**5,015,805**	**452,450**	**7,871**	**X**
Total 31/12/2015	**11,490,480**		**11,490,480**	**10,902,037**	**572,900**	**X**	**15,543**

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the consolidated balance sheet:

(thousands of euros) Technical forms	Balance sheet items	Net amount of financial assets shown in financial statements (c = a - b)
1. Derivatives		927,914
	20. Financial assets held for trading	194,641
	80. Hedging derivatives	733,273
2. Repurchase agreements		4,548,212
	60. Due to banks	510,560
	70. Due to customers	4,037,652
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 euros) Technical forms	Gross amount of financial liabilities (a)	Amount of financial assets offset in balance sheet (b)	Net amount of financial liabilities reported in balance sheet (c = a - b)	Related amounts not offset in balance sheet		Net amount 31/12/2016 (f = c - d - e)	Net amount 31/12/2015
				Financial instruments (d)	Cash deposits pledged (e)		
1. Derivatives	927,722		927,722	467,593	413,261	46,868	407
2. Repurchase agreements	18,695,605		18,695,605	18,641,679	53,926		
3. Securities lending							
4. Other transactions							
Total 31/12/2016	**19,623,327**		**19,623,327**	**19,109,272**	**467,187**	**46,868**	**X**
Total 31/12/2015	**7,291,600**		**7,291,600**	**6,961,971**	**329,222**	**X**	**407**

The table below shows the allocation of the amounts shown in column c) of the table above, in the relevant items of the consolidated balance sheet:

(thousands of euros) Technical forms	Balance sheet items	Net amount of financial liabilities shown in financial statements (c = a - b)
1. Derivatives		927,722
	10. Due to banks	
	20. Due to customers	
	40. Financial liabilities held for trading	84,240
	60. Hedging derivatives	843,482
2. Repurchase agreements		18,695,605
	60. Due to banks	4,977,382
	70. Due to customers	13,718,223
3. Securities lending		
4. Other transactions		

For details of the valuation criteria used for the financial liabilities shown in the table above, see Part A of the Accounting Policies.

PART C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar income: breakdown

(thousands of euros) Items/Technical forms	Debt securities	Loans	Other operations	31/12/2016	31/12/2015
1. Financial assets held for trading	5,118			5,118	3,425
2. Financial assets at fair value	3,012			3,012	3,004
3. Financial assets available for sale	95,085			95,085	79,001
4. Financial assets held to maturity	950,926		3	950,929	972,846
5. Loans to banks	1,105	282,315	1	283,421	322,250
6. Loans to customers	202,735	5,128,355	27,061	5,358,151	4,698,426
7. Hedging derivatives	X	X	128,103	128,103	26,657
8. Other assets	X	X	170,351	170,351	25,049
Total	**1,257,981**	**5,410,670**	**325,519**	**6,994,170**	**6,130,658**

Interest income for 2016 was generated primarily by the Parent Company and arises from:
- interest income on loans to banks and customers, equal to about euro 5,411 million, of which interest income accrued on cash and cash equivalents held at the Central State Treasury, account no. 29814, amounting to about euro 1,706 million;
- interest income on debt securities amounted to about euro 1,258 million.

Sub-item "8. Other assets" includes, inter alia, interest accrued on financial liabilities which, due to negative remuneration, gave rise to a charge (interest expense). This is in line with EBA's instructions where the sign of the economic component prevails over the nature of the balance sheet item.

1.2 Interest income and similar income: differences on hedging transactions

(thousands of euros)	31/12/2016	31/12/2015
A. Positive differences on hedging transactions	235,509	250,219
B. Negative differences on hedging transactions	(107,406)	(223,562)
C. Balance (A - B)	**128,103**	**26,657**

1.3 Interest income and similar income: additional information

1.3.1 Interest income on financial assets in foreign currency

The item includes interest income accrued on foreign currency of about euro 7,479 thousand.

1.3.3 Interest income on non-performing assets

The item includes interest income accrued on non-performing assets of about euro 15,901 thousand.

1.4 Interest expense and similar expenses: breakdown

(thousands of euros) Items/Technical forms	Payables	Securities	Other operations	31/12/2016	31/12/2015
1. Due to central banks	870	X		870	3,296
2. Due to banks	154,868	X		154,868	152,259
3. Due to customers	3,876,134	X		3,876,134	4,473,014
4. Securities issued	X	761,509		761,509	882,362
5. Financial liabilities held for trading					
6. Financial liabilities at fair value					
7. Other liabilities and provisions	X	X	94,383	94,383	68,926
8. Hedging derivatives	X	X			
Total	**4,031,872**	**761,509**	**94,383**	**4,887,764**	**5,579,857**

Interest expense at 31 December 2016 related mainly to:
- remuneration of the Parent Company's postal funding, amounting to approximately euro 3,914 million;
- interest expense on securities issued by industrial companies, equal to around euro 442 million, and by the Parent Company, equal to euro 292 million.

The interest on amounts due to central banks relates to financing from the ECB.

Sub-item "7. Other liabilities and provisions" includes, inter alia, interest accrued on financial assets that, due to negative remuneration, gave rise to a charge (interest expense). This is in line with EBA's instructions where the sign of the economic component prevails over the nature of the balance sheet item.

1.6 Interest expense and similar expenses: breakdown

1.6.1 Interest expense on liabilities in foreign currencies

The item includes interest expense accrued on financial liabilities accounted for in foreign currency, totalling about euro 3,010 thousand.

1.6.2 Interest expense for finance leasing

The interest expense for finance leasing totals about euro 31 thousand.

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

(thousands of euros)

Type of services/Amounts	31/12/2016	31/12/2015
a) Guarantees issued	41,889	11,854
b) Credit derivatives		
c) Management, intermediation and advisory services	8,856	2,351
1. Trading of financial instruments		
2. Trading of currencies		
3. Management of portfolios:	8,856	2,351
3.1 individual		
3.2 collective	8,856	2,351
4. Custody and administration of securities		
5. Custodian bank		
6. Placement of securities		
7. Receipt and transmission of orders		
8. Advisory services:		
8.1 for investments		
8.2 for structured finance		
9. Distribution of third party services:		
9.1 management of portfolios:		
9.1.1 individual		
9.1.2 collective		
9.2 insurance products		
9.3. other products		
d) Collection and payment services		
e) Servicing for securitisations		
f) Factoring services	22,130	8,553
g) Collection services		
h) Management multilateral trading systems		
i) Maintenance and management of current accounts		
j) Other services	81,535	65,695
Total	**154,410**	**88,453**

Commission income accrued by the Parent Company during the year mainly relates to lending activities, in the amount of about euro 49 million.

Also contributing to this item was the commission income accrued by the Parent Company, relating to the agreements signed with the Ministry of Economy and Finance covering the assets and liabilities transferred to the MEF pursuant to Article 3 of Italian Ministerial Decree of 5 December 2003 (euro 2.6 million), to management of the Revolving Fund for development cooperation, to management of the Kyoto Fund, the Revolving Fund supporting enterprises and investment in research (FRI), as well as other services provided (aggregate total of about euro 2.4 million).

The balance also includes commission income of euro 16.3 million received by the subsidiary SIMEST for the management of Public Funds, euro 22.1 million for commission for services related to factoring transactions of the subsidiary SACE FCT, and commission income of euro 8.9 million accrued by the subsidiary CDPI SGR for the performance of its own institutional portfolio management activity.

Commission income of around euro 42 million was accrued by the Parent Company on guarantees given.

2.2 Commission expense: breakdown

(thousands of euros) Services/Amounts	31/12/2016	31/12/2015
a) Guarantees received	13,587	12,722
b) Credit derivatives		
c) Management and intermediation services:	1,588,956	1,635,232
1. Trading of financial instruments		
2. Trading of currencies		
3. Management of portfolios	1	
3.1 Own	1	
3.2 Third-party portfolios		
4. Custody and administration of securities		
5. Placement of financial instruments	1,588,955	1,635,232
6. Door-to-door selling of financial instruments, products and services		
d) Collection and payment services	5,235	3,422
e) Other services	9,836	13,576
Total	**1,617,614**	**1,664,952**

Commission expense is almost exclusively attributable to the Parent Company and regards the charge for the year, equal to about euro 1,577 million, of the remuneration paid to Poste Italiane S.p.A. for managing postal savings products.

The agreement between CDP and Poste Italiane S.p.A. modifies the fee structure and no longer provides for a commission directly attributable to the issue of new postal bonds, but rather a comprehensive fee for the activities involved in providing the service, which is fully expensed in the year in which it accrues. The fee structure is consistent with the developments in the service provided by Poste Italiane S.p.A., which now emphasises the overall management of postal savings rather than merely providing placement services. In December 2014 the new Agreement was signed which will remain in force for the five-year period 2014-2018. The agreement provides for new investments in technology, communication, promotion and training, in order to innovate and expand the services offered in relation to postal savings.

Section 3 - Dividends and similar revenues - Item 70

3.1 Dividends and similar revenues: breakdown

(thousands of euros) Items/Revenues	31/12/2016		31/12/2015	
	Dividends	Units in collective investment undertakings	Dividends	Units in collective investment undertakings
A. Financial assets held for trading	128		880	
B. Financial assets available for sale	27	4,451	575	6,346
C. Financial assets at fair value				
D. Equity investments		X	1,339	X
Total	**155**	**4,451**	**2,794**	**6,346**

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

4.1 Net gain (loss) on trading activities: breakdown

(thousands of euros) Type of operations/P&L items	Capital gains (a)	Trading profits (b)	Capital losses (c)	Trading losses (d)	Net gain (loss) [(a + b) - (c + d)]
1. Financial assets held for trading	**1,329**	**28,764**	**46,808**	**3,811**	**(20,526)**
1.1 Debt securities	1,161	959	1,366	421	333
1.2 Equity securities	97	26,066	1,288	3,390	21,485
1.3 Units in collective investment undertakings	71	1,739	44,154		(42,344)
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**	**53,492**
4. Derivatives	**61,605**	**42,019**	**43,066**	**44,147**	**288,311**
4.1 Financial derivatives:	61,605	42,019	43,066	44,147	288,311
- on debt securities and interest rates	20,082	16,508	16,695	14,865	5,030
- on equity securities and equity indices	37,636	25,511	26,371	27,740	9,036
- on currencies and gold	X	X	X	X	271,900
- other	3,887			1,542	2,345
4.2 Credit derivatives					
Total	**62,934**	**70,783**	**89,874**	**47,958**	**321,277**

Net gain (loss) on trading activities is mainly due to the contribution of the Insurance group companies, equal to euro 297 million, of which euro 48 million relating to foreign exchange differences.

The contribution made by the Parent Company is euro 13 million (of which euro 5.9 million for foreign exchange differences). This is mainly attributable to the management hedges of the embedded optional component of the postal savings bonds indexed to equity baskets, made through open-market purchase of mirror options.

The Fincantieri group provides a positive contribution of euro 5.4 million, attributable to derivatives (+ euro 6 million) and exchange rate differences on financial assets and liabilities in foreign currency (- euro 0.6 million).

The Terna group also contributes with a positive result of about euro 4 million on derivative instruments.

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

5.1 Net gain (loss) on hedging activities: breakdown

(thousands of euros) P&L components/Amounts	31/12/2016	31/12/2015
A. Income deriving from:		
A.1 Fair value hedges	228,054	452,480
A.2 Hedged financial assets (fair value)	389,691	127,999
A.3 Hedged financial liabilities (fair value)	49,356	95,844
A.4 Cash flow hedges	1,203	50
A.5 Assets and liabilities in foreign currencies	29,491	37,935
Total income on hedging activities (A)	697,795	714,308
B. Expense on:		
B.1 Fair value hedges	440,160	216,503
B.2 Hedged financial assets (fair value)	115,199	339,216
B.3 Hedged financial liabilities (fair value)	105,947	116,634
B.4 Cash flow hedges	5,521	6,688
B.5 Assets and liabilities in foreign currencies	29,439	37,969
Total expense on hedging activities (B)	696,266	717,010
C. Net gain (loss) on hedging activities (A - B)	1,529	(2,702)

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

6.1 Gains (losses) on disposal or repurchase: breakdown

	31/12/2016			31/12/2015		
(thousands of euros) P&L components/Amounts	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Loans to banks	268		268	245		245
2. Loans to customers	26,515	(227)	26,288	72,567	(3,887)	68,680
3. Financial assets available for sale	31,592	(3,688)	27,904	471,479		471,479
3.1 Debt securities	9,152	(3,688)	5,464	332,692		332,692
3.2 Equity securities	22,440		22,440	138,787		138,787
3.3 Units in collective investment undertakings						
3.4 Loans						
4. Financial assets held to maturity	2		2	10		10
Total assets	58,377	(3,915)	54,462	544,301	(3,887)	540,414
Financial liabilities						
1. Due to banks						
2. Due to customers						
3. Securities issued		(329,386)	(329,386)			
Total liabilities		(329,386)	(329,386)			

The net amount for this item derives mainly from the bond buy-back carried out by SNAM. The costs, totalling euro 329.4, derive from the difference between the amount repaid to bondholders for buy-back of the bonds and their amortised cost.

The Parent Company contributed a gain of euro 24.6 million realised on the sale of debt securities carried as financial assets available for sale and for the indemnities received from customers upon premature repayment of long-term loans.

Finally, the item includes the gain resulting from sale of the equity investment in Ansaldo STS owned by the subsidiary Fintecna, equal to euro 22.4 million.

Section 7 - Net gain (loss) on financial assets and liabilities at fair value - Item 110

7.1 Net change in value of financial assets and liabilities carried at fair value: breakdown

(thousands of euros) Type of operations/P&L items	Capital gains (a)	Trading profits (b)	Capital losses (c)	Trading losses (d)	Net gain (loss) [(a + b)-(c + d)]
1. Financial assets			22,665		(22,665)
1.1 Debt securities			22,665		(22,665)
1.2 Equity securities					
1.3 Units in collective investment undertakings					
1.4 Loans					
2. Financial liabilities					
2.1 Debt securities					
2.2 Due to banks					
2.3 Due to customers					
3. Foreign currency financial assets and liabilities: exchange rate differences	X	X	X	X	
4. Credit and financial derivatives					
Total			**22,665**		**(22,665)**

Section 8 - Net impairment adjustments - Item 130

The net negative amount, totalling euro 478.6 million, refers to the net balance between write-downs and write-backs on loans and other financial transactions, calculated both analytically and all together. The recovery from interest refer to the write-backs connected with the passing of time, deriving from the accrual of interest during the year on the basis of the original effective interest rate used to calculate the value adjustments.

8.1 Net impairment adjustments of loans: breakdown

	Write-downs			Write-backs				31/12/2016	31/12/2015
	Specific		Portfolio	Specific		Portfolio			
(thousands of euros) Type of operations/P&L items	Derecognitions	Other		From interest	Other write-backs	From interest	Other write-backs		
A. Loans to banks			(77,279)					(77,279)	(4,839)
Loans			(77,036)					(77,036)	(4,839)
Debt securities			(243)					(243)	
B. Loans to customers		(43,302)	(84,041)	353	14,962		7,741	(104,287)	(114,832)
Impaired loans acquired:									
- Loans			X			X	X		
- Debt securities			X			X	X		
Other receivables:									
- Loans		(43,302)	(79,644)	353	14,962		7,741	(99,890)	(113,241)
- Debt securities			(4,397)					(4,397)	(1,591)
C. Total		**(43,302)**	**(161,320)**	**353**	**14,962**		**7,741**	**(181,566)**	**(119,671)**

8.2 Net impairment adjustments on financial assets available for sale: breakdown

(thousands of euros) Type of operations/P&L items	Writedowns Specific Derecognitions	Writedowns Specific Other	Writebacks Specific From interest	Writebacks Specific Other writebacks	31/12/2016	31/12/2015
A. Debt securities						
B. Equity securities		(3,135)	X	X	(3,135)	(177)
C. Units in collective investment undertakings		(215,948)	X		(215,948)	(2,458)
D. Loans to banks						
E. Loans to customers						
F. Total		**(219,083)**			**(219,083)**	**(2,635)**

The euro 215.9 million write-down refers to the impairment of the unit held in Fondo Atlante.

8.4 Net impairment adjustments of other financial transactions: breakdown

(thousands of euros) Type of operations/P&L items	Write-downs Specific Derecognitions	Write-downs Specific Other	Write-downs Portfolio	Write-backs Specific From interest	Write-backs Specific Other write-backs	Write-backs Portfolio From interest	Write-backs Portfolio Other write-backs	31/12/2016	31/12/2015
A. Guarantees issued		(1,182)	(3,485)					(4,667)	63
B. Credit derivatives									
C. Commitments to disburse funds		(2,916)	(1,002)		223		8,635	4,940	6,163
D. Other operations		(78,201)						(78,201)	
E. Total		**(82,299)**	**(4,487)**		**223**		**8,635**	**(77,928)**	**6,226**

The net amount of write-downs on other financial transactions refers mainly to the write-down on the subscription commitments made by CDP to Fondo Atlante.

Section 9 - Net insurance premiums - Item 150

9.1 Net insurance premiums: breakdown

(thousands of euros) Premiums from insurance activity	Direct business	Indirect business	31/12/2016	31/12/2015
A. Life insurance				
A.1 Gross premium income recognised (+)				
A.2 Premiums transferred to reinsurance (-)	47,533	X	47,533	2,839
A.3 Total	47,533		47,533	2,839
B. Non-life insurance				
B.1 Gross premium income recognised (+)	462,936	21,219	484,155	526,107
B.2 Premiums transferred to reinsurance (-)	(179,074)	X	(179,074)	(104,370)
B.3 Change in gross amount of provision for unearned premiums (+/-)	(90,586)	(7,641)	(98,227)	(433,960)
B.4 Change in reinsurer's share of provision for unearned reserves (-/+)	122,139	129	122,268	123,300
B.5 Total	315,415	13,707	329,122	111,077
C. Total net premium income	**362,948**	**13,707**	**376,655**	**113,916**

Section 10 - Other net insurance income (expense) - Item 160

10.1 Other net insurance income (expense): breakdown

(thousands of euros)	31/12/2016	31/12/2015
1. Net change in technical provisions	(5,221)	(5,384)
2. Claims accrued and paid during the year	(29,124)	(173,675)
3. Other net profit (loss) on insurance operations	(10,398)	(6,016)
Total	**(44,743)**	**(185,075)**

10.2 Breakdown of sub-item "Net change in technical provisions"

(thousands of euros)	31/12/2016	31/12/2015
1. Life insurance		
A. Mathematical reserves		
B. Other technical provisions		
C. Technical provisions where the investment risk is borne by the insured		
Total "Life insurance provisions"		
2. Non-life insurance	**(5,221)**	**(5,384)**
Changes in other technical provisions for life insurance other the claims provisions net of reinsurance transfers	(5,221)	(5,384)

10.3 Breakdown of sub-item "Claims accrued during the year"

(thousands of euros)	31/12/2016	31/12/2015
Life insurance: expenses for claims, net of cessions in reinsurance		
A. Amounts paid		
B. Change in the reserve for sums to be paid		
Total life insurance claims		
Non-life insurance: expenses for claims, net of recoveries and cessions in reinsurance		
C. Amounts paid	(368,593)	(281,896)
C.1 Gross annual amount	(400,383)	(296,513)
C.2 (-) Amounts borne by reinsurers	31,790	14,617
D. Change in recoveries net of amounts borne by reinsurers	245,599	188,700
E. Changes in claims reserve	93,870	(80,479)
E.1 Gross annual amount	94,713	(61,404)
E.2 (-) Amounts borne by reinsurers	(843)	(19,075)
Total non-life insurance claims	**(29,124)**	**(173,675)**

10.4 Breakdown of sub-item "Other net insurance income (expenses)"

(thousands of euros)	31/12/2016	31/12/2015
Life insurance		
Non-life insurance	(10,398)	(6,016)
Other income	50,248	8,211
Other expenses	(60,646)	(14,227)
Total	**(10,398)**	**(6,016)**

Section 11 - Administrative expenses - Item 180

11.1 Staff costs: breakdown

(thousands of euros) Type of expenses/Sectors	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
1) Employees	**91,603**	**65,819**	**1,514,178**	**1,671,600**	**1,693,809**
a) Wages and salaries	64,701	39,272	994,112	1,098,085	1,127,545
b) Social security costs	242	118	28,338	28,698	34,259
c) Staff severance pay	609	520	23,494	24,623	23,416
d) Pension costs	16,393	10,468	319,231	346,092	342,330
e) Allocation to staff severance pay	137	501	5,225	5,863	6,441
f) Allocation to provision for post-employment benefits:					
- defined contribution					
- defined benefit					
g) Payments to external supplementary pensions funds:	3,648	3,610	41,408	48,666	48,645
- defined contribution	3,513	3,610	39,113	46,236	46,278
- defined benefit	135		2,295	2,430	2,367
h) Costs arising from share-based payment arrangements					
i) Other employee benefits	5,873	11,330	102,370	119,573	111,173
2) Other personnel in service	**332**	**459**	**6,300**	**7,091**	**6,881**
3) Board of Directors and Board of Statutory Auditors	**1,622**	**679**	**18,894**	**21,195**	**19,839**
4) Retired personnel					
Total	**93,557**	**66,957**	**1,539,372**	**1,699,886**	**1,720,529**

11.2 Average number of employees by category

(number)	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
Employees	**756**	**663**	**29,715**	**31,133**	**32,964**
a) Senior management	76	41	635	752	713
b) Middle management	346	286	8,386	9,018	9,079
c) Other employees	334	336	20,694	21,364	23,172
Other personnel	**22**		**38**	**60**	**51**

11.4 Other employee benefits

(thousands of euros) Type of expenses/Amounts	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
Food coupons	1,976	998	1,660	4,634	2,635
Insurance policies	1,390	2,263	1,677	5,330	6,020
Lump sum repayments					41
Contributions to mortgage loan interest	996	391		1,387	642
Leaving incentives	511	4,574	60,830	65,915	24,977
Bonus energia			1,129	1,129	1,886
Length of service bonuses			591	591	17,167
Other benefits	1,000	3,104	36,483	40,587	57,805
Total	**5,873**	**11,330**	**102,370**	**119,573**	**111,173**

11.5 Other administrative expenses: breakdown

(thousands of euros) Type of expenses/Amounts	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
IT costs	25,544	4,278	118,310	148,132	147,319
General services	9,752	4,539	3,588,991	3,603,282	3,606,719
Professional and financial services	14,145	7,250	398,360	419,755	362,559
Publicity and marketing expenses	2,533	1,427	22,418	26,378	33,458
Other personnel-related expenses	1,577	2,621	31,570	35,768	33,779
Utilities, duties and other expenses	5,571	7,312	235,268	248,151	232,423
Information resources and databases	1,219	4,741	525	6,485	7,126
Corporate bodies	326		331	657	991
Total	**60,667**	**32,168**	**4,395,773**	**4,488,608**	**4,424,374**

The following table reports the fees paid for statutory auditing and non-audit services.

	PricewaterhouseCoopers		Ernst & Young	Total
(thousands of euros)	Parent Company	Other Group companies	Other Group companies	
Auditing	707	3,862	1,497	6,066
Certification services	37	312	1,044	1,393
Tax consultancy services		128		128
Other services		365		365
Total	**744**	**4,667**	**2,541**	**7,952**

Section 12 - Net provisions - Item 190

12.1 Net accruals to provisions for risks and charges: breakdown

(thousands of euros) Type of transactions/Amounts	Accruals	Reversal of excess	31/12/2016
Net provisions for legal disputes	(12,919)	3,194	(9,725)
Net provisions for sundry expenses for personnel	(27,536)	2,206	(25,330)
Net provisions for tax disputes	(2,251)	138	(2,113)
Net sundry provisions	(245,029)	173,604	(71,425)
Total	**(287,735)**	**179,142**	**(108,593)**

12.1 of which: pertaining to the Banking group

(thousands of euros) Type of transactions/Amounts	Accruals	Reversal of excess	31/12/2016
Net provisions for legal disputes	(1,785)		(1,785)
Net provisions for sundry expenses for personnel			
Net provisions for tax disputes	(58)		(58)
Net sundry provisions	(24)	306	282
Total	**(1,867)**	**306**	**(1,561)**

12.1 of which: pertaining to the Insurance companies

(thousands of euros) Type of transactions/Amounts	Accruals	Reversal of excess	31/12/2016
Net provisions for legal disputes	(145)	1,080	935
Net provisions for sundry expenses for personnel	(7,961)	327	(7,634)
Net provisions for tax disputes			
Net sundry provisions	(315)	73,324	73,009
Total	**(8,421)**	**74,731**	**66,310**

12.1 of which: pertaining to Other entities

(thousands of euros) Type of transactions/Amounts	Accruals	Reversal of excess	31/12/2016
Net provisions for legal disputes	(10,989)	2,114	(8,875)
Net provisions for sundry expenses for personnel	(19,575)	1,879	(17,696)
Net provisions for tax disputes	(2,193)	138	(2,055)
Net sundry provisions	(244,690)	99,974	(144,716)
Total	**(277,447)**	**104,105**	**(173,342)**

Section 13 - Net adjustments to property, plant and equipment - Item 200

13.1. Net adjustments to property, plant and equipment: breakdown

(thousands of euros) Assets/P&L items	Depreciation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a + b - c)
A. Property, plant and equipment				
A.1 Owned:	(1,301,248)	(39,485)		(1,340,733)
- operating assets	(1,301,248)	(37,093)		(1,338,341)
- investment properties		(2,392)		(2,392)
A.2 Acquired under finance lease:	(1,021)			(1,021)
- operating assets	(1,021)			(1,021)
- investment properties				
Total	**(1,302,269)**	**(39,485)**		**(1,341,754)**

13.1 of which: pertaining to the Banking group

(thousands of euros) Assets/P&L items	Depreciation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a + b - c)
A. Property, plant and equipment				
A.1 Owned:	(4,614)			(4,614)
- operating assets	(4,614)			(4,614)
- investment properties				
A.2 Acquired under finance lease:				
- operating assets				
- investment properties				
Total	**(4,614)**			**(4,614)**

13.1 of which: pertaining to the Insurance companies

(thousands of euros) Assets/P&L items	Depreciation (a)	Write-down for impairment (b)	Writebacks (c)	Net gain (loss) (a + b - c)
A. Property, plant and equipment				
A.1 Owned:	(2,198)	(1,680)		(3,878)
- operating assets	(2,198)			(2,198)
- investment properties		(1,680)		(1,680)
A.2 Acquired under finance lease:				
- operating assets				
- investment properties				
Total	**(2,198)**	**(1,680)**		**(3,878)**

13.1 of which: pertaining to Other entities

(thousands of euros) Assets/P&L items	Depreciation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a + b - c)
A. Property, plant and equipment				
A.1 Owned:	(1,294,436)	(37,805)		(1,332,241)
- operating assets	(1,294,436)	(37,093)		(1,331,529)
- investment properties		(712)		(712)
A.2 Acquired under finance lease:	(1,021)			(1,021)
- operating assets	(1,021)			(1,021)
- investment properties				
Total	**(1,295,457)**	**(37,805)**		**(1,333,262)**

Section 14 - Net adjustments to intangible assets - Item 210

14.1 Net adjustments to intangible assets: breakdown

(thousands of euros) Assets/P&L items	Amortisation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned:	(515,153)	(2)		(515,155)
- internally generated by the company	(25,944)			(25,944)
- other	(489,209)	(2)		(489,211)
A.2 Acquired under finance leases				
Total	**(515,153)**	**(2)**		**(515,155)**

14.1 of which: pertaining to the Banking group

(thousands of euros) Assets/P&L items	Amortisation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned:	(2,524)			(2,524)
- internally generated by the company				
- other	(2,524)			(2,524)
A.2 Acquired under finance leases				
Total	**(2,524)**			**(2,524)**

14.1 of which: pertaining to the Insurance companies

(thousands of euros) Assets/P&L items	Amortisation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a + b - c)
A Intangible assets				
A.1 Owned:	(2,032)			(2,032)
- internally generated by the company	(1,408)			(1,408)
- other	(624)			(624)
A.2 Acquired under finance leases				
Total	**(2,032)**			**(2,032)**

14.1 of which: pertaining to Other entities

(thousands of euros) Assets/P&L items	Amortisation (a)	Impairment adjustments (b)	Writebacks (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned:	(510,597)	(2)		(510,599)
- internally generated by the company	(24,536)			(24,536)
- other	(486,061)	(2)		(486,063)
A.2 Acquired under finance leases				
Total	**(510,597)**	**(2)**		**(510,599)**

SECTION 15 - OTHER OPERATING INCOME (EXPENSES) - ITEM 220

15.1 Other operating expenses: breakdown

(thousands of euros) Type of expenses/Amounts	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
Depreciation of leasehold improvements			1,081	1,081	1,066
Other	6,772	4,246	286,959	297,977	257,271
Total	**6,772**	**4,246**	**288,040**	**299,058**	**258,337**

15.2 Other operating income: breakdown

(thousands of euros) Type of expenses/Amounts	Banking group	Insurance companies	Other entities	31/12/2016	31/12/2015
Income for company engagements to employees	339		473	812	1,386
Recovery of expenses	765	14	12,504	13,283	16,515
Rental income and other income from property management		1,371	48,953	50,324	70,625
Revenues from industrial management			10,303,038	10,303,038	10,177,017
Other	1,213	11,769	97,997	110,979	66,285
Total	**2,317**	**13,154**	**10,462,965**	**10,478,436**	**10,331,828**

Revenues from industrial operations mainly derive from:
- Fincantieri in the amount of euro 4,353 million;
- SNAM, in the amount of euro 3,607 million;
- Terna in the amount of euro 2,095 million.
- Italgas in the amount of euro 248 million.

Revenue from real estate operations is primarily attributable to FIV Extra and CDP Immobiliare.

Section 16 - Gains (losses) on equity investments - Item 240

16.1 Gains (losses) on equity investments: breakdown

(thousands of euros) P&L components/Sectors	31/12/2016	31/12/2015
1. Joint ventures		
A. Income	295,906	73,467
1. Income	231,655	43,609
2. Gains on disposal	63,857	29,858
3. Writebacks		
4. Other	394	
B. Expenses	(290,683)	(17,534)
1. Impairment	(289,890)	(14,714)
2. Writedowns for impairment	(793)	(2,820)
3. Losses on disposal		
4. Other		
Net gain (loss)	5,223	55,933
2. Enterprises subject to significant influence		
A. Income	6,691	155,209
1. Income	4,329	145,168
2. Gains on disposal		
3. Writebacks	10	178
4. Other	2,352	9,863
B. Expenses	(668,577)	(2,552,294)
1. Impairment	(662,659)	(2,487,521)
2. Writedowns for impairment	(5,918)	(64,773)
3. Losses on disposal		
4. Other		
Net result	(661,886)	(2,397,085)
Total	**(656,663)**	**(2,341,152)**

The principal effects deriving from valuation at equity of investments subject to significant influence or joint ventures are related to the equity investments in:
- ENI, written down by euro 580.5 million;
- Saipem, written down by euro 263.8 million;
- Poste Italiane, written down by euro 64.7 million;
- TAG, written up by euro 90 million;
- SIA, written up by euro 25.7 million;
- TIGF Holding S.a.s., written up by euro 50 million;
- Ansaldo Energia, written up by euro 25.2 million.

The gains from disposal refer to the gain realised by FSI Investimenti on the sale of Metroweb to Open Fiber, while the writedowns for impairment refer to the impairment recognised by FSI Investimenti for its equity investment in Trevi Finanziaria Industriale S.p.A.

Section 18 - Adjustments to goodwill - Item 260

18.1 Adjustments to goodwill: composition

This item includes the pro-rated share of the adjustment made by the Terna Group to the goodwill generated upon combination of the investee TES with the Tamini Group during 2015.

Section 19 - Gains (losses) on the disposal of investments - Item 270

19.1 Gains (losses) on the disposal of investments: breakdown

(thousands of euros) P&L components/Sectors	31/12/2016	31/12/2015
A. Land and buildings	102	443
Gains on disposal	102	443
Losses on disposal		
B. Other assets	98	(13,369)
Gains on disposal	11,783	3,385
Losses on disposal	(11,685)	(16,754)
Net gain (loss)	200	(12,926)

Section 20 - Income tax for the year on continuing operations - Item 290

20.1 Income tax for the year on continuing operations: breakdown

(thousands of euros) P&L Items/Sectors	31/12/2016	31/12/2015
1. Current taxes (-)	(977,018)	(1,174,919)
2. Change in current taxes from previous years (+/-)	105,152	19,019
3. Reduction of current taxes for the year (+)	85	58
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 (+/-)	(72,922)	80,076
5. Change in deferred tax liabilities (+/-)	178,481	561,243
6. Taxes for the year (-) (-1 +/- 2 + 3 + 3.*bis* +/- 4 +/- 5)	(766,222)	(514,523)

20.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euros)	31/12/2016	Tax rate
Income (loss) before taxes	1,894,644	
IRES theoretical tax liability (rate 27.5%)	(521,027)	-27.50%
Increases in taxes		
Non-deductible interest expense	(57,043)	-3.01%
Writedowns of equity investments	(255,072)	-13.46%
Other non-deductible costs	(23,363)	-1.23%
Adjustments on receivables (+)	(29,413)	-1.55%
Non-deductible temporary differences	(190,598)	-10.06%
Non-deductible permanent differences	(110,091)	-5.81%
Effect of different foreign tax rates (+)	(147,272)	-7.77%
Decreases in taxes		
ACE benefit	215,130	11.35%
Exchange difference	18,110	0.96%
Non-taxable income	23,494	1.24%
Use of accruals	51,743	2.73%
Technical provisions	8,657	0.46%
Other changes	281,595	14.86%
IRES Actual tax liability	(735,150)	-38.8%

	31/12/2016	Tax rate
IRAP tax amount	5,015,130	
IRAP Theoretical tax liability (5.57% rate)	(279,343)	-5.57%
Increases in taxes		
Non-deductible interest 4%	(9,773)	-0.19%
Other non-deductible costs	(25,121)	-0.50%
Different regional rates	(3,498)	-0.07%
Decreases in taxes		
Costs deductible in previous years	366	0.01%
Deductible costs for staff costs	22,398	0.45%
Different regional rates	28,820	0.57%
Other decreases	24,283	0.48%
IRAP Actual tax liability	**(241,868)**	**-4.82%**

Section 21 - Income (loss) after tax of disposal groups held for sale - Item 310

21.1 Income (loss) after tax on disposal groups held for sale: breakdown

(thousands of euros)

P&L Items/Sectors	31/12/2016	31/12/2015
1. Income		
2. Expenses		
3. Results of valuations of the disposal groups and associated liabilities		
4. Gains (losses) on disposal		
5. Duties and taxes		7,283
Net income (loss)		**7,283**

21.2 Breakdown of income taxes on disposal groups held for sale

(thousands of euros)	31/12/2016	31/12/2015
1. Current tax (-)		7,283
2. Change in deferred tax assets (+/-)		
3. Change in deferred tax liabilities (+/-)		
4. Income taxes for the year (-1 +/- 2 +/- 3)		**7,283**

Section 22 - Net income (loss) for the year pertaining to non-controlling interests - Item 330

22.1 Breakdown of item 330 "Net income (loss) pertaining to non-controlling interests"

Net income pertaining to non-controlling interests amounts to euro 975,323 thousand.

(thousands of euros)

Company name	31/12/2016	31/12/2015
Equity investments in consolidated companies with significant third party interests		
1. Terna S.p.A.	497,743	514,801
2. SNAM S.p.A.	602,664	1,002,673
3. Italgas S.p.A.	(71,721)	
Other equity investments	(53,363)	(128,292)
Total	**975,323**	**1,389,182**

PART D - CONSOLIDATED COMPREHENSIVE INCOME

DETAILED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(thousands of euros) Items		Gross annual amount	Income taxes	Net gain (loss)
10.	Net income (loss)	X	X	1,128,422
	Other comprehensive income not transferred to income statement:			21,055
20.	Property, plant and equipment			
30.	Intangible assets			
40.	Defined benefit	(3,710)	1,573	(2,137)
50.	Non-current assets held for sale			
60.	Share of valuation reserves of equity investments accounted for using equity method	23,192		23,192
	Other comprehensive income transferred to income statement:	99,900	11,055	110,955
70.	Hedging of foreign investments			
	a) Fair value changes			
	b) Transfer to income statement			
	c) Other changes			
80.	Exchange rate differences	(20,620)	(8,737)	(29,357)
	a) Changes in value	(44,304)	(3,877)	(48,181)
	b) Transfer to income statement			
	c) Other changes	23,684	(4,860)	18,824
90.	Cash flow hedges	(63,534)	16,473	(47,061)
	a) Fair value changes	(46,883)	12,676	(34,207)
	b) Transfer to income statement			
	c) Other changes	(16,651)	3,797	(12,854)
100.	Financial assets available for sale	(14,167)	3,319	(10,848)
	a) Fair value changes	16,054	(5,425)	10,629
	b) Transfer to income statement:	(30,221)	8,744	(21,477)
	- impairment adjustments			
	- gains (losses) on disposal	(30,221)	8,744	(21,477)
	c) Other changes			
110.	Non-current assets held for sale			
	a) Changes in value			
	b) Transfer to income statement			
	c) Other changes			
120.	Share of valuation reserves of equity investments accounted for using equity method	198,221		198,221
	a) Fair value changes	198,221		198,221
	b) Transfer to income statement:			
	- impairment adjustments			
	- gains (losses) on disposal			
	c) Other changes			
130.	Total other comprehensive income	119,382	12,628	132,010
140.	Comprehensive income (items 10 + 130)	X	X	1,260,432
150.	Consolidated comprehensive income pertaining to non-controlling interests	X	X	916,015
160.	Consolidated comprehensive income pertaining to shareholders of the parent company	X	X	344,417

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

To guarantee an efficient risk management system, the Parent Company and the companies belonging to the banking group have implemented rules, procedures, resources (human, technological, and organisational), and control activities to identify, measure or evaluate, monitor, prevent or attenuate, and communicate all risks assumed or that can be assumed in the different segments to the appropriate reporting levels.

Risk management considers the specific characteristics of the activity performed 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 the clearly presenting 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 and Anti-Money Laundering (RMA) Unit, of the Compliance Service and of the Lending Department. RMA is responsible for supporting the CRO with the governance and monitoring of all types of risks, rendering transparent the overall risk profile of CDP and the capital requirements associated with each category of risk.

These types of risk are defined by the Risk Policy approved by the Board of Directors in 2010 and subsequently updated as necessary. They are classifiable in terms of market risks (which include equity risk, interest rate risk, inflation risk, and exchange rate risk), liquidity risk, credit risk (which includes concentration and counterparty risks), operating risks, and reputation risks. The Risk Policy is updated semi-annually and includes the Risk Management Rules and the related documents, each of which focuses on a specific category of risks (e.g. interest rate risk) or area exposed to those risks (e.g. treasury operations and investment in securities). The Risk Policy represents a key tool used by the Board of Directors to define the risk appetite of CDP, the tolerance thresholds, risk limits, risk management policies, and framework of related organisational processes.

The guidelines governing the risk management of CDP are summarised in the Risk Management Rules 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 Risk Management and Anti-Money Laundering Area is structured into the following Services:
1. Credit and Counterparty Risk;
2. Financial Engineering and Fair Value Measurement;
3. Market and Liquidity Risks (ALM);
4. Operating risks;
5. Equity Investment Risks;
6. Loan monitoring and control;
7. Anti-Money Laundering.

The Head of the Equity Investments Risk Service is also attributed the role of coordinating risk management at group level.

The Board Risk Committee is set up within the Board of Directors and has control and guidance functions with respect to risk management and the assessment of the adoption of new products. The CEO is supported by the Internal Risks Committee. This technical and advisory body gives op inions on policy and control issues concerning the overall risk profile of CDP and operating assessment of especially important risks.

The RMA verifies compliance with the limits set by the Board of Directors and the operating limits established by the CEO, recommending corrective measures to the Risk Committee that might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and participating in capital management activities.

The Financial Engineering and Fair Value Measurement unit is also responsible for providing the company with certified calculation models.

Within the banking group companies, the bodies participating in the risk and control management systems consist not only of top management but also second level control functions (Risk Management, Compliance, Anti-Money Laundering) and third level control functions (Internal Auditing).

Section 1 - The risks of the Banking Group

1.1 Credit risk

Qualitative disclosures

1. General aspects

Credit risk arises primarily in relation to the Parent Company's 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 easily has the largest stock of assets, is primarily exposed to Italian Government and local entities.

Over the last several years, an increasingly important role is being played by exposures under the Separate Account to the main banking groups operating in Italy, through which CDP channels various types of financing, in particular loans to SMEs and in support of the 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, which at present are essentially immunised for credit risk (as they are secured by the General Government as the guarantor of last resort), and those assumed under "Export Bank" operations. The Separate Account may also have a role in energy efficiency projects and in loans granted to support international development cooperation activities.

The Ordinary Account of CDP grants corporate and project financing for initiatives concerning the delivery of public services, in competition with banks. Loans from the Ordinary Account are mainly aimed at the provision of public services and at investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and green economy.

SACE FCT is exposed to credit risk in connection with its factoring activity. This is a type of financing whereby a company sells the trade receivables that accrue from the operation of its own activity vis-à-vis all or certain of its customers (debtors). It does so pursuant to the rules dictated by Law 52 of 1991 or the Italian Civil Code, and it sells them to another company that is professionally specialised in this activity (as a factor).

The factoring agreement may perform different functions, for which the factor provides different services, such as (i) management, where the factor performs certain activities on behalf of the transferor; (ii) financing, when the factor pays a price for the sold receivables; (iii) guarantee, when the transfer is made with recourse and the factor assumes the risk of default by the transferred debtor. These activities expose the factor to credit risk in different and gradually increasing ways. The risk is mitigate through the introduction of specific contractual clauses.

Another type of activity is final purchase of the receivable. In this case, the risks/benefits deriving from the receivable are transferred by the transferor to the Company pursuant to IAS 39 ("recognition").

CDP Investimenti SGR is exposed to credit risk in the sense of counterparty risk, in connection with the commissions received as fund manager. Given the nature of callable funds, the exposure to counterparty risk arises both vis-à-vis the managed funds and their subscribers. A propos it also has to be pointed out that half of the assets of the managed funds is subscribed by the Parent Company.

2. Credit risk management policies

2.1 Organisational aspects

The principles followed by the Parent Company in its lending activities are set out in the Lending Rules, which also govern the lending process and the roles of the units involved.

The Lending Department, which reviews loans, is responsible inter alia for issuing the internal rating and estimate of the Loss Given Default. These parameters are used for management purposes and are determined in accordance with the Risk Policy and the Rating and Recovery Rate Policy. This latter document is approved by the CEO, who applies the methods adopted by CDP for the assignment of internal ratings to counterparties and in producing internal estimates of the recovery rate for individual financing operations. The Lending Department is also responsible for monitoring existing loans, as regards performance of the loans themselves and the evolution of the counterparty's financial situation and developments in their industry.

RMA is responsible for the methods used to determine the risk-adjusted pricing, monitoring the risk-adjusted return, and the measured portfolio concentration. RMA regularly monitors the overall performance of loan portfolio risk, inter alia to identify those corrective measures designed to optimise the risk/return profile.

The credit risk responsibilities of RMA also include:
- performing specific controls to ensure that the performance of individual exposures is properly monitored, and especially the performance of non-performing loans, that the classifications are consistent, that the accrued provisions are adequate, and that the recovery process is adequate;
- the preparation of Guidelines, Regulations and Policies on ratings and recovery rate;
- the definition, selection, and implementation of models, methods, and instruments of the internal rating system, guaranteeing that it is constantly monitored and updated.

In regard to non-performing counterparties, the Lending Department reviews any proposals made for restructuring – possibly with the support of other departments for more complex cases – while RMA performs second level control. Contractual amendment requests for performing loans ("waivers") are managed instead by the Loan Management Department.

The Credit Committee is a technical and advisory body supporting the Policymaking Bodies. One of its duties is to give mandatory, non-binding opinions on financing operations, both in regard to creditworthiness and the adequacy of the applied conditions. The composition of the Credit Committee includes members of the Lending Department, RMA, and of the Legal and Financial Departments.

Where predetermined concentration thresholds are exceeded and the Credit Committee does not express a unanimous opinion, a non-binding opinion of the CRO is also required on lending transactions.

The Risk Policy was updated in 2016. This activity reinforced protections against the risks assumed by the Group, consistently with what is envisaged in the Business Plan. In particular, the Board of Directors has approved the policies for subsidiaries included in the "credit group", which establish a specific governance process for the most important transactions in terms of risk. The risk policies applied to the credit portfolio of the Parent Company are based on modular structure, consisting of a hierarchical structure for the adopted protections. The same structure was used to define the guidelines for tracing responsibility back to the Parent Company for specific transactions that are the most critical in terms of risk. A non-binding opinion by the Parent Company has to be obtained in these cases.

The management of credit risk connected with the factoring activities operated by SACE FCT is regulated by internal corporate regulations. These apply from the initiation of contact and preliminary assessment of the counterparty, to possible management of credit collection. The factoring process is broken down into the following phases: (i) an investigation aimed at preparing an initial assessment of the counterparty; (ii) a decision based on the thresholds and delegations of authority deriving from assessment of its creditworthiness; (iii) execution of the relationship, (iv) revision of the expiring credit facilities, with a new review and decision-making process; (v) operating management and management of anomalous loans, requiring possible value adjustments, the commencement of judicial or extra-judicial proceedings for credit recovery or, if it is decided not to pursue legal action, the preparation of an irrecoverable credit report.

2.2 Management, measurement and control systems

The entire banking group adopts procedures for the credit risk management and measurement aimed at assessing the quality of credit assets. This is done both when the loan is first granted/approved and through the lifetime of the loan, by monitoring the performance of portfolio positions.

In regard to the credit risk management and control policies of the Separate Account, the Parent Company adopts a system for approving loans to local entities. This system can be used to classify each loan in uniform risk categories, by adequately defining the risk level associated with the individual entities, with the aid of quantitative parameters that are differentiated by type of entity and their individual dimensions.

This loan approval system uses qualitative and quantitative criteria to identify the cases where the debtor's creditworthiness requires further analysis.

For the Ordinary Account and lending for projects promoted by public entities pursuant to Decree Law 185 of 29 November 2008, CDP uses a validated proprietary model to calculate portfolio credit risk. With the same system CDP also calculated the economic capital associated with the entire loan portfolio, with the sole exception of positions associated with country risk.

RMA monitors compliance with the system of limits and the for composition of the loan portfolio, which are in integral part of the Risk Policy. The limits are set according to the credit rating of each counterparty, and become more rigorous as the rating and recovery rate decrease, according to proportions based on the extent of capital being used.

RMA also conducts stress tests on the level of risk in the loan portfolio, based on assumptions of generalised deterioration in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increase in correlation parameters.

The RMA regularly monitors the net current and contingent exposure to banks in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. RMA also checks compliance with the minimum rating limits of the counterparty and the limits associated with the maximum notional amount and maximum credit equivalent, by counterparty or group of related counterparties, as stipulated in the CDP Risk Policy. Similarly, the RMA provides for the monitoring of exposures to counterparties in treasury activities, verifying compliance with the limits and criteria set out in the Risk Policy.

The methods adopted for the allocation of internal ratings aim to ensure compliance with an adequate level of transparency and consistency, including through traceability of the allocation.

Developed by specialised outsourcers, the internal rating models used as benchmark tools in the internal rating assignment process are broken down according to the principal types of CDP customers, according to their size, legal form, and sector.

Consistently with agency rating practice, the scale of ratings adopted by CDP is broken down into 21 classes, of which 10 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, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using databases acquired from a specialised provider.

Default is defined in accordance with supervisory regulations issued by the Bank of Italy for banks.

The internal estimates of Loss Given Default take into account the different types of guarantees, as well as recovery times, and are differentiated by category of customer.

The rating system is used in the loan approval process (for private individuals also in the setting of risk-adjusted prices), for monitoring loan performance, to calculate general provisions, within the limits framework and to measure the use of capital. The risk assessment assigned to the counterparty is updated at least annually. Regardless, it is reviewed at any time during the year whenever events occur or information is acquired that significantly affect the credit rating.

In accordance with their own operations, SACE and FCT have developed an internal scoring model for the assessment of public counterparties and, more specifically, of municipalities and provinces. In that area, the Company complements the qualitative rating given by the AIDA PA rating tool (rating on 11 classes) with another six 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.

2.3 Credit risk mitigation techniques

The Parent Company mitigates the credit risk resulting from lending operations by using techniques commonly adopted in the banking industry.

A significant number of the credit exposures of CDP in the Separate Account consist of special-purpose cash loans supported by payment orders.

Financing under the Ordinary Account and the financing of non-public entities under the Separate Account can be secured by security interests in property or unsecured guarantees. Specifically, some of the products in support of the economy, which are channelled through the banking system and targeted at SMEs (e.g. the "New SME Fund"), and in support of the housing market, are secured through the sale of the underlying loans to CDP and the creation of Pledges on Government Bonds in favour of CDP. A system of limits imposed 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, largely in transactions under the Ordinary Account and in those with non-public entities under the Separate Account, there exists the possibility of including a clause in the loan agreements, obligating the counterparty to satisfy appropriate financial covenants and other typical contractual clauses in similar transactions, that allow CDP to monitor its credit risk more effectively over the life of the transaction.

With reference to loans to private-sector parties, in order to reduce the risk of involvement of criminal organisations, CDP takes part in the financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

The support provided by sponsors of the deal assumes special importance in project finance transactions, and particularly during the construction phase. This support is realised both in terms of the commitment to provide additional resources, as necessary, and by remaining a shareholder until construction is completed and operations commence.

During 2016, the Watch List tool also made it possible to monitor a group of performing loans more strictly. These performing loans are broken down into categories comprised of banks, public entities, and corporate entities, having a risk profile requiring special attention and for which, in certain cases, actions were taken to mitigate the critical situation.

Pursuant to the executed ISDA agreements, netting is used in hedge transactions with the bank counterparties of the Parent Company. All the contracts are based on the 2002 ISDA agreement.

Credit Support Annexes, which involve the periodic exchange of collateral, are also used to strengthen CDP credit risk mitigation.

The arrangement is based on the standard format recommended by ISDA.

Securities financing deals utilise GMRAs (Global Master Repurchase Agreement, ISMA 2000 format). CDP has also joined the Cassa di Compensazione e Garanzia (Clearing House), through which it transacts in repo agreements while benefiting from robust protections against counterparty risk.

As part of its factoring activities, SACE FCT adopts techniques to mitigate credit risk based on continuous monitoring of its positions, assessing early warning signs tied to the payment behaviour of debtors, and the specific characteristics of transactions, such as: (i) notification to the debtor that the loan has been sold; (ii) recognition of the debt by the transferor, and (iii) certification of the loan by the debtors.

When deemed appropriate, SACE FCT also assesses the possibility of acquiring collateral and unsecured guarantees to mitigate credit risk. Unsecured guarantees generally consist of guarantees given by individuals and companies. A global policy was made in 2016 with a major credit insurance company to cover the exposure to counterparties belonging to the corporate sector.

2.4 Non-performing financial assets

Non-performing financial assets are measured and classified in accordance with supervisory regulations issued by the Bank of Italy for banks.

The main events monitored in analysing the financial soundness of counterparties and the consequent valuation of the credit exposure in the financial statements regard failure to make payments (or other contractual breaches), declarations of financial crisis by local authorities, or the initiation of bankruptcy proceedings for other borrowers.

Non-performing positions are measured on the basis of an estimate of the loan recovery plan, discounted at the effective interest rate of the specific loan. The estimate made in the repayment schedule and consequent adjustment of the value of loans receivable consider any collateral or unsecured guarantees received. In particular, these consider 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.

The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery of the credit exposure. So that these events are 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.

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, likely breaches, and non-performing past-due exposures.

In the pre-litigation stage, non-performing loans are monitored and handled by the Lending Department, which coordinates with the other organisational units involved. The recovery of these exposures is aimed at maximising earnings and financial results, by pursuing extra-judicial actions as deemed appropriate. These may include settlement agreements having a positive impact on recovery times and the level of costs incurred.

The restoration of non-performing exposures to performing status is subject to verification that the problem conditions or insolvency have been eliminated and after obtaining the binding opinion, where envisaged, of the credit monitoring unit.

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.

After interposition by the European Union on 9 January 2015 of the "Implementing Technical Standards" that the European Banking Authority (EBA) had issued in 2013, which contains the definition of "non performing exposures" and "forbearance", and subsequent updates to the applicable banking regulations issued by the Bank of Italy, CDP has implemented appropriate methods for proper identification of “forborne” relationships. These methods call for identification of the nature of changes to the original contractual terms and conditions (i.e. total or partial refinancing of the debt) granted to a debtor, and consider the evidence of continuous monitoring, such as the number of days past due, in addition to the expert opinion of the competent units of the Credit Department, for assessment of the effective financial difficulty of the debtor.

Other information

Brexit – the result of the referendum held on 23 June 2016, whereby the United Kingdom decided to leave the European Union – has not had any immediate effects on the financial risks of CDP. However, the Italian government did take action at the European level by obtaining approval of a euro 150 billion fund available to banks if they ran short of liquidity in consequence of Brexit.

The yield on Italian government bonds did not suffer any particular variations. If anything, the yield narrowed over the following months, but then resumed widening after the changed market outlook following the election of Donald Trump as President of the United States.

Additional effects of Brexit may arise during 2017, when negotiations between the UK and the European Union begin and the economic details of its withdrawal will be clearer.

Quantitative disclosures

A. Credit quality

A. 1 Non-performing and performing credit exposures: amounts, write-downs, changes, economic and geographical distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

(thousands of euros) Portfolios/quality	Bad debts	Unlikely to pay	Non-performing past-due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets available for sale					7,591,089	7,591,089
2. Financial assets held to maturity					33,773,865	33,773,865
3. Loans to banks				7,702	27,722,901	27,730,603
4. Loans to customers	34,825	201,381	169,841	175,968	261,374,700	261,956,715
5. Financial assets at fair value					197,056	197,056
6. Financial assets beign divested					16,277	16,277
Total 31/12/2016	**34,825**	**201,381**	**169,841**	**183,670**	**330,675,888**	**331,265,605**
Total 31/12/2015	**30,371**	**154,656**	**191,081**	**119,685**	**321,589,692**	**322,085,485**

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 euros) Type of exposition	Gross exposure	Specific writedowns	Portfolio adjustments	Net exposure at 31/12/2016	Net exposure at 31/12/2015
Forborne loans to customers:					
Bad debts	4,795	(3,035)	X	1,760	
Unlikely to pay	74,185	(42,897)	X	31,288	35,896
Non-performing past-due exposures	244		X	244	
Performing past-due exposures	470	X		470	
Other performing exposures	777,230	X	(131,045)	646,185	35,126
Total forborne exposures at 31/12/2016	**856,924**	**(45,932)**	**(131,045)**	**679,947**	**X**
Total forborne exposures at 31/12/2015	**110,382**	**(39,034)**	**(326)**	**X**	**71,022**

The following table shows the breakdown by portfolio and period overdue of performing past-due exposures. The amounts shown refer to the whole exposure reported in the financial statements, including amounts not yet due, relationships that have a past-due payment but do not meet the prerequisites for classification as a non-performing past-due exposure.

Performing credit exposures: breakdown by ageing of past-due accounts

(thousands of euros) Portfolios/amounts	Performing past-due exposures: Up to 3 months	Performing past-due exposures: More than 3 months to 6 months	Performing past-due exposures: More than 6 months to 1 year	Performing past-due exposures: More than 1 year	Total performing past-due net exposures 31/12/2016	Total performing past-due net exposures 31/12/2015
1. Financial assets available for sale						
2. Financial assets held to maturity						
3. Loans to banks	7,702				7,702	
4. Loans to customers	41,171	22,261	2,278	110,258	175,968	119,685
- *of which: forborne exposures*	*470*				*470*	
5. Financial assets at fair value						
6. Financial assets held for disposal						
Total 31/12/2016	**48,873**	**22,261**	**2,278**	**110,258**	**183,670**	**X**
Total 31/12/2015	**53,468**	**45,176**	**165**	**20,876**	**X**	**119,685**

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

(thousands of euros) Portfolios/quality	Non-performing assets: Gross exposure	Non-performing assets: Specific adjustments	Non-performing assets: Net exposure	Performing assets: Gross exposure	Performing assets: Specific adjustments	Performing assets: Net exposure	Total (net exposure)
A. Banking Group							
1. Financial assets available for sale				7,591,089		7,591,089	7,591,089
2. Financial assets held to maturity				33,773,865		33,773,865	33,773,865
3. Loans to banks				27,841,985	(111,382)	27,730,603	27,730,603
4. Loans to customers	633,921	(227,874)	406,047	261,780,559	(229,891)	261,550,668	261,956,715
5. Financial assets at fair value				X	X	197,056	197,056
6. Financial assets being divested				16,277		16,277	16,277
Total al 31/12/2016	**633,921**	**(227,874)**	**406,047**	**331,003,775**	**(341,273)**	**330,859,558**	**331,265,605**
Total al 31/12/2015	**543,360**	**(167,252)**	**376,108**	**321,669,181**	**(179,517)**	**321,709,377**	**322,085,485**

(thousands of euros) Portfolios/Quality	Assets with markedly poor credit quality: Accumulated loss	Assets with markedly poor credit quality: Net exposure	Other assets: Net exposure
1. Financial assets held for trading			289,199
2. Hedging derivatives			1,109,475
Total at 31/12/2016			**1,398,674**
Total at 31/12/2015			**1,847,469**

A.1.3 Banking group - On-balance sheet and off-balance sheet credit exposures to banks: gross and net amounts and overdue bands

(thousands of euros) Type of exposures/amounts	Gross exposure					Specific write-downs	Portfolio adjustments	Net exposure
	Non-performing assets				Performing financial assets			
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year				
A. On-balance sheet exposures								
a) Bad debts					X		X	
- *of which: forborne exposures*					X		X	
b) Unlikely to pay					X		X	
- *of which: forborne exposures*					X		X	
c) Impaired past-due exposures					X		X	
- *of which: forborne exposures*					X		X	
d) Not impaired past-due exposures	X	X	X	X	7,702	X		7,702
- *of which: forborne exposures*	X	X	X	X		X		
e) Other exposures not impaired	X	X	X	X	25,144,137	X	(111,382)	25,032,755
- *of which: forborne exposures*	X	X	X	X		X		
Total A					25,151,839		(111,382)	25,040,457
B. Off-balance sheet exposures								
a) Non performing					X		X	
b) Performing	X	X	X	X	1,784,209	X	(5,038)	1,779,171
Total B					1,784,209		(5,038)	1,779,171
Total (A + B)					26,936,048		(116,420)	26,819,628

A.1.6 Banking group - On-balance sheet and off-balance sheet credit exposures to customers: gross and net amounts and overdue bands

(thousands of euros) Type of exposures/amounts	Gross exposure					Specific write-downs	Portfolio adjustments	Net exposure
	Non-performing assets				Performing financial assets			
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year				
A. On-balance sheet exposures								
a) Bad debts		32	1,999	92,956	X	60,162	X	34,825
- *of which: forborne exposures*			*1,261*	*3,534*	X	*3,035*	X	*1,760*
b) Unlikely to pay	64,058	42,980	27,395	188,932	X	121,984	X	201,381
- *of which: forborne exposures*	*61,746*		*12,312*	*127*	X	*42,897*	X	*31,288*
c) Impaired past-due exposures	72,811	24,733	25,844	35,489	X	1,351	X	157,526
- *of which: forborne exposures*			*8*	*236*	X		X	*244*
d) Not impaired past-due exposures	X	X	X	X	176,709	X	741	175,968
- *of which: forborne exposures*	X	X	X	X	*470*	X		*470*
e) Other exposures not impaired	X	X	X	X	299,311,503	X	215,224	299,096,279
- *of which: forborne exposures*	X	X	X	X	*777,230*	X	*131,045*	*646,185*
Total A	136,869	67,745	55,238	317,377	299,488,212	183,497	215,965	299,665,979
B. Off-balance sheet exposures								
a) Non performing	19,754				X	4,179	X	15,575
b) Performing	X	X	X	X	16,201,967	X	7,895	16,194,072
Total B	19,754				16,201,967	4,179	7,895	16,209,647
Total (A + B)	156,623	67,745	55,238	317,377	315,690,179	187,676	223,860	315,875,626

A.1.7 Banking group - On-balance sheet exposures to customers: changes in gross non-performing positions

(thousands of euros) Items/Categories	Bad debts	Unlikely to pay	Impaired past-due exposures
A. Opening gross exposure	**88,208**	**251,988**	**64,686**
- *of which: exposures assigned but not derecognised*			
B. Increases	**18,159**	**104,215**	**213,636**
B.1 Transfers from performing positions	189	65,743	90,609
B.2 Transfers from other categories of non-performing positions	8,203	24,224	1,279
B.3 Other increases	9,767	14,248	121,748
C. Decreases	**11,380**	**32,838**	**119,445**
C.1 To performing loans		7,185	80,737
C.2 Write-offs			
C.3 Collections	2,892	15,225	22,263
C.4 Assignments			
C.5 Losses from disposals			
C.6 Transfers from other categories of non-performing positions	8,436	8,825	16,445
C.7 Other decreases	52	1,603	
D. Closing gross exposure	**94,987**	**323,365**	**158,877**
- *of which: exposures assigned but not derecognised*			

A.1.7 bis Banking group - On-balance sheet exposures to customers: changes in gross non-performing positions distinguished by credit quality

(thousands of euros) Items/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**74,930**	**35,452**
- *of which: exposures assigned but not derecognised*		
B. Increases	**11,643**	**759,253**
B.1 Transfers from performing loans not forborne	5,166	696,791
B.2 Transfers from forborne performing loans		X
B.3 Transfers from forborne non-performing loans	X	1,599
B.4 Other increases	6,477	60,863
C. Decreases	**7,349**	**17,005**
C.1 Transfers to non-forborne performing loans	X	986
C.2 Transfers to forborne performing loans	1,599	X
C.3 Transfers to forborne non-performing loans	X	
C.4 Write-offs		
C.5 Repayments	5,750	16,019
C.6 Credit disposals		
C.7 Losses from disposals		
C.8 Other decreases		
D. Closing gross exposure	**79,224**	**777,700**
- *of which: exposures assigned but not derecognised*		

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

(thousands of euros) Items/Categories	Bad debts: Total	Bad debts: Of which: forborne exposures	Unlikely to pay: Total	Unlikely to pay: Of which: forborne exposures	Impaired past-due exposures: Total	Impaired past-due exposures: Of which: forborne exposures
A. Total opening adjustments	57,837		97,996	39,034		
- *of which: exposures assigned but not derecognised*						
B. Increases	9,229	3,035	25,312	4,092	3,221	
B.1 Writedowns	3,023	3,035	19,497	2,099	1,944	
B.1 *bis* Losses on disposal						
B.2 Transfers from other categories of impaired positions	446		3,279			
B.3 Other increases	5,760		2,536	1,993	1,277	
C. Decreases	6,904		1,324	229	1,870	
C.1 Writebacks from valuations	2,675		883	229	1,856	
C.2 Writebacks from collection	960					
C.3 Gains on disposal						
C.4 Writeoffs						
C.5 Transfers to other categories of impaired positions	3,269		441		14	
C.6 Other decreases						
D. Total closing adjustments	60,162	3,035	121,984	42,897	1,351	
- *of which: exposures assigned but not derecognised*						

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

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

(thousands of euros) Type of exposures	External rating grades: Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Not rated	Total
A. On-balance-sheet exposures	35,489	2,531,328	259,203,222	8,146,424	3,886,073	55,464	52,501,058	326,359,058
B. Derivatives		6,033	1,838				13,009	20,880
B.1 Financial derivatives		6,033	1,838				13,009	20,880
B.2 Credit derivatives								
C. Guarantees issued			791,423	157,287			1,852,996	2,801,706
D. Commiments to disburse funds		4,112,029	6,036,310	15,033	48,859	878	4,953,123	15,166,232
E. Other								
Total	35,489	6,649,390	266,032,793	8,318,744	3,934,932	56,342	59,320,186	344,347,876

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

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

A.3 Distribution of secured credit exposures by type of guarantee

A.3.1 Banking group - Secured credit exposures to banks

		Collateral (1)				Unsecured guarantees (2)									
						Credit derivatives					Guarantees				
							Other derivativesves								
(thousands of euros)	Net exposure	Land and buildings - mortgages	Land and buildings - finance lease	Securities	Other assets	CLN	Governments and central banks	Other government agencies	Banks	Other	Governments and central banks	Other government agencies	Banks	Other	Total (1) + (2)
1. Secured on-balance-sheet credit exposures															
1.1 Fully secured	13,975,721			1,117,018	8,608,273						4,179,101			71,329	13,975,721
- *of which: non-performing*															
1.2 Partially secured	7,504										7,502				7,502
- *of which: non-performing*															
2. Secured off-balance-sheet credit exposures:															
2.1 Fully secured	14,462				5,780						8,682				14,462
- *of which: non-performing*															
2.2 Partially secured															
- *of which: non-performing*															

A.3.2 Secured credit exposures to customers

(thousands of euros)	Net exposure	Collateral (1)				Unsecured guarantees (2)									Total (1) + (2)
						Credit derivatives					Guarantees				
							Other derivativesves								
		Land and buildings - mortgages	Land and buildings - finance lease	Securities	Other assets	CLN	Governments and central banks	Other government agencies	Banks	Other	Governments and central banks	Other government agencies	Banks	Other	
1. Secured on-balance-sheet credit exposures															
1.1 Fully secured	12,843,794	287,230		4,962,109	3,340,694						1,113,025	663,246	207,434	2,707,838	13,281,576
- *of which: non-performing*	*125,168*	*33,444*		*5,631*	*80,424*						*1,009*			*460*	*120,968*
1.2 Partially secured	1,197,119	40,031			139,429						149,140	11,633	53,113	496,447	889,793
- *of which: non-performing*	*121,719*				*2,085*						*102,350*		*8,738*		*113,173*
2. Secured off-balance-sheet credit exposures:															
2.1 Fully secured	6,652,884	65,674		62,490	113,104						421,371		1,372	5,988,873	6,652,884
- *of which: non-performing*	*8,054*	*678*		*110*							*7,238*			*29*	*8,055*
2.2 Partially secured	420,131				40,821							120,000	403		161,224
- *of which: non-performing*															

B. Distribution and concentration of credit exposures

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

(thousands of euros) Type of exposures/ Counterparties	Governments			Other government agencies			Financial companies			Insurance companies			Non-financial companies			Other		
	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments
A. On-balance-sheet exposures																		
A.1 Bad debts			X	7,108	(6,293)	X		(4,128)	X			X	27,677	(49,521)	X	40	(220)	X
- *of which: forborne exposures*			*X*	*953*	*(959)*	*X*			*X*			*X*	*806*	*(2,076)*	*X*			*X*
A.2 Unlikely to pay	7,932	(666)	X	11,682	(47,208)	X		(10)	X			X	179,333	(73,928)	X	2,434	(172)	X
- *of which: forborne exposures*			*X*	*101*	*(26)*	*X*		*(10)*	*X*			*X*	*30,346*	*(42,861)*	*X*	*841*		*X*
A.3 Non-performing past-due positions	26,828	(75)	X	40,133	(172)	X			X			X	89,547	(1,089)	X	1,018	(15)	X
- *of which: forborne exposures*			*X*	*244*		*X*			*X*			*X*			*X*			*X*
A.4 Performing exposures	231,904,729	X	(654)	47,723,625	X	(63,220)	7,829,209	X	(1,300)		X		11,785,458	X	(150,713)	29,225	X	(78)
- *of which: forborne exposures*		*X*		*1,631*	*X*			*X*			*X*		*645,024*	*X*	*(131,045)*		*X*	
Total A	231,939,489	(741)	(654)	47,782,548	(53,673)	(63,220)	7,829,209	(4,138)	(1,300)				12,082,015	(124,538)	(150,713)	32,717	(407)	(78)
B. Off-balance-sheet exposures																		
B.1 Bad debts			X			X		(81)	X			X	242		X			X
B.2 Unlikely to pay			X			X			X			X	11,120	(4,098)	X	2,144		X
B.3 Other non-performing assets			X			X			X			X	2,056		X	13		X
B.4 Performing exposures	2,184,144	X		2,942,671	X	(1,241)	278,021	X			X		10,773,670	X	(6,654)	15,566	X	
Total B	2,184,144			2,942,671		(1,241)	278,021	(81)					10,787,088	(4,098)	(6,654)	17,723		
Total (A + B) at 31/12/2016	234,123,633	(741)	(654)	50,725,219	(53,673)	(64,461)	8,107,230	(4,219)	(1,300)				22,869,103	(128,636)	(157,367)	50,440	(407)	(78)
Total (A + B) at 31/12/2015	230,590,659			49,636,967	(44,241)	(2)	8,050,063	(4,220)	(287)				18,472,581	(107,533)	(146,243)	40,167	(143)	

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

	Italy		Other European countries		Americas		Asia		Rest of the world	
(thousands of euros) Exposures/Geographical area	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures										
A.1 Bad debts	34,825	(60,162)								
A.2 Unlikely to pay	199,865	(121,899)	854	(45)	662	(40)				
A.3 Non-performing past-due positions	155,878	(1,326)	97		102	(2)			1,449	(23)
A.4 Performing exposures	296,847,565	(212,033)	1,038,577	(1,843)	300,415	(437)	581,606	(1,048)	504,083	(604)
Total A	297,238,133	(395,420)	1,039,528	(1,888)	301,179	(479)	581,606	(1,048)	505,532	(627)
B. Off-balance-sheet exposures										
B.1 Bad debts	242	(81)								
B.2 Unlikely to pay	13,264	(4,098)								
B.3 Other non-performing assets	2,069									
B.4 Performing exposures	10,657,695	(7,895)	401,215		4,927,757		207,405			
Total B	10,673,270	(12,074)	401,215		4,927,757		207,405			
Total (A + B) at 31/12/2016	307,911,403	(407,494)	1,440,743	(1,888)	5,228,936	(479)	789,011	(1,048)	505,532	(627)
Total (A + B) at 31/12/2015	301,975,911	(302,669)	1,114,451		3,332,225		234,557		133,293	

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

	Italy		Other European countries		Americas		Asia		Rest of the world	
(thousands of euros)	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures										
A.1 Bad debts										
A.2 Unlikely to pay										
A.3 Non-performing past-due positions										
A.4 Performing exposures	24,671,571	(111,382)	368,886							
Total A	24,671,571	(111,382)	368,886							
B. Off-balance sheet exposures										
B.1 Bad debts										
B.2 Unlikely to pay										
B.3 Other non-performing assets										
B.4 Performing exposures	1,770,276	(5,038)	8,895							
Total B	1,770,276	(5,038)	8,895							
Total (A + B) 31/12/2016	26,441,847	(116,420)	377,781							
Total (A + B) 31/12/2015	27,584,164	(34,895)	513,749							

C. Securitisations

Qualitative disclosures

At the end of 2002, CDP, then a public entity, carried out a securitisation with the assignment without recourse of six portfolios of claims on customers in respect of loans to the following types of borrowers:

1. special corporations or 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, the 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 2016, there was only one portfolio of securitised loans (RFI S.p.A.) outstanding. The transaction and the associated cash flows are proceeding as envisaged.

It should be noted that the loans underlying this transaction were fully derecognised, since CDP applied the provisions of paragraph B2, Appendix B, of IFRS 1, which requires first-time adopters to apply rules for the prospective derecognition of financial assets for transactions effected as from 1 January 2004.

Quantitative disclosures

C.5 Banking group - Servicer activity - own securitisations: collections on securitised assets and redemption of securities issued by the securitisation vehicle

	Securitisation vehicle	Securitised assets (end period figure)		Collections in the year		% of redeemed securities (end-period figure)					
		Non-performing	Performing	Non-performing	Performing	Senior		Mezzanine		Junior	
(thousands of euros) Servicer						Non-performing assets	Performing assets	Non-performing assets	Performing assets	Non-performing assets	Performing assets
CDP S.p.A.	CPG - Società di cartolarizzazione a r.l.		170,895		15,902						

E. Asset disposals

A. Financial assets assigned but not derecognised

Qualitative disclosures

The financial assets assigned but not derecognised regard Government securities classified as “Financial assets available for sale” and “Financial assets held to maturity” underlying repurchase agreements.

Quantitative disclosures

E.1 Banking group - Financial assets assigned but not derecognised: carrying amount and total value

(thousands of euros)	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale			Financial assets held to maturity			Loans to banks			Loans to customers			Total	
Type/Portfolio	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2016	31/12/2015
A. On-balance-sheet assets							1,620,803			15,572,567						100,874			17,294,244	5,627,689
1. Debt securities							1,620,803			15,572,567						100,874			17,294,244	5,627,689
2. Equity securities										X	X	X	X	X	X	X	X	X		
3. Units in collective investment undertakings										X	X	X	X	X	X	X	X	X		
4. Loans																				
B. Derivatives				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Total 31/12/2016							1,620,803			15,572,567						100,874			17,294,244	X
- *of which: impaired*																				*X*
Total 31/12/2015							680,093			4,947,596									X	5,627,689
- *of which: impaired*																			*X*	

Key:
A = financial assets assigned recognised in full (carrying amount).
B = financial assets assigned partially recognised (carrying amount).
C = financial assets assigned partially recognised (entire value).

E.2 Banking group - Financial liabilities in respect of financial assets assigned but not derecognised: carrying amount

(thousands of euros) Liabilities/Portfolio of assets	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Total
1. Due to customers			1,101,268	12,584,329			13,685,597
a) In respect of assets fully recognised			1,101,268	12,584,329			13,685,597
b) In respect of assets partially recognised							
2. Due to banks			514,790	4,360,488		102,104	4,977,382
a) In respect of assets fully recognised			514,790	4,360,488		102,104	4,977,382
b) In respect of assets partially recognised							
3. Securities issued							
a) In respect of assets fully recognised							
b) In respect of assets partially recognised							
Total 31/12/2016			1,616,058	16,944,817		102,104	18,662,979
Total 31/12/2015			679,134	5,892,725			6,571,859

E.3 Banking group - Disposals with liabilities with recourse only on divested assets: fair value

(thousands of euros) Type/Portfolio	Financial assets held for trading		Financial assets at fair value		Financial assets available for sale		Financial assets held to maturity (fair value)		Loans to banks (fair value)		Loans to customers (fair value)		Total	
	A	B	A	B	A	B	A	B	A	B	A	B	31/12/2016	31/12/2015
A. On-balance-sheet assets					**1,620,803**		**16,939,200**				**101,990**		**18,661,993**	**6,568,589**
1. Debt securities					1,620,803		16,939,200				101,990		18,661,993	6,568,589
2. Equity securities							X	X	X	X	X	X		
3. Units in collective investment undertakings							X	X	X	X	X	X		
4. Loans														
B. Derivatives			X	X	X	X	X	X	X	X	X	X		
Total assets					**1,620,803**		**16,939,200**				**101,990**		**18,661,993**	**6,568,589**
C. Associated liabilities					**1,616,058**		**16,944,817**				**102,104**		**X**	**X**
1. Due to customers					1,101,268		12,584,329						X	X
2. Due to banks					514,790		4,360,488				102,104		X	X
3. Securities issued													*X*	*X*
Total liabilities					**1,616,058**		**16,944,817**				**102,104**		**18,662,979**	**6,571,859**
Net value 31.12.2016					**4,745**		**(5,617)**				**(114)**		**(986)**	**X**
Net value 31.12.2015					**959**		**(4,229)**						**X**	**(3,270)**

Key:
A = financial assets sold recognised in full.
B = financial assets sold partially recognised.

B. Financial assets assigned and derecognised with recognition of continuing involvement

Qualitative disclosures

There were no existing transactions classified in the portfolio of financial assets assigned and derecognised with recognition of continuing involvement.

E.4 Banking group - Covered bond transactions

At the reporting date, no covered bond transactions have been carried out by Banking group companies.

1.2 Banking group - Market risk

1.2.1 Interest rate risk and price risk - Supervisory trading book

Qualitative disclosures

A. General aspects

In 2016, the Banking group companies did not undertake any transactions qualifying for allocation to the supervisory trading book.

1.2.2 Interest rate and price risk - Banking book

Qualitative disclosures

A. General aspects, management and measurement methods of interest rate risk and price risk

As part of its activities, the Parent Company is exposed to interest rate risk in all its forms: repricing, yield curve, basis and optionality. CDP also monitors inflation risk within the same conceptual and analytical framework as interest rate risk on the banking book.

These risks can affect the profits and economic value of CDP.

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

The basic approach taken by CDP to measuring and managing interest rate risk is an “economic value perspective”, which complements the “profitability perspective”. The economic value perspective corresponds to the long-term representation of the profitability perspective, as economic value is essentially equal to the discounted sequence of future net 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 major shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and composite indicators representing the economic capital necessary for the risks involved.

This monitoring structure is translated into the calculation of value at risk (VaR), which CDP calculates using methods based on historical simulation.

To quantify and monitor the interest rate risk of the banking book, CDP measures VaR both over short time horizons – such as over one day or ten days – and annually, which is more suited to internal assessment of capital adequacy, with particular regard to risk pertaining to the banking book. The short-term and annual measures of VaR share the same combination of models for valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is used for backtesting, because there is a larger pool of figures available over that interval.

VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. While aware of the limits of any composite metric based on historical scenarios, VaR also has two significant strengths:

- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry);
- it makes it possible, by way of backtesting, to check the hypotheses underpinning not only the calculation of the daily VaR but also the entire simulation.

CDP’s Risk Policy sets specific limits to manage the exposure to interest rate and inflation risk. More specifically, limits have been established on the impact on the economic value of parallel shifts (+/- 100 basis points) in the yield curve and the inflation curve. In addition to these limits, additional and more granular limits are in place, which are set by the Chief Executive Officer.

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

CDP's ALM approach seeks to limit the volume of hedging derivatives by exploiting "operational hedges" between fixed-rate assets and liabilities. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance Area.

The measurement and the monitoring of interest rate risk are performed by the RMA and are discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methods and received periodic reports on the results achieved.

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

In line with the net economic value approach, equity risk is quantified in terms of VaR (with a one-year time horizon). The VaR gives a proxy of the risk that the listed and liquid securities – even when they are not recognised at their current fair value – do not recover any impairment over time. It is calculated on the basis of hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments for the long term.

An additional source of price risk lies in CDP's funding operations, namely the issue of indexed postal savings bonds and Premia bonds, whose yield is linked to developments in the Dow Jones Euro Stoxx 50 index. The RMA monitors the net exposure to such risk.

SACE FCT monitors and manages interest rate risk according to the provisions of the specific policy and by setting appropriate operating limits. Risk management is ensured by the Budget and Treasury Service, in close collaboration with the Risk Management Service, through operating management of assets and liabilities in compliance with the guidelines defined by the Board of Directors.

The Company carefully monitors any mismatching between assets and liabilities. Interest risk originates especially from final purchases of receivables (where the consideration to be paid is determined by discounting the face value of the acquired receivables at the pre-set interest rate). These transactions constitute fixed-rate transactions of an uncertain duration, insofar as the maturity date of the transaction also has to consider any period estimated for any delays in final receipt.

The interest rate risk associated with standard transactions with and without recourse is minimal. The reason is that these are variable rate transactions with monthly repricing financed through floating or fixed rate funding with short-term maturities (from 1 to 3 months).

CDP Investimenti SGR is not directly exposed to interest rate and inflation risks resulting from its own activity but in reference to investments of liquidity. It invests principally in fixed rate securities issued by the Italian Government and in the postal savings bonds issued by the Parent Company.

In 2016, SACE FCT and CDPI SGR did not execute any interest rate hedges.

B. Fair value hedges

The purpose of fair value hedges of financial asset and liability instruments is to reduce the exposure to specifically identified risks. The hedging activity, which has been appropriately differentiated according to the characteristics of the Separate Account and Ordinary Account, also allows reducing the amount of interest rate and inflation rate risk.

Parent Company operations under the Ordinary Account are aimed at minimising non-credit risks, by defusing the interest rate risk in the origination phase.

On the liability side of the Ordinary Account, this hedging involves specific hedges of fixed-rate, variable-rate and/or structured issues in Euro and other currencies, carried out using Interest Rate Swaps (IRS) and Cross Currency Swaps (CCS) indexed to 6-month Euribor.

As regards assets, fixed-rate loans are generally hedged using amortising IRSs in which CDP pays fixed and receives floating. In this case, the hedge may cover a homogeneous aggregate of loans.

The hedges in place as of today are classified as micro fair value hedges.

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

With respect to financial liabilities, fair value hedges are currently in place for bonds issued to Institutional and Retail Customers, in some cases supported by State guarantees, established through IRSs indexed to 6-month Euribor. These hedges are accounted for as micro fair value hedges, in which a hedge is contracted to match a bond issue.

The hedging of assets under the Separate Account depends on interest rates. CDP implements fair value micro hedge programmes for specific fixed-rate loans (or homogeneous groups of items), realised with bullet or amortising IRSs indexed to 6-month Euribor. These hedges are prematurely terminated mainly after renegotiation of the hedged loan agreements that amend their terms and duration.

In 2016, interest rate hedging activity continued with the establishment of new hedges for renegotiated and new loans, in some cases favouring the partial designation of cash flows (of individual items or homogeneous groups) identified over time ("partial-term hedges"), in order to put in place targeted exchange rate hedges for particular portions of the discount curve.

Moreover, interest rate and exchange rate risks linked to a loan granted within the Export Bank activity that entails repayment in US Dollars are hedged. The hedge through a cross currency swap is classed as a micro fair value hedge for accounting.

The equity risk linked to postal bonds indexed to the Euro Stoxx 50 Index ("Index Linked at maturity" and "Premia" and "Europe") is immunised through the purchase of options that mirror those embedded in the bonds, taking into account the risk profile resulting from the periodic monitoring and implementing of hedges from a portfolio perspective. The financial characteristics of the most recent issues make it possible to take advantage of partial over-hedges on other positions in the portfolio with the same characteristics. More specifically, the hedges of options embedded in the Europa bonds, issued starting from June 2013, are put in place by either purchasing matching options[36], or through long positions in options already in the portfolio for the pre-existing Premia bonds, where the financial characteristics in terms of strike, fixing dates, expiration coincide. The metrics introduced in the monitoring of the risk arising from equity options enable the verification of hedges both on a "one to one" basis and on an aggregated basis for similar positions according to the above characteristics.

C. Cash flow hedges

During 2010 CDP launched a hedging programme for the issue of postal savings bonds indexed to the consumer price index for blue-collar and office worker households (FOI), a leading source of exposure to inflation that is only partially mitigated by the operational hedge against loans with the same type of indexing. The hedges, which are classified as cash flow hedges, are implemented using zero-coupon inflation swaps with the notional determined on a conservative basis, while using the proprietary model of customer repayment behaviour to estimate the nominal amount that CDP expects to reach at maturity for each series of hedged bond. In most of the hedges in this category, CDP retains the basis risk in respect of any differences between European and Italian inflation. Several of these hedges reached their natural maturities in 2016.

CDP has also used derivatives to hedge exchange rate risk, which were designated as cash flow hedging relationships.

As regards the assets of the Separate Account, two hedges are currently in place through cross currency swaps in which CDP converts the cash flows of two floating-rate securities in yen (issued by the Republic of Italy) into fixed rate securities in euros.

[36] The notional purchased as hedge is estimated on the basis of the proprietary model of customer redemption behaviour.

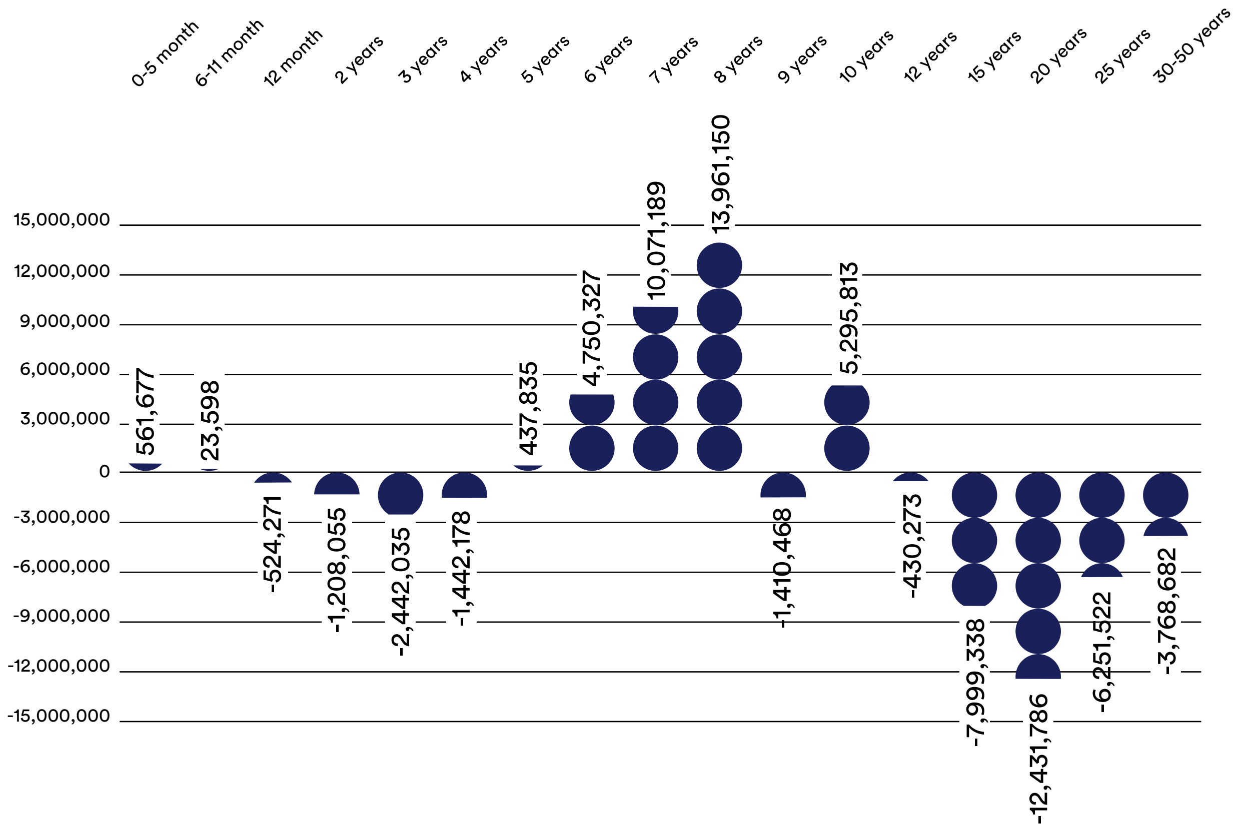
Quantitative disclosures

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

The following figure shows an analysis of interest rate risk sensitivity of the Parent Company developed on the basis of internal models.

Sensitivity to Euro zero-coupon rates by maturity

Market figures at 30/12/2016



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 net income or economic value of group companies.

The transactions entailing the assumption of exchange rate risk are undertaken only if protected by adequate and specific hedges of currency risk or by the matching of funding/lending in foreign currency. When uncertain disbursements and/or premature repayment options exist, the hedging strategy might leave a small portion of the exchange risk unhedged.

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

During 2016, SACE FCT developed an important programme for the purchase of commercial paper denominated in foreign currency, almost all of which was 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 Investimenti SGR assumes no exchange rate risk in its own activity.

B. Hedging exchange rate risk

No exposures to exchange rate risk deriving from issues in foreign currency are found in the liabilities of the Parent Company.

In regard to assets, exchange rate risks linked to the purchase of bonds denominated in foreign currencies (currently two Yen-denominated bonds issued by the Italian Republic) and to the granting of a loan within the Export Bank activity that entails repayment in US Dollars were hedged. The Italian Republic bonds issue in Yen was hedged through cross currency swaps that make the cash flows of CDP equal to those of fixed-rate bonds denominated in Euro. The loan, instead, was hedged through a cross currency swap in which CDP exchanges US dollar cash flows with variable-rate cash flows indexed to the 6-month Euribor index. Finally, a residual component of unhinged exchange rate risk existed at 31 December 2016. This was tied to short-term treasury transactions to refinance exposures in US dollars.

SACE FCT manages the exchange rate risk associated with the purchase of commercial paper in foreign currency, largely through the acquisition of funding in the same currencies of loans made in currencies other than the euro. A general alignment between the time profile of loans and the time profile of the related funding is also required. Moreover, to maintain exposure within levels that are consistent with management policy and to avoid concentration risks on specific currencies, appropriate ceilings (maximum volume of exposure) are defined by foreign currency.

Quantitative disclosures

1. Distribution by currency of assets, liabilities and derivatives

(thousands of euros) Items	Currency US dollar	Pound sterling	Yen	Canadian dollar	Swiss francs	Other currencies
A. Financial assets	**591,471**		**486,459**			**395**
A.1 Debt securities	152,029		486,459			
A.2 Equity securities						
A.3 Loans to banks	17,728					
A.4 Loans to customers	398,695					395
A.5 Other financial assets	23,019					
B. Other assets						
C. Financial liabilities	**457,538**					**77**
C.1 Due to banks	64,510					
C.2 Due to customers	393,028					77
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities	**80**					
E. Financial derivatives						
- Options						
+ long positions						
+ short positions						
- Other derivatives						
+ long positions						
+ short positions	116,521		486,459			
Total assets	**591,471**		**486,459**			**395**
Total liabilities	**574,139**		**486,459**			**77**
Difference (+/-)	**17,332**					**318**

1.2.4 Financial derivatives

A. Financial derivatives

A.2 Banking book: period-end notional values

A.2.1 Hedgeing derivatives

(thousands of euros) Underlying assets/Type of derivatives	31/12/2016 Over the counter	31/12/2016 Central counterparties	31/12/2015 Over the counter	31/12/2015 Central counterparties
1. Debt securities and interest rates	**30,851,611**		**24,563,055**	
a) Options				
b) Swap	30,851,611		24,563,055	
c) Forward				
d) Futures				
e) Other				
2. Equity securities and equity indices				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other				
3. Foreign currencies and gold	**601,572**		**580,090**	
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other	601,572		580,090	
4. Commodities				
5. Other underlyings				
Total	**31,453,183**		**25,143,145**	

A.2.2 Other derivatives

(thousands of euros) Underlying assets/Type of derivatives	31/12/2016 Over the counter	31/12/2016 Central counterparties	31/12/2015 Over the counter	31/12/2015 Central counterparties
1. Debt securities and interest rates	**2,183,151**		**2,179,080**	
a) Options				
b) Swap	2,183,151		2,099,080	
c) Forward				
d) Futures				
e) Other			80,000	
2. Equity securities and equity indices	**32,654,180**		**34,054,732**	
a) Options	32,654,180		34,054,732	
b) Swap				
c) Forward				
d) Futures				
e) Other				
3. Foreign currencies and gold				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Other				
4. Commodities				
5. Other underlyings				
Total	**34,837,331**		**36,233,812**	

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

(thousands of euros) Portfolio/Type of derivatives	Positive fair value			
	31/12/2016		31/12/2015	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging	**733,273**		**789,378**	
a) Options				
b) Interest rate swap	644,090		665,487	
c) Cross currency swap	89,183		123,891	
d) Equity swap				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	**207,650**		**200,502**	
a) Options	122,655		127,761	
b) Interest rate swap	84,995		64,685	
c) Cross currency swap				
d) Equity swap				
e) Forwards				
f) Futures				
g) Other			8,056	
Total	**940,923**		**989,880**	

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

(thousands of euros) Portfolio/Type of derivatives	Negative fair value			
	31/12/2016		31/12/2015	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity swap				
e) Forwards				
f) Futures				
g) Other				
B. Banking book – hedging	**831,894**		**535,247**	
a) Options				
b) Interest rate swap	826,715		535,247	
c) Cross currency swap	5,179			
d) Equity swap				
e) Forwards				
f) Futures				
g) Other				
C. Banking book – other derivatives	**183,286**		**169,572**	
a) Options	99,046		98,041	
b) Interest rate swap	84,240		63,475	
c) Cross currency swap				
d) Equity swap				
e) Forwards				
f) Futures				
g) Other			8,056	
Total	**1,015,180**		**704,819**	

A.7 OTC financial derivatives - banking book - notional values, gross positive and negative fair values by counterparty - contracts not covered by netting arrangements

(thousands of euros) Contracts not covered by netting arrangements	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt securities and interest rates							
Notional value							40,000
Positive fair value							13,009
Negative fair value							
Future exposure							
2) Equity securities and equity indices							
Notional value							17,824,680
Positive fair value							
Negative fair value							99,046
Future exposure							
3) Foreign currencies and gold							
Notional value							
Positive fair value							
Negative fair value							
Future exposure							
4) Other							
Notional value							
Positive fair value							
Negative fair value							
Future exposure							

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

(thousands of euros) Contracts not covered by netting arrangements	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt securities and interest rates							
Notional value			31,503,116	1,491,646			
Positive fair value			691,056	25,020			
Negative fair value			895,257	15,698			
2) Equity securities and equity indices							
Notional value			14,548,500	281,000			
Positive fair value			120,715	1,941			
Negative fair value							
3) Foreign currencies and gold							
Notional value			601,572				
Positive fair value			89,182				
Negative fair value			5,179				
4) Other							
Notional value							
Positive fair value							
Negative fair value							

A.9 Residual life of OTC financial derivatives: notional values

(thousands of euros) Underlyings/Residual maturity	To 1 year	From 1 year to 5 years	More than 5 years	Total
A. Supervisory trading book				
A.1 Financial derivatives on debt securities and interest rates				
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold				
A.4 Financial derivatives on other				
B. Banking book	12,545,936	31,137,126	22,607,452	66,290,514
B.1 Financial derivatives on debt securities and interest rates	1,600,000	8,942,658	22,492,104	33,034,762
B.2 Financial derivatives on equity securities and equity indices	10,945,936	21,708,244		32,654,180
B.3 Financial derivatives on exchange rates and gold		486,224	115,348	601,572
B.4 Financial derivatives on other				
Total 31/12/2016	**12,545,936**	**31,137,126**	**22,607,452**	**66,290,514**
Total 31/12/2015	**12,831,104**	**31,075,558**	**17,470,295**	**61,376,957**

C. Financial and credit derivatives

C.1 OTC financial and credit derivatives: net fair value and future exposure by counterparty

(thousands of euros)	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Bilateral arrangements financial derivatives							
Positive fair value			435,301	25,020			
Negative fair value			434,784	13,757			
Future exposure			241,018	8,260			
Net counterparty risk			251,317	9,320			
2) Bilateral arrangements credit derivatives							
Positive fair value							
Negative fair value							
Future exposure							
Net counterparty risk							
3) “Cross product” arrangements							
Positive fair value							
Negative fair value							
Future exposure							
Net counterparty risk							

1.3 Banking group - Liquidity risk

Qualitative disclosures

A. General aspects, management processes, and methods for measurement of liquidity risk

Liquidity risk is construed in the sense of “asset liquidity risk and of funding liquidity risk.

Since the banking group does not engage in trading activities, the exposure to liquidity risk in the sense of asset liquidity risk is limited.

For the Parent Company, liquidity risk becomes significant mainly in the form of funding liquidity risk[37], in view of the dominant weight of demand deposits (passbook savings accounts) and bonds redeemable on demand (postal savings bonds) in the liabilities of the Separate Account.

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

To this end, a lower limit on the stock of liquid assets has been established, which is monitored by the RMA, together with a number of aggregates that represent the capacity of CDP to cope with potential crisis situations. As an operational protection measure for liquidity risk, CDP has adopted a Contingency Funding Plan (CFP). The CFP sets out the processes and strategies used by CDP to manage possible liquidity crises, whether of systemic origin – caused by an unexpected deterioration in monetary and financial market conditions – or due to idiosyncratic difficulties at CDP itself.

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

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

Management of treasury activities by Finance enables CDP to raise funds using repos, for both the Separate and Ordinary Accounts.

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

As a further control, both for the Separate and the Ordinary Account, RMA monitors an incremental available liquidity buffer, in a stress scenario, through transactions with the European Central Bank and refinancing on the liquid securities market.

The controls put in place are corroborated by a stress test used in order to assess the potential effects of an extremely unfavourable scenario on the liquidity position.

In regard to the activity of SACE FCT, the liquidity risk connected with factoring operations is mitigated by the recourse to diversified forms of financing, both through the activation of revolving credit lines at major banking groups and through the existing credit facility with SACE as part of the Shareholders’ Loan Agreement, made in view of providing the Company with the means necessary to guarantee operating continuity. In this context, the “Liquidity Risk Policy” defines the roles and responsibilities of the corporate bodies and corporate units involved in the process and the methods of measuring, managing, and monitoring liquidity risk. Moreover, a Contingency Funding Plan defines the strategies for management of a possible liquidity crisis and the specific procedures to be implemented in response to adverse funding raising situations.

[37] Funding liquidity risk means the impossibility, for a financial institution, to meet its obligations by collecting liquidity at non-penalising conditions or monetising assets held.

In regard to liquidity risk, CDPI SGR is potentially exposed to the risk of a cash shortfall caused by compression of the management fees received on the funds under management, calculated as a percentage of the net aggregate value (FIA[38]) and the total value of the assets (FIV and FIT[39]).

Any fluctuations in the value of units in collective investment undertakings and/or the real estate in which the managed funds invest, would consequently impact the management fees received. At this time, that risk appears insignificant[40].

From an operating point of view, liquidity risk is monitored through careful planning of Company cash flows (financial forecast), prepared by the Administration, Finance and Control unit and updated monthly.

38 Fondo investimenti per l'Abitare.
39 Respectively: Fondo Investimenti per la Valorizzazione and Fondo Investimento Turismo.
40 Example: by simulating a 5-year time horizon, the prudent assumptions of (i) missed growth in received management fees as compared with the levels recorded during the last year and (ii) 8% growth on annual basis in management costs and staff, the cash gaps would not appear.

Quantitative disclosures

1. Distribution of financial assets and liabilities by residual maturity

(thousands of euros) 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	157,934,041	2,961,996	343,634	2,802,593	5,923,110	2,953,746	5,875,897	35,217,081	101,667,397	8,036,062
A.1 Government securities			128,837	920,345	5,272,634	2,420,631	1,975,574	9,305,318	27,251,129	
A.2 Other debt securities		261		4,969	4,212	57,179	115,240	882,229	2,709,333	
A.3 Units in collective investment undertakings	1,652,623									
A.4 Loans:	156,281,418	2,961,735	214,797	1,877,279	646,264	475,936	3,785,083	25,029,534	71,706,935	8,036,062
- banks	1,802,531			510,579	2,490	1,375	1,322,153	7,052,380	5,291,406	8,036,062
- customers	154,478,887	2,961,735	214,797	1,366,700	643,774	474,561	2,462,930	17,977,154	66,415,529	
B. On-balance-sheet liabilities	247,740,571	4,556,402	404,671	4,400,704	27,415,134	2,876,385	477,181	11,202,636	14,090,128	
B.1 Deposits and current accounts:	247,740,335	4,500,424	301,507	3,400,356	25,839,430	222,057	337,181	1,079,772	5,760,673	
- banks	1,226,513	424	151,500	100,113	34,765	45,761	1,522	50,888	436,449	
- customers	246,513,822	4,500,000	150,007	3,300,243	25,804,665	176,296	335,659	1,028,884	5,324,224	
B.2 Debt securities						300,000	140,000	6,219,000	4,899,000	
B.3 Other liabilities	236	55,978	103,164	1,000,348	1,575,704	2,354,328		3,903,864	3,430,455	
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital:										
- long positions								538,624		
- short positions								486,224		
C.2 Financial derivatives without exchange of capital:										
- long positions			3,996	8,342	50,042	56,518	140,249			
- short positions		39,422		59,704	6,625	93,504	67,863			
C.3 Deposits and loans to receive:										
- long positions					183,000					
- short positions		183,000								
C.4 Irrevocable commitments to disburse funds:										
- long positions	15,014,089									
- short positions	15,014,089									
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										

1.4 Banking Group - Operational risks

Qualitative disclosures

A. General aspects, management and measurement of operational risks

Definition of operational risk

The Banking Group has adopted the guidelines established by the Basel Committee for the banking industry and incorporated by the Bank of Italy in Circular no. 285 of 17 December 2013 as the benchmark for managing operational risk.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such risk includes, among others, losses resulting from internal or external fraud, human error, employment relationships and workplace safety, business disruption, system unavailability, breach of contract, process management, damage to company assets and natural disasters.

Operational risk includes legal risk but not strategic or reputational risk.

The “legal risk” is the risk of incurring losses resulting from violations of laws or regulations, from contractual or constructive liability or from other disputes.

System for managing operational risks

The operational risk management system is a set of structured processes, functions and resources for identifying, assessing and controlling the above-mentioned risks. Its main objective is to ensure effective prevention and mitigation of such risks.

Apart from adopting best practice in the banking sector as a reference, CDP pays particular attention to industrial sector benchmarks for the management of operational risks. The methodological and organizational framework implemented is aimed at capturing the company’s actual risk profile, similarly to what occurs in the most advanced corporates, which actively manage operational risks even though they are not subject to capital requirements.

The objective is to improve corporate processes and the Internal Control System, so as to lay the foundations for more targeted mitigation measures and to make a more accurate quantification of the associated economic capital, currently estimated using the Basic Indicator Approach.

The Operational Risks Service, operating within the Risk Management and Anti-Money Laundering Area, is the Organizational Unit responsible for designing, implementing and monitoring the methodological and organizational framework for assessment of the exposure to operational risks, the initiation of mitigation measures – in agreement with the organization units involved – and the preparation of reporting to Top Management.

The framework adopted involves the inclusion of information on operational losses classified according to specified “Loss Event Types” (i.e. a model of loss events), “Loss Effect Types” (i.e. a model of types of losses) and “Risk Factors” (i.e. a model for the classification of risk factors).

This information comprises:
- internal data on operational losses (Loss Data Collection);
- system loss data (external data);
- data on contingent losses (assessment of level of exposure to operational risks);
- key factors of the business environment and internal control systems.

The main elements of the operational risk management system implemented within CDP are presented below.

Loss Data Collection

The framework for Loss Data Collection adopted within CDP is in line with the approach suggested by the Basel Committee and adopted by the Italian Banking Association (ABI) within the activity of the Italian Operational Loss Database (DIPO).

In this respect, the primary activities carried out within CDP were:
- identification and updating of information sources for the continuous feeding of operating losses database (information source means the organisational unit that can provide information concerning the main features of each loss event recorded and its associated effects);

- mapping of relevant operational risk data – relating to both operational risk events that have generated losses already recognized in profit or loss and operational risk events that have not resulted in a loss (so-called near-miss events) – and filing of the supporting documentation;
- periodic reviews of the data collection and storage system.

Specific criteria were defined in terms of time and material thresholds for mapping loss events, in order to enable the creation of time series that are representative of the actual risk profile of the Company and such as not to exclude significant data on losses, in order not to affect the reliability and accuracy of the assessment of operational risk.

CDP has developed a proprietary application (LDC) for collecting the data in question, in order to ensure the integrity, confidentiality and availability of the information collected. This application enables the centralized, secure management of the following activities:
- collection of internal operational loss data;
- accounting reconciliation of collected data;
- data validation;
- preparation of record layout to be sent to DIPO.

Apart from reducing the cost and the risk related to manual data management, this tool also guarantees the (i) integrity, confidentiality and availability of the information collected, as well as (ii) the traceability of the entire process, thanks to the user identification system, and (iii) a high level of control, thanks to a customizable system of automated messages and alerts.

External loss data

CDP joined the Italian Operational Loss Database (DIPO) managed by ABIServizi S.p.A. in order to be able to retrieve data on operational risk events that have taken place in other financial institutions; this enables CDP to improve its estimates regarding operational losses and to compare itself against the best practices used by other main banking groups.

Mapping of business process related risks

The mapping of events impacting business processes – including risks linked to the introduction of new products/processes/systems – is a preliminary step for assessing the level of exposure to operational risks.

The identification of risks inherent in processes, carried out by Process Owners and by experts appointed by them, stems from the need to understand the origin of potential losses associated with operational risks – identifying the events and causes that might generate them – and to assess the advisability of taking targeted monitoring, control, prevention and mitigation actions.

As regards the adverse events mapped, in order to encourage the development of integrated risk management within CDP, special attention is devoted to:
i) compliance risk;
ii) the risk of commission of the offences referred to in Legislative Decree no. 231 of 8 June 2001 (Rules governing the administrative liability of legal persons, companies and associations, including entities without legal personality, pursuant to Article 11 of Law no. 300 of 29 September 2000, published in the Official Gazette no. 140 of 19 June 2001, arising in respect of criminal offences committed by natural persons connected with the legal person in an employment relationship and acting in its interest);
iii) the risk governed by Legislative Decree no. 231 of 21 November 2007 (Implementing Directive no. 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and Directive no. 2006/70/EC laying down implementing measures);
iv) the risk governed by Law no. 262 of 28 December 2005 (Provisions for the protection of savings and the regulation of financial markets, published in the Official Gazette no. 301 of 28 December 2005);
v) the risk of disruption or malfunction of IT systems;
vi) outsourcing risk.

Assessment of level of exposure to operational risks

The qualitative Risk Assessment method for assessment of the Company's level of exposure to operational risks was defined in order to collect information useful for the implementation of suitable mitigation measures for the most significant risks.

The Company's level of exposure to potential operational risks is estimated through a self-assessment exercise carried out by the parties involved in the processes analysed.

The assessment is performed under the supervision of the Operational Risks Team, whose role is to ensure the process is conducted systematically, also to reduce the natural "cognitive distortions", (bias) of the bank officers interviewed, and thus ensure greater reliability of the assessment performed.

Based on the risk perception of the officers interviewed (Organizational Unit Managers, Process 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 Assessment findings, therefore, are used for management purposes (use test): the operational risk management system, integrated into the Management's decision-making, aims at strengthening corporate processes and improving the Internal Control System.

The objectives of Risk Assessment can include:
- identify the most critical processes and/or operational areas – in terms of exposure to operational risks – to be analysed in greater depth;
- estimate the residual exposure to any risk detected (so-called residual risk) through the qualitative assessment (i) of the operational risks linked to a certain process and (ii) of the relevant control centres;
- assess potential exposure to operational risks linked to the introduction of new products, processes, systems and activities, allowing Management to take appropriate countermeasures in terms of processes, systems and human resources, for sound and prudent management of the new activity.

The main players involved in assessing exposure to operational risks are:
1) the Operational Risk unit:
   - recommends the methodologies and procedures for identifying risks;
   - controls and ensures correct application of the methodologies and procedures;
   - provides methodological and technical support for identifying risks;
   - ensures the uniformity of the information collected through analysis of the quality and congruity of the data acquired in the survey;
2) the process owners and experts:
   - identify and assess main risks in the processes under their remit;
   - propose actions to mitigate the risks identified;
   - periodically monitor the evolution of those risks and the emergence of new risks;
3) the Compliance unit:
   - identifies compliance risk for internal and external regulations and any reputational risks, validating and, if necessary, completing the risk identification performed by the owner (for adverse events that could generate compliance risk);
   - proposes actions to mitigate the risks identified;
4) the Anti-Money Laundering Unit:
   - identifies money laundering risk factors in line with the methodological framework adopted;
   - identifies the risks of non-compliance with laws, regulations and internal procedures on money laundering;
   - supports the owners in identifying the risks of intentional or accidental involvement in money laundering or terrorist financing;
   - proposes actions to mitigate the risks identified;
5) the Manager in charge with preparing the Financial Reports:
   - identifies risks that may affect the reliability of financial reporting (risks pursuant to Law no. 262 of 28 December 2005);
   - supports the owners in identifying control centres;
   - proposes actions to mitigate the risks identified;
6) the Chief Audit Officer:
   - recommends the mapping of all those risks that – while not identified by the owner and experts – have been detected in corporate processes during audit activities;
   - assesses the risk of commission of the offences referred to in Legislative Decree no. 231 of 8 June 2001.

Risk management and mitigation

With a view to implementing integrated management of events, so as to combine into a single decision-making step the assessment of mitigation actions defined during both Risk Assessment and Loss Data Collection, a dedicated working group was established to (i) assess the corrective actions defined to control operational risks and (ii) identify the owners responsible for their implementation.

The corrective actions selected by the working group are initiated after obtaining the authorization of the Risks Committee, to which the solutions approved by the working group are submitted. The Operational Risk unit monitors the status of the corrective actions initiated by periodically checking their progress with the individuals responsible for the actions taken and/or to be taken.

In line with the mission of the Operational Risk Unit, which is to develop and disseminate awareness of operational risks within the Company, training courses addressed to all the staff involved in the analyses have been organised.

Other periodical actions organised by the Operational Risk Unit for the staff concerned include the delivery of training, also in the form of on-the-job training. These actions ensure that the bank officers concerned have appropriate knowledge of the process and of its attendant responsibilities, so as to make the best use of support tools.

The aim is to put in place a coordinated approach at all levels within the Company, which can be achieved by wide dissemination of operational risk awareness.

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 Organizational Units involved, in order to enable the implementation of the most appropriate corrective actions.

The main reports produced cover:
- Loss Data Collection, for which a “management” report is prepared every six months and sent to Top Management, together with “operational” reports for the various information sources containing data and information on operational loss events that fall under their respective remit;
- Risk Assessment, for which, at the end of each analysis on processes/operational areas a report with the assessment of individual risks and relevant control centres is produced, with an indication of the most vulnerable areas;
- Management of mitigation actions, for which details of the measures defined for the most significant risks detected by Loss Data Collection and Risk Assessment activities are provided.

Quantitative disclosures

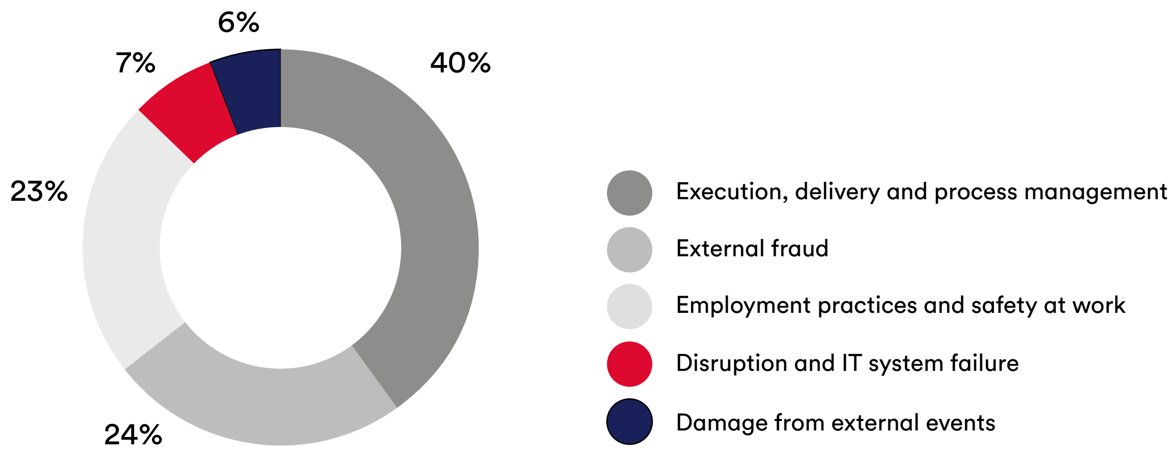
We provide below the percentage composition of operational risk losses by type of event, as defined by the New Basel Capital Accord. The types of operational risk events are the following:
- internal fraud: losses due to unauthorized acts, acts with intent to defraud, misappropriation of assets or infringement of laws, regulations or company policy involving at least one internal party;
- external fraud: losses due to acts with intent to defraud, misappropriation of assets or infringement of laws by a third party;
- employment practices and workplace safety: losses arising from acts not conforming to employment or employee health and safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events;
- clients, products and business practice: losses arising from failure to meet a professional obligation to customers or from the nature or design of the product or service;
- damage to physical assets: losses arising from external events, such as natural disasters, terrorism and vandalism;
- business disruption and systems failures: losses arising from disruption of business or system failures or non-availability;
- execution, delivery and process management: losses arising from failed transaction processing or process management, from relations with trade counterparties, vendors and suppliers.

In 2016, the main classes, in terms of economic impact, were “Employment relationships and safety at work” (labour disputes) and “Execution, delivery and process management”.

Operational losses recorded in 2016 sorted by risk category

We also show hereunder the percentage composition of all the losses recorded by means of Loss Data Collection from process start.

Operational losses recorded in the LCD database sorted by risk category



Legal disputes

As regards the conversion of preference shares into ordinary CDP shares, following the exercise of the right of withdrawal, in June 2013 Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona filed a suit involving a claim of about euro 432 million.

On 23 June 2016, the Court of Rome issued, with regard to the dispute in question, a non-final judgment and an order for an expert assessment.

On 3 October 2016, following the appointment of the Experts (CTUs) by the Court, and the appointment of the Expert Witnesses for the Parties (CTPs) by CDP and the Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona, the experts' assessment commenced. The Expert Witnesses (CTPs) filed their respective reports for the parties in December 2016 and their replies in January 2017.

On 31 March 2017, the Court-appointed Experts (CTUs) asked the investigating Judge for a 45-day extension of the time limit for sending their report to the parties.

The defence team appointed by CDP has informed us that the risk of a ruling against CDP in the first instance proceedings, previously reported as possible, should now be re-defined as probable. The defence team feels that a favourable judgement can be reasonably expected (in the various levels of proceedings) on the grounds that the arguments made previously to the Court are well-grounded.

The defence team has also pointed out that in view of the particular nature and complexity of the case, the current state of the proceedings and the high uncertainty as to the valuation criteria that will be applied, no reliable estimate of CDP's liability can be made at this time.

As concerns the current disputes concerning Separate Account customers, it should be noted that at 31 December 2016, 69 lawsuits were pending, with estimated total claims, less the claim concerning the conversion of preference shares into ordinary shares, of about euro 30,000. Of these cases, 4 concern disputes with suppliers.

With reference to the Separate Account, against the risk – considered likely – of the occurrence of a future liability connected to the request received from an investee (with whom an agreement had been entered into, according to which CDP would repay the dividends received in excess, in the same proportion established in the civil proceedings, by final ruling, to be paid by the private shareholders) a total of euro 19.2 million was set aside.

There are currently no pending disputes in relation to the Ordinary Account and, therefore, no potential liabilities for CDP.

Finally, with respect to labour disputes, as at 31 December 2016, 25 lawsuits were pending, whose overall claims were estimated at about euro 3 million; potential estimated costs, therefore, both in absolute and relative terms, are altogether negligible with respect to the volumes in CDP's Financial Statements.

Section 2 - The risks of insurance companies

2.1 Insurance risks

Key risks for the insurance business include technical risk, meant as underwriting and credit risk. The former, relating to the portfolio of policies, refers to the risk of losses arising from unfavourable claim performance compared with estimated claims (pricing risk) or from mismatches between the cost of claims and the amount reserved (reserve risk). The latter refers to the risk of default and migration of a counterparty's creditworthiness. Both risks are managed by the adoption of prudent pricing and reserve policies defined using the best market practices, underwriting criteria, monitoring techniques and active portfolio management.

The total exposure of SACE S.p.A., calculated as the sum of credit and guarantees issued (principal and interest) amounted to euro 43.8 billion, up 4.5% compared with the end of 2015. This is a continuation of the growth trend already recorded in 2015 and 2014, mainly as a result of the guarantee portfolio that accounts for 98.2% of total exposure. The credit portfolio contracted strongly compared with the end of 2015, by 36%. This reduction is attributable to the sovereign credit portfolio which makes up 78.5% of the overall credit portfolio and declined by 45.1%. On the other hand, the commercial component, accounting for 21.5% of the portfolio, rose by 61.8% from euro 106.8 million to euro 172.9 million.

SACE BT's total exposure as at 31 December 2016 amounted to euro 40.3 billion, an increase over the 2015 year-end figure (+4.8%).

(millions of euros; %)

Portfolio	**31/12/2016**	**31/12/2015**	**Change (+/-)**	**Change (%)**
SACE	**43,842**	**41,971**	**1,871**	**4.5%**
Outstanding guarantees	43,038	40,715	2,323	5.7%
- *of which: principal*	*37,211*	*35,063*	*2,148*	*6.1%*
- *of which: interest*	*5,827*	*5,652*	*175*	*3.1%*
Loans	804	1,256	(452)	-36.0%
SACE BT	**40,263**	**38,429**	**1,834**	**4.8%**
Short-term credit	8,894	7,791	1,103	14.2%
Surety Italy	6,635	6,564	71	1.1%
Other property damage	24,734	24,074	660	2.7%

SACE

The breakdown by geo-economic area showed an increase in the exposure to EU countries (36.3% compared with 41.7% in 2015), down by 9.2% versus the previous year: as before, Italy continued to rank first in terms of concentration, with a relative weight of 18.3%.

This was followed by the Americas, accounting for 20.5% of the portfolio (up with respect to 2015 when their share was 17.3%), with a significant increase in exposure (+23.7%). The other geo-economic areas taken together made up 43.2% of the portfolio and recorded a 20.7% average increase in exposure compared with 2015: Other European and CIS countries -7.6% (with a slight decrease of its share in the portfolio, from 18.5% in 2015 to 16.3% in 2016), Middle East and North Africa +41.6% (with share of the portfolio increasing from 2015 to 2016, at 15.2%), Far East and Oceania -5.8% (with a lower share of the portfolio from 2015 to 2016, at 7.8%) and lastly Sub-Saharan Africa which recorded a substantial increase of +54.4% (with a share of the portfolio up from 2.6% in 2015 to 3.9% in 2016).

The proportion of loans in US dollars increased from 51.4% to 55.2% compared with the previous year, while 47% of SACE S.p.A.'s guarantee portfolio was denominated in that currency (versus 43% in 2015): this is whilst the US Dollar continues to strengthen versus the Euro, from 1.0887 in 2015 to 1.0541 in 2016. The exchange rate risk in respect of the loan portfolio and the guarantee portfolio is mitigated in part by the natural hedge provided by the unearned premium provision and in part through asset-liability management techniques implemented by the company.

The level of sector concentration remains high, with the top five sectors accounting for 74.3% of the total private portfolio. The main sector is the Cruise industry, accounting for 23.1% (it was 20.7% in 2015) and an increased exposure (+16.2%) compared to 2015. The Oil&Gas and Infrastructure and Construction sectors showed very minor changes from 2015: the former decreased by 2.8% while the latter rose by 3.8%. Guarantees to the Chemical-Petrochemical sector increased markedly by 56.9%, (with a share that grew from 6.3% in 2015 to 9.5%). The Bank sector decreased by 16.9% (with a share that fell from 8.6% in 2015 to 6.8%), while the Electricity sector rose by 19.9% (with a share that went from 5.9% in 2015 to 6.7%).

SACE BT

Credit insurance business

The policies in place under the credit insurance business line as at 31/12/2016 were 111,872 (+10.9% compared to 2015), for an overall value of euro 8.9 billion. Nominal exposure, defined by considering payment extensions and deductibles, amounted to euro 9.0 billion (+28.2% compared to 2015). The current portfolio, in terms of policy limits, was primarily concentrated in EU countries (84.6%), with Italy accounting for 65.5%.

Wholesale Trade, Agrifood and Retail Trade were the top three industries for this business line, accounting for 21.7% 10.9%, and 8.3% of total exposure respectively.

Surety business

Exposure to the Surety business (amounts of capital insured), totalled euro 6.6 billion (+1.1% compared to 2015).

Guarantees in tenders represent 62.6% of the exposure, followed by guarantees for tax payments and reimbursements (32.6%).

Construction/Other property damage business

Nominal exposure (limits and capital insured) of the Construction/Other property damage business was equal to euro 24.7 billion (+2.7% compared to the previous financial year), of which euro 22.0 billion for the Construction portfolio (euro 21.6 billion in 2015) and euro 2.8 billion for Non-life policies (euro 2.5 billion in 2015).

The number of existing policies was 7,856 (+3.5% versus 2015). CAR and EAR policies accounted for 45.5% of the nominal exposure, 10-year Posthumous insurance policies accounted for 40.3% and Non-life policies for the remaining 11.2%.

2.2 Financial risks

Financial management aims to achieve the following two macro-objectives:
- preserving the value of company assets: in line with developments of the reference regulatory and financial framework, Financial management, through an integrated Asset & Liability Management process, uses direct and indirect hedges to offset negative changes in the guarantee and loan portfolio in the event of adverse changes to 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. Value-at-Risk models are used to measure the allocated capital.

(millions of euros) Asset class	HTM	HFT	Total	%
Bonds	1,597.5	785.9	2,383.4	33.3%
Units in collective investment undertakings		642.0	642.0	9.0%
Shares		4.3	4.3	0.1%
Money market		4,130.9	4,130.9	57.7%
Total	**1,597.5**	**5,563.1**	**7,160.6**	**100.0%**

The table is gross of the positions between SACE group companies.

Portfolio composition is as follows: 33.3% bonds and other debt securities, 9% units in collective investment undertakings mainly invested in bonds or shares, 0.1% shares and the remaining 57.7% monetary instruments.

With regard to the credit risk of its securities portfolio, SACE 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	2.2%
AA	2.4%
A	30.9%
BBB	61.8%
Other	2.7%

2.3 Legal disputes

As at 31 December 2016, SACE was involved in 24 disputes relating to insurance commitments undertaken prior to 1998. A further no. 47 cases were pending for recognition of preference claims pursuant to Legislative Decree no. 123/98. Lastly, no. 7 labour disputes were pending.

As to subsidiaries, SACE BT S.p.A. is party to no. 239 disputes concerning the insurance business, and to no. 6 generic cases.

Section 3 - The risks of other entities

Terna group

In the course of its operations, the Terna group is exposed to a variety of financial risks: market risk (specifically, exchange rate risk, interest rate risk and inflation risk), liquidity risk and credit risk.

Terna's risk management policies seek to identify and analyse the risks to which the group is exposed, establish appropriate limits and controls and monitor the risks and compliance with the limits set. These policies and the related systems are reviewed on a regular basis in order to take account of any changes in market conditions or in the operations of group companies.

The exposure of the Terna group to the aforementioned risks is largely represented by the exposure of the parent company. As a part of the financial risk management policies approved by the Board of Directors, Terna has established the responsibilities and operating procedures for financial risk management, specifically with respect to the instruments to be used and the precise operating limits in managing them.

(millions of euros)	2016 Loans	2016 Loans at fair value	2016 Hedging derivatives	2016 Total	2015 Loans	2015 Loans at fair value	2015 Hedging derivatives	2015 Total
Assets								
Derivative financial instruments			351.9	351.9			749.7	749.7
Cash and deposits	1,153.1			1,153.1	431.6			431.6
Trade receivables	1,443.3			1,443.3	1,373.4			1,373.4
Total	**2,596.4**		**351.9**	**2,948.3**	**1,805.0**		**749.7**	**2,554.7**

(millions of euros)	2016 Payables	2016 Loans at fair value	2016 Hedging derivatives	2016 Total	2015 Payables	2015 Loans at fair value	2015 Hedging derivatives	2015 Total
Liabilities								
Long-term debt	2,118.5	7,313.9		9,432.4	2,233.3	6,526.7		8,760.0
Derivative financial instruments			13.5	13.5			10.4	10.4
Trade payables	2,280.7			2,280.7	2,143.9			2,143.9
Total	**4,399.2**	**7,313.9**	**13.5**	**11,726.6**	**4,377.2**	**6,526.7**	**10.4**	**10,914.3**

Financial risks

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in financial market conditions. Market risks comprise three types of risk: interest rate risk, inflation risk and exchange rate 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 the planned hedging transactions in favourable market conditions.

Interest rate risk

Interest rate risk is represented by the uncertainty associated with changes in interest rates. It is the risk that a change in market interest rates could have an impact on the fair value or future cash flows of financial instruments.

In conducting its operations, Terna is exposed to the risk of fluctuations in interest rates. Its main source of interest rate risk derives from items of net financial debt and the associated hedging positions in derivatives, which generate financial expenses. Terna's borrowing strategy focused on debt instruments with long-term maturities reflecting the useful life of the company's assets. It also pursued an interest rate risk hedging policy that aimed to cover at least 40% of fixed-rate debt, as established in the company's policies. In view of the low level of interest rates and the new regulatory review, on 31.12.2016 the hedging rate was raised to more than 80%. Thus, the hedging instruments used include, with different maturity dates, both fixed-to-floating and floating-to-fixed interest rate swaps.

The financial assets and liabilities in respect of the derivative instruments in place during the year can be classified as:
- cash flow hedge derivatives, used to hedge the risk of changes in the cash flows associated with long-term floating-rate loans;
- fair value hedge derivatives, used to hedge the risk of changes in the fair value of a financial asset or liability, associated with interest rate fluctuations (fixed-rate bonds).

The following table shows the notional amounts and fair value of the derivatives entered into by the Terna group:

(millions of euros)	31/12/2016 Notional	31/12/2016 Fair value	31/12/2015 Notional	31/12/2015 Fair value	Change Notional	Change Fair value
FVH derivatives	1,350.00	351.90	3,150.00	749.70	(1,800.00)	(397.80)
CFH derivatives	2,941.10	(13.50)	3,050.20	(10.40)	(109.10)	(3.10)

Sensitivity to interest rate risk

As regards the management of interest rate risk, Terna has, on the one hand, entered into fixed-to-floating interest rate swaps (FVH) to hedge the fair value risk of the fixed-rate bonds and, on the other, into floating-to-fixed interest rate swaps (CFH) to hedge the risk for the expected future cash flows from all the other floating-rate debt.

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 (between 80% and 125%), Terna chose to apply hedge accounting in order to ensure perfect time matching between the hedge and the hedged item. The purpose of hedge accounting is to recognise simultaneously the income statement effects of the hedges and the hedged item. As a result, for FVH derivatives, the fair value changes in the hedged item attributable to the risk being hedged must be recognised in the income statement, thereby offsetting the fair value changes of the derivative that are also recognized in the income statement; for CFH derivatives, the fair value changes of the derivative must be recognised in “Other comprehensive income” (under Equity, immediately recognising any ineffective portion in profit or loss) and then derecognised from Equity and recognised in profit or loss in the same period in which the cash flows relating to the hedged item have an impact on income. The characteristics of the CFH derivative contracts in place mirror those of the underlying hedged items; therefore, the related cash flows shall occur at the same maturities as the interest on debt, with no impact of fair value changes on the income statement.

The following table shows: the amounts recognised in the income statement and in “Other comprehensive income” in respect of positions sensitive to changes in interest rates; the theoretical value of those positions following a positive or negative shift in the market yield curve; and the differential impact of those changes recognisable in the income statement and in “Other comprehensive income”. A hypothetical 10% variation (increases and decreases) in the yield curve with respect to market interest rates at the reporting date has been assumed.

	Net income or loss			Equity		
(millions of euros)	Current rates +10%	Rates at 31.12.2016	Current rates	Current rates +10%	Rates at 31.12.2016	Current rates
31 December 2016						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	(11.1)	(11.2)	(11.3)	(13.0)	(13.5)	(14.0)
Hypothetical change	*0.1*		*(0.1)*	*0.5*		*0.5*
31 December 2015						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	1.1	1.1	1.1	(4.9)	(6.4)	(7.5)
Hypothetical change				*1.5*		*(1.2)*

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 an effective hedge on net income for the year: any decrease in expected revenues due to a decrease in the inflation rate would be offset by lower financial expense.

Exchange rate risk

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

Such contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, or the expected cash flows, so that any change in the fair value and/or estimated cash flows deriving from an appreciation or depreciation of the euro against other currencies is fully offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position.

As at 31 December 2016, the financial instruments linked to exchange rate risk constituted a small component, referable to the Tamini group.

Liquidity risk

The liquidity risk is the risk Terna 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 2016, Terna had approximately euro 959 million available in short-term credit lines and euro 2,050 million in revolving credit lines.

Credit risk

Credit risk is the risk that a customer or one of the counterparties to a transaction in financial instruments could cause a financial loss by failing to discharge an obligation. It is mainly generated by the Group's trade receivables and financial investments.

The credit risk originated by open positions on transactions in financial derivatives is considered to be marginal since, in compliance with financial risk management policies, the counterparties are leading international credit institutions with high ratings and in performing valuation we take account of CVA (credit value adjustment).

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 Authority for Electricity and Gas (AEEG), which, at Article 49, introduced instruments to limit the risks linked to the insolvency of dispatching customers, both on a preventive basis and in the event of actual insolvency. In particular, the Resolution establishes three instruments to safeguard the electricity market: a guarantee system (bank guarantees provided by individual dispatching customers, based on their turnover), the option of terminating dispatching contracts (in the event of insolvency or failure to replace enforced guarantees) and, finally, the possibility of recovering uncollected debts, after having taken all other possible collection actions, through a specific fee to be defined by the Authority where necessary.

At the close of the year, this exposure was as follows:

(millions of euros)	31/12/2016	31/12/2015	Change
FVH derivatives	352	750	(398)
Cash and cash equivalents and other financial assets	1,153	432	722
Trade receivables	1,443	1,373	70
Total	**2,948**	**2,555**	**394**

The overall credit risk exposure as at 31 December 2016 is represented by the carrying amount of financial assets (current and non-current), trade receivables and cash and cash equivalents.

Default risk and debt covenants

This risk is associated with the possibility that the loan contracts or bond rules to which the parent company is party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk.

Litigation

The disputes pending as at 31 December 2016 concern the parent company Terna S.p.A., its subsidiaries Terna Rete Italia S.p.A, Terna Rete Italia S.r.l. and the Tamini group companies, and concern activities awarded under a concession agreement and supply contracts. As to disputes with the Italian Revenue Agency, on 27 March 2012 the parent company Terna, was served a tax assessment notice, being jointly liable with Enel Distribuzione S.p.A. ("Enel Distribuzione"), concerning the sale of the equity investment held by Enel Distribuzione in Elat S.r.l. (later Telat S.r.l., currently Terna Rete Italia S.r.l.) to Terna S.p.A. (in the approximate amount of euro 38 million, including interest). Terna's appeal against the tax assessment was granted by the Provincial Tax Court of Rome, by ruling later confirmed by the Regional Tax Court of Rome. The Revenue Agency decided not to appeal the two rulings before the Court of Cassation. Consequently, the ruling in Terna's favour has become final, and the Company can incur no future financial liability in this respect.

SNAM group

Although SNAM's economic and financial risk profile is quite low, since it focuses on regulated industries, this group manages in a structured and systematic manner all the risks that may impact its profitability.

The risk identification, assessment, management and control system, implemented throughout the company, is structured in three levels, each with different objectives and responsibilities. The Chief Executive Officer is responsible for structuring and maintaining the entire system on the basis of a mandate from the Board of Directors.

Risk assessment methods are integrated, cross-cutting and dynamic, and rely on the risk management systems already in place in individual business processes, especially those pertaining to fraud and corruption prevention and health, safety, the environment and quality.

SNAM has set up a dedicated corporate function, Enterprise Risk Management (ERM), to supervise the integrated management of corporate risks for all group companies.

In 2016, the risk assessment cycles based on this model and spanning the entire SNAM group were completed. At the end of 2016, around 310 enterprise risks were mapped across all business processes.

In December 2016, the "Simplify Project" was launched. One of its aims is to plan and implement an integrated risk assurance model combining the different control models deployed at the group, with a synergistic approach to streamline and boost the efficiency of controls. Another allied goal is to design and implement the new SNAM regulatory system with a focus on simplification and improved usability.

Business cycle risk

For SNAM, business cycle risk is closely linked to the possible adverse impacts of changes in the macroeconomic environment on the group's ability to access the capital and debt market, or to refinance its existing debt to meet its liquidity requirements, thus increasing the cost of debt for the SNAM group with adverse effects on its business activity and its balance sheet, income and cash flow situation.

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. A large share of the natural gas carried through the national transport network is imported from or transits through countries currently presenting political, social and economic instability and/or which might be affected by instability also in the future. The import of natural gas from these countries, or its transit through them, are subject to risks structurally present in those countries, including: high inflation; volatile exchange rates; inadequate legislation on insolvency and creditor protection; social unrest; ceilings placed on investments and on the import and export of goods and commodities; hikes in taxes and excise duties; forced contract renegotiation; nationalisation or renationalisation of assets; political upheavals; changes in commercial policies; monetary restrictions and losses or damage caused by social unrest and protests.

Market and competition risks

With regard to those risks, we note the risk linked to maintenance of gas storage concessions, held by subsidiary Stogit on the basis of concessions granted 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 regards to those concessions, Stogit submitted, within the legal time limits, application for their renewal to the Ministry of Economic Development; the procedure is currently pending at the Ministry. While the renewal procedure is under way and until its completion, pursuant to the applicable legislation, the Company will continue to operate under the old concessions, whose expiry is automatically extended until completion of the renewal process.

As concerns the risk of changes in the price of natural gas, under the current regulatory framework, the fluctuation in the price of natural gas to hedge fuel gas and network leaks does not represent a significant risk factor for SNAM because all the gas for technical activities is supplied in kind by the Shippers. However, as concerns transport, starting from the third regulatory period 2010-2013, the Authority for Electricity, Gas and Water System (AEEGSI) laid down the methods for payment in kind by service users to the major transmission operators of gas quantities to cover unaccounted-for gas (UFG) due as a percentage of the inputs and outputs from the gas transmission network. Specifically, in the same Resolution (514/2013/R/gas), the Authority established the allowed level of UFG taking into account the mean value recorded over the past two years, and has decided to keep such value fixed for the entire regulatory period in order to encourage the main gas transmission system operator to achieve further efficiency gains. Indeed, no extra tariffs would be paid for amounts of UFG in excess of the level allowed for the reference regulatory period. In view of the above-mentioned mechanism for the payment in kind of UFG, uncertainty persists about possible quantities of UFG recorded in excess of the quantities paid for in kind by service users. The changes in the current regulatory framework on the payment in kind of natural gas might have adverse impact on the SNAM group's business and balance sheet, income and financial position.

Lastly, as to the risk linked to gas demand, under the current tariff system applied by AEEGSI to natural gas transmission, SNAM's revenues, through SNAM Rete Gas, are partly correlated to volumes transported. However, AEEGSI has introduced a guarantee mechanism covering the share of revenues correlated with volumes transported. This mechanism reconciles higher or lower revenues exceeding ± 4% of the reference revenue correlated with volumes transported. This mechanism guarantees about 99.5% of the authorised overall revenues from transmission activities. Under the current tariff system applied by AEEGSI to natural gas storage, SNAM's revenues, through Stogit, are correlated to the use of infrastructure. However, AEEGSI has introduced a guarantee mechanism covering these revenues, which allows companies to cover a main share of the authorised revenues. For the years 2015 and 2016, the minimum guaranteed level of authorised revenues is about 97%. AEEGSI is currently studying integration of this mechanism which, in the coming years, may link the minimum guaranteed level of revenues also to the efficiency of the storage company in managing capacity allocation procedures and in the manner of service delivery. The changes in the current regulatory framework might have adverse impacts on the SNAM group's business and balance sheet, income and financial position.

Financial risks

Market risks

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 2016, the SNAM group used external financial resources through bond issues and bilateral and syndicated loan agreements with banks and other lenders, in the form of medium– and long-term loans and credit facilities at interest rates indexed to benchmark market rates – in particular the Europe Interbank Offered Rate (Euribor) – or at fixed rates.

As at 31 December 2016, exposure to interest rate risk amounted to approximately 36% of total group exposure (unchanged from 31 December 2015). At 31 December 2016, SNAM had an Interest Rate Swap (IRS) contract referred to a fixed-rate bond loan of euro 500 million with maturity in 2023. The IRS contract is used to convert the fixed-rate loan into a variable-rate loan[41].

The impact on equity and net income for the year ended 31 December 2016 of a possible 10% positive and negative change in the interest rates actually applied during the year is less than euro 1 million. 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

SNAM's exposure to exchange rate risk pertains to both transaction and translation risk. Transaction risk arises from the conversion of trade or financial receivables (payables) into currencies other than the functional one and is due to the impact of adverse exchange rate fluctuations in the time interval between entering into and settling the transaction. Translation risk consists in the fluctuation of the exchange rates of currencies other than the consolidation currency (Euro), which may result in changes in consolidated equity. SNAM's Risk Management objective is to minimise transaction risk, also by employing derivative financial instruments. It cannot be ruled out that future significant interest rate fluctuations might produce adverse impacts on the SNAM group's business and balance sheet and financial position, despite the exchange risk-hedging measures taken by SNAM using the financial instruments available on the market.

As at 31 December 2016, SNAM held foreign currency items consisting essentially of a bond for an amount of 10 billion Japanese Yen maturing in 2019, for a value of approximately euro 75 million on the issue date, fully converted into Euro through a Cross Currency Swap hedging derivative (CCS) with notional amounts and maturities mirroring those of the hedged component. This contract has been defined as a cash flow hedge. SNAM holds no currency derivatives for speculative purposes.

The impact on equity and net income for the year ended 31 December 2016 of a possible 10% positive and negative change in the Euro/Japanese Yen exchange rate actually applied during the year is lower than euro 1 million.

41 From 27 January 2017, this hedge has been discontinued after extinction of the IRS.

Credit risk

Credit risk is the company's exposure to potential losses arising from a counterparty defaulting on its obligations. The non-payment or delayed payment of any amounts due may negatively impact SNAM's performance and financial balance. With respect to the risk of counterparty default in commercial agreements, credit management is the responsibility of SNAM's business units and of its centralised functions in charge of debt collection and dispute management. SNAM provides business services to a limited number of gas sector operators, the main one in terms of turnover volume being ENI. The rules governing the customers' access to the services offered are established by the Authority and are provided for in the Network Codes, which set out, for each type of service, the duties and responsibilities of the parties providing the services and the contractual clauses reducing the risk of non-compliance by clients. In specific cases, the Codes provide for the issue of guarantees covering partly the obligations entered into when the customer does not possess a credit rating issued by a major international rating agency. The regulatory framework also provides for specific clauses to guarantee the neutrality of the Balancing activity operator, a role held by SNAM Rete Gas as major transmission service operator since 1 December 2011. Specifically, the balancing rules require SNAM Rete Gas to acquire, on a cost-effective basis, the financial resources required to ensure the safe and efficient transport of gas from input to offtake point, in order to guarantee constant balancing of the network, procure the storage resources required to cover any imbalances of individual users and settle the associated receipts and disbursements.

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 incur additional costs to honour its commitments or, in extreme cases, in a condition of insolvency endangering the company's viability.

SNAM's Risk Management goal is to implement, in its financial plan, a financial structure that, in line with business objectives, guarantees an adequate level of liquidity for the group, minimising opportunity cost and maintaining an optimal profile in terms of debt maturity and composition.

As highlighted in the paragraph "Interest rate risk", the Company has accessed a large range of funding sources through the credit system and the capital markets (bilateral contracts, syndicated loans by major national and international banks, loan agreements funded by the European Investment Bank - EIB and bond loans).

SNAM's objective is to maintain a balanced debt structure, in terms of subdivision into bonds and bank loans and in terms of availability of committed bank loan facilities, in line with SNAM's business profile and regulatory framework.

As at 31 December 2016, SNAM had unused long-term committed credit facilities totalling approximately euro 3.2 billion. Moreover, at the same date SNAM had a Euro Medium Term Notes (EMTN) programme for an overall maximum value of euro 10 billion, used for approximately euro 7.5 billion at 31 December 2016. On the basis of the bond loans existing at 31 December 2015, renewal of the Programme allows the issue, by 31 September 2017, of bond loans for a maximum amount of euro 2.5 billion[42], to be placed with institutional investors operating mainly in Europe.

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.

Rating risk

With regard to rating risk, SNAM's long-term rating is: (i) Baa1, confirmed on 19 December 2016 by Moody's Investors Services Ltd ("Moody's"), lowering the outlook from stable to negative following the same action on Italy's country rating (which was revised from Baa2 with stable outlook to Baa2 with negative outlook) on 7 December 2016; (ii) BBB with stable outlook, confirmed on 29 November 2016 by Standard & Poor's Rating Services ("S&P"); (iii) BBB+ with stable outlook, confirmed on 29 July 2016 by Fitch Ratings ("Fitch"). SNAM's long-term rating by Moody's and S&P's is one notch above that of the Italian Republic. Based on the methodology adopted by rating agencies, the downgrade by one notch of the Italian Republic's current rating would trigger a likely equivalent downgrade of SNAM's current rating.

A downgrade in the SNAM group's rating might limit its access to the capital market and raise the cost of funding and/or refinancing of current debt, hence affecting negatively the SNAM's group business activity, balance sheet, income and cash flow position.

42 Since additional bond issues were made in January and February 2017, in the overall nominal amount of euro 800 million, the Programme allows the issue of bonds in the maximum amount of euro 1.7 billion.

Default risk and debt covenants

The risk of default consists in the possibility that under certain conditions the lender might invoke contractual clauses allowing it to demand early loan repayment, thereby generating a potential liquidity risk.

As at 31 December 2016 SNAM has unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions. Some of these contracts include, inter alia, certain commitments commonly applied in international practice, some of which are subject to specific threshold values, such as, for instance (i) negative pledge commitments under which SNAM and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change of control clauses; (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out; (iv) limitations on subsidiary debt.

The bonds issued by SNAM on 31 December 2016 under the Euro Medium Term Notes programme are subject to covenants typically used in international practice including, inter alia, negative pledge and pari passu clauses.

Failure to comply with these covenants or the occurrence of other events, e.g. cross-default events, may result in SNAM's failure to comply and could trigger the early repayment of the relevant loan. For EIB loans only, the lender is entitled to request further guarantees if SNAM's rating falls below BBB (S&P's/Fitch Ratings Limited) or Baa2 (Moody's) with at least two of the three rating agencies.

Occurrence of one or more of the above scenarios might have adverse impacts on the SNAM group's business and balance sheet, income and financial position, generating additional costs and/or liquidity problems. These commitments do not include covenants requiring compliance with economic and/or financial ratios.

Operational risks

These consist mainly in service malfunction and sudden outages due to unforeseeable events, such as accidents, breakdowns or malfunctioning of equipment or control system, lower plant yield and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events that fall outside SNAM's control. Such events may cause a drop in revenues as well as result in significant damage to persons, with possible compensation obligations. Although SNAM has taken out specific insurance policies to cover some of these risks, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

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.

Lastly, operational risks include the risks linked to the emission market, which fall within the scope of the EU Directives on the marketing of CO2 emissions and of the rules on control of the emissions of certain air pollutants. Following the start of the third regulatory period (2013-2020), the system for the authorisation of GHG emissions, which in the past was governed by Legislative Decree no. 216/2006, has been updated and amended by Legislative Decree no. 30 of 13 March 2013, which entered into force on 5 April 2013. The main aim of the amended Decree is to update the rules on GHG emission authorisations, and to reduce constantly the share of emission authorisations issued free of charge. The shares allocated to each plant will now consist of steadily decreasing quotas instead of constant quotas as was the case in the second regulatory period, and will also depend on plant performance.

In the future, to maintain compliance with the rules on greenhouse gases, SNAM might be required to upgrade its plants and to control or restrict its emissions or take other steps which might increase its regulatory compliance costs and hence affect negatively the SNAM group's business activity and balance sheet, income and cash flow situation.

Regulatory, legal and compliance risk

SNAM's regulatory risk concerns mainly the rules applicable to the gas industry. The directives and other legislation issued by the European Union and the Italian government and the resolutions of the Authority for Electricity, Gas and Water Systems (AEEGSI) and, more generally, changes to the reference regulatory framework may have a significant impact on Company operations, earnings and financial stability. Considering the specific nature of its business and the context in which SNAM operates, regulatory changes concerning the criteria for determining the reference tariffs are particularly significant.

The legal and compliance risk is the risk of partial or total non-compliance with the European, national, regional and local rules and regulations applicable to SNAM's business activities. Breaches of rules and regulations can entail criminal, civil and/or administrative sanctions, as well as financial, economic and reputational damages. Specific cases, including infringements of workers' health and safety, environmental protection or anti-corruption rules may also entail substantial fines for the Company based on the administrative liability of entities (Legislative Decree no. 231 of 8 June 2001). With regard to the Risk of Fraud and Corruption, it is a top priority for SNAM to conduct its business fairly and transparently and to reject all forms of corruption as part of its commitment to the respect of ethical principles. SNAM's management is fully engaged in implementing an anticorruption policy: they strive to identify potential weaknesses and to eliminate them, strengthening their control and working constantly to raise all workers' awareness of how to identify and prevent corruption in all business contexts. Since 2014, SNAM has collaborated with Transparency International Italia and has joined the Business Integrity Forum (BIF). In 2016, it was the first Italian company to become a member of the "Global Corporate Supporter Partnership".

Legal disputes

SNAM is a party to civil, administrative and criminal proceedings and is involved in lawsuits linked to the normal conduct of its operations. On the basis of the information presently available and in light of the existing risks, SNAM believes that those proceedings and lawsuits will not produce significant adverse impacts on its consolidated financial statements.

Italgas group

Italgas has set up the Enterprise Risk Management (ERM) Unit, reporting directly to the General Director of Finance and Services, to supervise the integrated management of corporate risks for all group companies. The main tasks of the ERM are to define a harmonised and cross-cutting risk assessment model, identify key risks, consolidate mitigation actions and establish a reporting system.

The ERM methodology adopted by Italgas complies with the existing international best practices and standards (COSO Framework and ISO 31000).

The ERM unit operates within the broader internal control and risk management system of Italgas.

Financial risks

Market risk

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 (banking channels) and use funds to cover financial requirements, in compliance with approved objectives, ensuring that the risk profile is contained within set limits.

As at 31 December 2016, financial debt was entirely at floating rate.

As at 31 December 2016, the Italgas group was using external financial resources through bilateral and syndicated loans with banks and other financial institutions, in the form of medium- to long-term loans and bank credit lines at interest rates indexed to benchmark market rates, in particular the Europe Interbank Offered Rate (Euribor).

Therefore, any increase in interest rates could have negative effects on the assets and on the economic and financial situation of the Italgas group. However, in light of the current market environment, characterised by negative Euribor rates, any impacts on the net equity and the net result of the year from a hypothetical positive and negative variation of 10% in interest rates would be negligible or minor.

Italgas aims at maintaining, at steady-state, a fixed to floating rate debt ratio such as to minimise the risk of rising interest rates. Specifically, the goal is to achieve a debt composition of approximately 2/3 fixed rate debt and 1/3 floating rate debt. We note in this regard that in the early months of 2017 the company issued bonds for a total of euro 2,150 million, broken down as follows: (i) euro 1,500 million, issued on 19 January 2017 divided into two tranches, respectively with 5 year and 10 year maturities, both fixed-rate, amounting to euro 750 million each and with annual coupon 0.50% and 1.625% respectively; (ii) euro 650 million issued on 14 March 2017, with maturity 14 March 2024 and annual fixed-rate coupon of 1.125%.

Credit risk

Credit risk is the exposure to potential losses arising from a counterparty defaulting on its obligations. Default or delayed payment of receivables may have a negative impact on the revenue and financial situation of Italgas.

The rules governing Clients' access to the services offered are established by the AEEGSI and are provided for in Network Codes, i.e. in documents that set out, for each type of service, the rules that govern duties and responsibilities of the parties providing the services and the contractual clauses reducing the risk of non-compliance by clients.

As at 31 December 2016, no significant credit risks had been identified. However, it should be noted that approximately 58% of trade receivables refer to very reliable clients, such as ENI, which accounts for 47% of total trade receivables.

It cannot be ruled out, however, that Italgas could incur liabilities and/or losses due to its customers' failure to discharge their payment obligations.

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 must incur additional costs to honour its commitments or, in extreme cases, in a condition of insolvency endangering the company's viability.

In order to mitigate this risk and to maintain a level of liquidity enabling it to preserve its rating, Italgas signed loan contracts in excess of its financing needs at 31 December 2016. This surplus (euro 1.1 billion) will be used for any potential liquidity needs, where required, if the actual borrowing requirement is higher than estimated.

Italgas aims, in financial terms, at establishing a financial structure that, in line with its business objectives, secures adequate liquidity for the group in terms of debt maturity and composition. The achievement of this financial structure will be ensured by monitoring certain key variables, such as the debt/RAB ratio, the short/medium-long term debt ratio, the fixed-rate/floating-rate debt ratio and the ratio of bank credit granted to bank credit used. To this end, it should be noted that on 18 November 2016, the competent Luxembourg financial authorities approved a Euro Medium Term Notes (EMTN) programme for Italgas that permits the issue, by 31 October 2017, of one or more bonds for up to a maximum amount of euro 2.8 billion, to be placed with institutional investors.

Rating risk

With reference to the long-term debt of Italgas, respectively on 7 and 8 November 2016, Fitch and Moody's assigned Italgas S.p.A. the final rating of BBB + (stable outlook) and Baa1 (stable outlook, later changed to negative outlook on 12 December 2016, following the previous change from stable to negative outlook of the long-term rating of the Italian Republic).

Both agencies assigned to Italgas a long-term rating one notch above that of the Italian Republic. Based on the methodologies adopted by the rating agencies, a downgrade of one notch in Italy's current rating would trigger a downgrade of at least one notch in Italgas' current rating.

Default risk and debt covenants

As at 31 December 2016, Italgas had unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions. 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 the pledging of real property rights or to 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 extraordinary transactions that the Company and its subsidiaries may carry out.

Failure to comply with these covenants, and the occurrence of other events, some of which are subject to specific threshold values such as cross-default events, can determine default cases for Italgas and possibly cause the acceleration of the related loan.

Operational risks

The Italgas group uses specific, certified management systems to oversee corporate processes and activities so as to ensure the health and safety of workers, environmental protection, and quality and energy saving in the services offered.

Risks associated with failures and unforeseen interruption of distribution service

Managing regulated gas activities involves a number of risks of malfunctioning and unforeseeable distribution service disruptions from accidental events, such as accidents, breakdowns or malfunctioning of equipment or control systems; the under-performance of plants; and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events beyond Italgas' control. These events could cause a decrease in revenue and involve substantial damage to persons, property or the environment. Although Italgas has taken out specific insurance policies in line with best practices to cover some of these risks, the related insurance coverage could be insufficient to meet all the losses incurred, the compensation obligations or cost increases.

Risks to the environment and to health and safety

Italgas' activities are subject to Italian and European Union legislation on environmental protection.

Italgas conducts its business in compliance with laws and regulations on environmental protection and occupational health and safety. Nevertheless, it cannot be ruled out with certainty that the group may incur costs or liabilities, even significant ones. It is, in fact, difficult to foresee the economic-financial consequences of any prior environmental damage, also given the possible effects of new environmental protection laws and regulations, the impact of technological innovations for environmental rehabilitation, the possibility of litigation and difficulties in determining its possible consequences, including with regard to the liability of other parties.

Italgas is engaged in the remediation of contaminated sites, mainly old manufactured gas plants; it also performs waste removal and disposal (mainly from the demolition of obsolete plants) and the disposal of asbestos-containing materials.

To cover the estimated costs of compliance with current legislation, a dedicated fund of euro 136 million has been set up.

Risks related to Energy Efficiency Certificates

Article 16.4 of Legislative Decree no. 164/00 on liberalisation of the gas market provides that distributors of natural gas for civil use must pursue energy savings for end users and the development of renewable energy; in exchange for the progress made, distributors are assigned 'Energy Efficiency Certificates', which entitle them to a refund from the Energy and Environmental Services Fund, whose resources come from the ES (Energy Saving) component of distribution tariffs.

Based on the national annual energy savings targets to be pursued through the Energy Efficiency Certificate (also known as "white certificate") scheme, the Authority sets the associated energy saving targets for electricity and natural gas distributors.

There is a potential risk of economic loss due to the possible negative difference between the average purchase value of the certificates and the tariff contribution granted and to the possible failure to achieve the targets set.

Risks associated with the expiry and renewal of gas distribution concessions

The Italgas group's gas distribution activity is performed under concessions granted by individual municipalities. As at 31 December 2016, Italgas managed 1,472 natural gas distribution concessions throughout Italy.

Interministerial Decree no. 226/11 provided that the gas distribution service can only be operated on the basis of tendering procedures covering gas distribution districts (ATEM) most of which coincide with provincial boundaries.

With regard to the tendering procedures launched, there is a possibility that Italgas may not be awarded the new gas distribution concessions, or may be awarded concessions at less favourable conditions than the previous ones, with possible negative impact on its business activities and on its income, balance sheet and cash flow situation. However, should Italgas fail to obtain renewal of previous concessions, it would be entitled to the reimbursement due to the outgoing operator.

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.

Moreover, under the current tendering procedures, Italgas might also be awarded concessions for districts (ATEM) previously managed entirely or partially by other operators. Such awards could generate, at least initially, higher operating costs for the group than its standard operations.

Given the complexity of the regulations governing expiry of the concessions held by Italgas, judicial and/or arbitration disputes might occur, with possible negative effects on the business activities and on the balance sheet, income and cash flow situation of the Italgas group.

Risks associated with the reimbursement amount paid by the new operator

With regard to the gas distribution concessions for which Italgas also owns the networks and facilities, Legislative Decree no. 164/00, as amended and supplemented, provides that the reimbursement amount payable to the outgoing service operators owning the existing contracts and concessions shall be calculated in accordance with the provisions in the agreements, provided that these were concluded before the entry into force of Ministerial Decree no. 226 of 12 November 2011 (i.e., prior to 11 February 2012). Any aspects not specified by the parties, or not governed by those agreements, shall be governed by the Guidelines on criteria and procedures for assessing the reimbursement value prepared by the Ministry of Economic Development on 7 April 2014 and approved by Ministerial Decree no. of 22 May 2014[43].

Where there is a disagreement between the Local Authority and the outgoing operator with regard to the reimbursement amount, the tender notice indicates a reference amount to be used for the purpose of the tender, determined as the greater amount between the estimate of the contracting Local Authority and the RAB.

Ministerial Decree no. 226/11, on tender process criteria and bid evaluation, states that the incoming operator shall acquire ownership of the plant by paying the reimbursement to the outgoing operator, with the exception of any portions of the plant that are already owned by the municipality.

Eventually, i.e., in subsequent periods, the reimbursement to the outgoing operator shall be the value of local net fixed assets, net of government grants for capital expenditure and private contributions relating to local assets, calculated on the basis of criteria used by the Authority to determine distribution tariffs (RAB - regulatory asset base).

In light of the new legal framework introduced, it cannot be ruled out that the reimbursement value of the concessions, which might be awarded to a third party following the concession tendering procedure, might be less than the value of the RAB. In that case, it may have negative effects on Italgas' financial position, results and cash flows.

Regulatory risk

Italgas carries out its activities in a gas sector subject to regulation. The relevant directives and legal provisions issued by the European Union and the Italian government and the resolutions of the AEEGSI and, more generally, changes to the regulatory framework, may have a significant impact on the operating activities, the economic results and financial equilibrium of the group.

Considering the specific nature of its business and the context in which Italgas operates, developments in the regulatory context with regard to criteria for determining reference tariffs are particularly significant.

Future changes to European Union policies or at the national level, which may have unforeseeable effects on the relevant legislative framework and, therefore, on Italgas' operating activities and results, cannot be ruled out.

Legal and compliance risk

Legal and compliance risk concerns the failure to comply, in full or in part, with rules and regulations at the European, national, regional and local level with which Italgas must comply in relation to the activities it performs. The violation of such rules and regulations may result in criminal, civil and/or administrative penalties, as well as damage to its financial position, economic results and/or reputation. As regards specific cases, among other things, the infringement of regulations on the protection of workers' health and safety and of the environment, and the infringement of anti-corruption rules, may also result in (possibly significant) penalties for the Company based on the legislation on the administrative liability of entities (Legislative Decree no. 231/01).

Litigation and other proceedings

Italgas is a party to civil, administrative and criminal proceedings and to lawsuits linked to the normal conduct of its operations. On the basis of the information presently available and in light of the existing risks, Italgas believes that those proceedings and lawsuits will not produce significant adverse impacts on its consolidated financial statements.

Except where otherwise stated, no provision has been set up in respect of pending disputes, because the Company considers an unfavourable outcome unlikely, or because an accurate amount cannot be estimated.

Fincantieri group

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 economic and financial position and cash flow.

43 In other words, the specific methods provided for in the individual concession agreements entered into and effective prior to 11 February 2012 take precedence over the Guidelines, subject to the limitations set forth in the Guidelines and in the tender criteria regulation (Ministerial Decree no. 226/11).

Financial risks

Market risk

The group's market risks refer mainly to the risk that the fair value or future financial flows of assets/liabilities may fluctuate due to exchange rate changes affecting their commercial or financial transactions in foreign currency, to changes in market interest rates or to changes in the prices of raw materials.

In pursuing its corporate objectives, the Fincantieri 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 2016, the group was exposed to exchange rate risk mainly in connection with some contracts in the cruise sector and in the offshore segment. Such risk was mitigated by using financial hedging instruments.

Interest rate risk

Interest rate risk is defined as follows:
- uncertainty as to the cash flows relating to group assets and liabilities due to exchange rate movements; this risk is hedged through cash flow hedge transactions;
- variability of the fair value of group assets and liabilities linked to the change in the interest rate market value, hedged 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.

In 2009, the Group implemented a cash flow hedge transaction that was still ongoing at 31 December 2016 on a variable-rate loan for the long-term refinancing of the loan for acquisition of Fincantieri Marine group LLC. Specifically, Fincantieri converted the variable rate into a fixed rate by entering into an interest rate swap.

In March 2016, the group negotiated a further interest rate swap to convert the interest rate of a new loan from variable to fixed rate. The derivative instrument was recognised under cash flow hedge.

Other market risks

Production costs are influenced by the price trend for the main raw materials used, such as steel, copper and fuels. The group mitigates these risks by adopting contractual hedges where possible and/or financial cover. In 2016, the group entered into swap contracts to fix the purchase price of a substantial part of its gasoil and fuel oil supplies to 2018.

Credit risk

The Fincantieri group's receivables consist largely of receivables from private ship operators for work in progress, from the Italian Government for receivable grants and supplies to Italian military units, and from the US Navy and the US Coast Guard for work in progress.

With specific reference to trade receivables from private ship operators, the Fincantieri group constantly monitors the counterparties' credit rating, exposure and payment timeliness. Note that in the cruise sector ships are delivered only against payment of the balance of the price. The increase in trade receivables from the previous year is mainly due to the impact of the invoices for the final payment of the price for three cruise ships scheduled for delivery in the first quarter of 2017.

Liquidity risk

Liquidity risk refers to Fincantieri group's ability to discharge its obligations in respect of financial liabilities.

As at 31 December 2016, the group showed a loss of euro 615 million (against a loss of euro 438 million in 2015). The change in net financial position is mainly due to the financial flows typical of the cruise ship business, which recorded a significant increase in volume compared to the previous year, with three ships scheduled for delivery in the first three months of 2017.

Risks connected to financial debt

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 early repayment of the loan in the event of non-compliance. Moreover, future interest rate increases may result in greater charges depending on outstanding debt. Finally, the group may not be able to access loans to the extent required to finance its activities (for instance in the event of particularly unsatisfactory performance) or may be able to do so only at particularly onerous conditions. As concerns the offshore sector, worsening of the financial situation which has led to widespread restructuring among sector operators is leading banks to decrease their lending to those operators; this might impact the access to construction loans by subsidiary VARD, necessary to finance not only offshore projects but also those intended for the new markets.

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.

The group monitors constantly both the circumstances that may negatively impact its financial position, results and cash flows and its current and future capital and financial structure, in order to guarantee access to adequate funding in terms of amounts and conditions. In particular, to mitigate liquidity risk and maintain an appropriate level of financial flexibility, the group diversifies its sources of financing in terms of maturities, counterparties and technical form.

Operational risks

Risks connected to operational complexity

Given the operational complexity characterising the shipbuilding industry, geographical and product diversification and the group's inorganic growth strategy, the group is exposed to the risk of being:
- unable to adequately control project management activities;
- unable to adequately manage the group's operational, logistic and organisational complexity;
- unable to adequately manage the complexity arising from its product diversification;
- unable to distribute workloads efficiently according to production capacity (plants and workforce) or be in a situation of production overcapacity, affecting profitability;
- unable to meet market demand due to insufficient production capacity.

Should the group fail to deploy robust project management, with adequate and effective procedures and actions to control the correct completion and efficiency of its shipbuilding processes, or should it fail to adequately manage 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.

In order to manage processes of such complexity, the Fincantieri group adopts procedures and activity plans aimed at managing and monitoring the implementation of each project over its entire life cycle. 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.

Risks linked to market structure

The Fincantieri group has many years of experience in building cruise ships for US cruise company Carnival, a leading player that in addition to operating the Carnival brand also owns companies with prestigious brands such as P&O, Princess Cruises, Holland America Line, Cunard and Costa Crociere. The special relationship with the Carnival group is certainly a strength for the Fincantieri group, but also potentially a weakness from the viewpoint of customer concentration. In the military segment the main share of turnover has traditionally come from manufacturing for the Italian Navy, which represents a strategic asset for the company, but whose demand for military vessels is heavily dependent on defence spending policies. The subsidiary VARD, which in the past operated mainly in the offshore vessel market, has a long-standing relationship with ship-owners and companies operating in that sector.

The shipbuilding industry has historically been characterised by cyclical performance, being sensitive to the trends in the industry served. The group's offshore and cruise clients base their investment plans on demand by their own clientele; in the case of offshore, the main influence is energy demand and oil price forecasts, which in turn drive investment in exploration and production, while in the cruise market the main influence is performance of the leisure market.

Postponement of fleet renewal programmes or other events affecting the order backlog with the Fincantieri group's principal cruise ship client could impact capacity utilization and business profitability; similarly a downturn in the offshore market can lead and has in fact led to a reduction in the level of orders for the subsidiary VARD, exposing it to the risk of cancellation or postponement of current orders. Equally, the availability of resources earmarked by the State for defence spending on fleet modernization programs is a variable that could influence the group's financial position, results and cash flows.

The Fincantieri group's policy of diversifying its cruise ship clients, while continuing to satisfy fully Carnival's requirements, has allowed it to enlarge its client base. In the military vessels business, highlights include: participation in international projects, such as the FREMM programme involving Italy and France; the group's expansion in the United States aimed at securing opportunities to expand production for the US defence sector; and its efforts to develop international business through an active presence in the defence markets of other foreign countries with no domestic shipbuilding industry or, whose industry lacks the technical skills, know-how or infrastructure for vessels of this kind. In this area, a major order has been placed by Qatar's Ministry of Defence for an approximate value of euro 3.8 billion.

In order to mitigate the impact of the shipbuilding market cycle, the group has pursued a diversification strategy in recent years, expanding its business in terms of products and geographical coverage. Since 2005 the group has expanded into the businesses of offshore, mega yachts, ship systems and components, repairs, refitting and after-sales service. In parallel, the group has expanded its international activities, including through acquisitions.

Given the current decline in offshore market volumes, the subsidiary VARD is actively working to diversify its products and target new market segments in order to reduce its exposure to the cyclical nature of the offshore Oil&Gas industry. Under its efficiency-boosting and cost-reduction programme to align its production capacity with the new market opportunities, VARD has closed down one of its Brazilian facilities, has launched a staff downsizing programme at its facilities in Norway and Romania and has converted one of the facilities in Norway to production for the aquaculture sector.

Risks linked to maintaining competitiveness in core markets

The production of standard vessels is now dominated by Asian shipyards; this means that competitiveness can only be maintained by specializing in high value-added markets. With regard to civilian vessels, the Parent Company has been focusing for several years on the cruise ship and cruise ferry segments, where it has a long track record; following the acquisition of VARD, it has recently extended its focus to the production of offshore support vessels. Additional factors that may affect competitiveness are the risk of not paying sufficient attention to customer needs, or of non-compliance of product quality and safety levels with market requirements and the new applicable standards and regulations. Moreover, aggressive commercial policies, development of new products and technologies, or increases in production capacity by competitors may lead to increased price competition, consequently impacting the required level of competitiveness. Inattentive monitoring of the group's markets and slow responses to the challenges posed by competitors and client needs may lead to a reduction in competitiveness, with an associated impact on production volumes, and/or less remunerative pricing, resulting in a drop in profit margins. 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. The subsidiary VARD, in addition to its commercial initiatives to penetrate new market segments, has developed several new shipbuilding projects, leveraging on the engineering and design know-how in the offshore sector and on the Fincantieri group's know-how.

The difficult political and economic context and worsening regulatory environment of countries in which the Group operates, particularly affecting VARD's activities in Brazil, 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. Situations involving country risk may have negative effects on the group's financial position, results and cash flows, due to loss of clients, profits and competitive edge. 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 organization, appropriate safeguards to monitor the processes at risk.

Risks related to contract management

The shipbuilding contracts managed by the group are mostly multi-year contracts for a fixed consideration, and any change in price must be agreed with the client. Contract pricing must necessarily involve careful evaluation of the costs of raw materials, machinery, components, sub-contracts and all other construction-related costs (including personnel and overheads); this process is more complicated in the case of prototype ships or particularly complex ships. 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. 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.

Many factors can influence production schedules, as well as capacity utilization, and thus impact agreed vessel delivery dates with possible penalties payable by the group. These factors include, inter alia, strikes, poor industrial productivity, inadequate logistics and warehouse management, unexpected problems during design, engineering and production, events linked to adverse weather conditions, design changes or problems in procuring key supplies. When the causes of late delivery are not recognized by contract, shipbuilding contracts provide for the payment of penalties that generally increase the longer the delay. 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 operational management of contracts carries the risk that a counterparty with which the group is doing business may be unable to meet its commitments: specifically, clients might default on contractual payments, or suppliers might fail to discharge their obligations for operational or financial reasons. In the Offshore sector, characterised by a deeply deteriorated global market situation affecting all operators, a significant number of ship-owners are pursuing restructuring processes which tend to increase counterparty risk. In particular, as concerns VARD, the deterioration of the financial situation of many customers in the offshore sector might result in the cancellation or postponement of a substantial number of orders. Bankruptcy of a counterparty, be it customer or supplier, 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 by a customer of a shipbuilding contract in the construction phase would expose the group to the risk of having to sell the ship in unfavourable market conditions and at prices not covering construction costs. Similarly, order postponement might significantly increase the financing needs for working capital, thereby pushing up debt and financial expenses. When acquiring shipbuilding orders, where deemed necessary, the group performs checks on the financial strength of its counterparties, including by obtaining information from the banking system. Suppliers are subject to stringent qualification procedures, which include assessment of potential counterparty risks. As regards the financial aspect, the group offers suppliers the opportunity to use instruments that facilitate their access to credit. To address the difficult situation of the offshore market, subsidiary VARD is taking steps to ensure the delivery both of the ships in the current order portfolio and of those whose orders have been cancelled. VARD is also assessing, where possible, all the technical and commercial opportunities for repositioning on the new markets served ships already built whose orders have been cancelled.

A significant number of the group's shipbuilding contracts (in general, for merchant vessels such as cruise ships and offshore support vessels) establish that clients 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 clients and thus having to finance the working capital absorbed by ships during construction. Should the group be unable to finance 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 flow. As concerns VARD, the cancellation or postponement of orders by customers in distress might have significant impacts on the group's financial situation, thus entailing the risk that banks might limit the Company's access to credit, denying it necessary forms of working capital financing such as construction loans. The group's objective is to maintain a more than sufficient level of committed and uncommitted credit lines and construction loans to guarantee coverage of the working capital needs generated by its operations.

The group's customers often rely on loans to finalise the placement of orders. Overseas clients 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 is GIEK. The availability of export financing is therefore a key condition for allowing overseas clients to award contracts to the group, especially for cruise ship construction. The lack of available finance for the group's clients could have a highly negative impact on the group's ability to obtain new orders as well as on the ability of clients to comply with the contractual terms of payment. Fincantieri supports overseas clients during the process of finalizing 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 finalizing 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. 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. As an additional safeguard for the group, in the event of a client defaulting on its contractual obligations, Fincantieri has the right to terminate the contract, retaining ownership of the ship under construction and keeping the payments received. The client may also be held liable for any uncovered costs.

Risks linked to production outsourcing and relations with suppliers and local communities

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 it would be too expensive and inefficient to develop. Dependence on suppliers for certain business activities may result in the inability to ensure high standards of quality, failure to meet delivery deadlines, the acquisition of excessive contractual power by suppliers, and lack of access to new technologies. In addition, the significant presence of suppliers in the production process has an impact on local communities, which might require the group to address social, political and legality issues. A negative performance by suppliers in terms of quality, timing or costs would cause production costs to rise, and the client's perception of the quality of the Fincantieri product to deteriorate. As for other partners at the local level, non-optimal relations may impact the group's ability to compete. 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. The parent company has developed a precise program of supplier performance evaluation in this regard, ranging from measurement of the services rendered, both in terms of quality of service offered and timeliness of delivery, to the strict observation of safety regulations, in line with the group's "Towards Zero Accidents" plan. In addition, particular attention is paid in general to relations with the local communities that interact with the group's shipyards, through appropriate relations with the authorities and, where appropriate, by entering into legality and/or transparency agreements with the local authorities. The subsidiary VARD has paid great attention to the assessment and management process of contracts with suppliers, especially in view of the increase in the number of suppliers operating in the new sectors into which the group entered following its diversification strategy.

Risks related to knowledge management

The Fincantieri group has developed extensive expertise, know-how and business knowledge. With respect to workers, the domestic labour market is not always able to satisfy the needs of production, either in terms of numbers or skills. The effective management of the group's business is also linked to the ability to attract highly professional resources for key roles, and the ability to retain such talents within the group; this involves suitable skills management based on a continuous improvement model, achieved by investing in staff training and performance evaluation.

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.

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. 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.

Risks related to the legislative framework

The Fincantieri group must abide by the legislation in force in the countries in which it operates, including laws on environmental protection and workplace health and safety. Any violation of these laws may result in civil, 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.

Any non-compliance with safety or environmental protection standards, changes to the applicable regulatory framework, or the occurrence of unforeseeable or exceptional events could cause the Fincantieri group to incur extraordinary costs relating to the environment or health and safety at work.

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, the Parent Company has adopted an organizational, 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, the Parent Company has implemented the provisions of Italian Legislative Decree no. 81/2008 - "Implementation of Article 1 of Law 123 of 3 August 2007, concerning health and safety at work" ("Consolidated Law on Occupational Health and Safety"). Fincantieri has adopted suitable organizational models for preventing breach of these regulations, and ensures that such models are reviewed and updated on an ongoing basis. The commitment to pursuing and promoting environmental sustainability principles has been reaffirmed in the parent company'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 minimizing the impact of its activities on the environment, by means of actions in terms of resources, policies and procedures to improve its environmental performance. Fincantieri and Vard have started to implement and maintain an Environmental Management System at their sites with the goal of becoming certified under UNI EN ISO 14001:2004.

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.

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.

The group is monitoring the possible evolution of national and Community 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

The group's business could be adversely affected by:
- inadequate management of the group's sensitive data, due to ineffective protection measures, enabling unauthorized third parties to access and use confidential information;
- improper access to information, involving the risk of accidental or intentional data alterations or cancellations by unauthorized 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 unauthorized access or breaches of the Company's data security system, including coordinated attacks by groups of hackers.

Computer system failures, loss or corruption of data, including those stemming from of external attacks, inappropriate IT solutions for the needs of the business, or updates to IT solutions not in line with user needs, could affect the group's operations by causing errors in the execution of operations, inefficiencies and procedural delays and other disruptions, affecting the Company's ability to compete on the market.

The group considers it has taken all necessary steps to minimize these risks, by drawing on best practice for its governance systems and continuously monitoring the management of its IT infrastructure and applications. Access methods and the ability to operate on the IT system are managed and maintained so as to guarantee correct segregation of roles and responsibilities. Separation of duties has been reinforced by adoption of a new access management procedure using special software, enabling prior identification and management of Segregation of Duties (SoD) risks arising from inappropriate allocation of access credentials.

Legal disputes

Foreign disputes

With reference to the "Iraq" dispute, described in detail in the Notes to the Consolidated Financial Statements as at 31 December 2014, in May 2015 a series of meetings was organized in Baghdad for the signature of the operating agreements (Refurbishment Contract and Combat System Contract) provided for by the Settlement Agreement as key elements for settling the dispute. The Iraqi Government, presumably due to escalation of the domestic conflict, requested and received from Fincantieri an extension to the existing agreements until 30 June 2016. In the meantime, since the time limit for reactivating the lawsuit pending before the Court of Appeal of Paris (against the arbitration decision in favour of Fincantieri) was expiring, the Iraqi government reactivated the case. Fincantieri filed its appearance in the case, currently in the investigative stage; the next hearing is scheduled for 24 October 2017. The company believes that the choice to reactivate the proceedings is not an indication of a definitive change of position by the Iraqi government, but rather the inevitable step designed to maintain its position. Fincantieri therefore intends to resume dialogue with the Iraqi government.

As regards the "Serene" dispute, in July 2015 Fincantieri lodged its opposition with the Trieste Court of Appeal (against the ship-owner's request for recognition of the foreign arbitration awards in Italy) asking the Court to find the awards contrary to domestic and international public order and to revoke the awards themselves on grounds of procedural fraud. The Court issued its ruling on the case in late January 2017, unexpectedly rejecting the appeal. Fincantieri's lawyers are preparing the further appeal to the Supreme Court of Cassation, highlighting the various flaws of the ruling, and they believe there is a reasonable likelihood that this further appeal will be successful. Following the ruling of the Court of Appeal of Trieste, which enforced the arbitration awards, the Company made an ad hoc risk provision.

At the same time, with reference to the verification action brought in early February 2015 before the Court of Venice, (industrial property section) seeking confirmation that the ship-owner is not the owner of any intellectual property rights (erroneously recognized by the Arbitration Panel and placing a latent constraint on Fincantieri's freedom to do business), the case is in the investigation stage, with the next hearing scheduled for November 2017. The lawyers have confirmed their reasonably favourable opinion on the strength of our position.

There is also a case pending in the Court of Patras (Greece), brought by Mr Papanikolaou and his wife against the Company, Minoan Lines and others following an accident incurred by the claimant in 2007 on board the Europa Palace ship, built by Fincantieri. According to Mr Papanikolaou's reconstruction, this accident caused him major physical injury, which allegedly made him severely disabled. The Patras Court of Appeal has overturned the first-instance ruling in Fincantieri's favour, and ordered it, jointly and severally with the other defendants, to pay euro 1,364,000, from which the amounts already paid by Minoan Lines under an earlier precautionary action can presumably be deducted. Fincantieri appealed this ruling before the Greek Court of Cassation on 20 January 2015, and according to its Greek lawyers it stands a good chance of success. The first hearing of the Cassation proceeding has been postponed to a date to be determined. The outcome of this appeal will affect a second lawsuit, brought by Papanikolaou against Fincantieri before the same Court for his alleged loss of income over the period 2012-2052. The first hearing, originally scheduled for 8 December 2015, has been postponed to 6 June 2017.

With two writs of summons notified in March 2014, Mr. Anthony Yuzwa initiated proceedings against Fincantieri, Carnival and others before the District Courts of California and Florida. This dispute concerns the loss suffered by the claimant following an accident aboard the "Oosterdam" in 2011, that the claimant alleges was caused by negligence of the respondents. The amount of the compensation claim has not been specified. Fincantieri's petitions concerning the lack of notification and jurisdiction were accepted by the US state courts in 2014. The plaintiff then notified the same documentation to the Trieste offices and the FMSNA offices in San Diego. After a series of preliminary steps under applicable procedural law, Fincantieri was excluded from the lawsuit in California. As for the case in Florida, the hearing on the Fincantieri exclusion request was held on 16 November 2016, and the decision is expected for the coming months.

Further to the losses incurred on eight shipbuilding contracts with Petrobras Transpetro S.A., the Brazilian subsidiary Vard Promar S.A. unsuccessfully attempted to renegotiate the terms of these contracts out of court. Consequently, in September 2015, the subsidiary initiated legal proceedings to obtain compensation for the losses incurred and to redress the contractual economic imbalance, for a total amount of BRL 244 million (approximately euro 60 million). Initial expert appraisals confirmed the presence of a contractual imbalance, but quantification of the compensation and the result of the claim depend on the final appraisal, which will form the basis of the competent Court's ruling.

In December 2015, Transpetro terminated 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 has not recognized any receivable in its financial statements as at 31 December 2016 for the Transpetro disputes.

Italian legal disputes

Proceedings for collection of receivables from customers

With regard to the pending legal actions against customers that are insolvent, bankrupt or undergoing other insolvency procedures, with whom disputes have arisen that could not be resolved commercially, it should be noted that the legal actions against Tirrenia and Siremar in Amministrazione Straordinaria are continuing; the Company has obtained from the Court pre-deduction of part of its claim towards Tirrenia; however, as at 31 December 2016 the relevant sum had not yet been received.

As concerns recovery of the debt payable by Energy Recuperator S.p.A., which had made significant counter-claims, in April 2016 an out-of-court settlement was reached, allowing closure of the dispute and collection of part of the receivable.

Litigation with suppliers

These are disputes involving claims by suppliers and contractors that the Company considers unjustified (alleged receivables for invoices not due or for extra items not due), or the recovery of extra costs and/or losses incurred by the Company due to supplier or contractor breaches of contract. In some cases, it has been considered appropriate to bring negative assessment actions against such alleged claims. One such claim concerned an alleged excessive price reduction 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 recognized for those disputes felt likely to end with costs for the group.

Employment litigation

This refers to cases brought by employees and former employees of contractors and subcontractors, which involve the Company under the "customer co-liability" principle (Article 1676 of the Italian Civil Code and Article 29 of Legislative Decree no. 276/2003). Litigation relating to asbestos continued to be settled both in and out of court in 2016.

Other legal disputes

Other litigation includes: i) claims against government bodies for environmental expenses, including disputes with the City of Ancona and disputes with the Ministry of the Environment involving the shipyards in Muggiano and Castellammare; 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, iv) civil actions for injury compensation claims.

Whenever the outcome of such litigation is likely to result in costs, suitable provisions for risks and charges have been made.

Criminal proceedings pursuant to Italian Legislative Decree no. 231 of 2001

The group is currently involved in six criminal cases pursuant to Italian Legislative Decree no. 231 of 2001 before the Gorizia Court.

In January 2014, FINCANTIERI S.p.A. received notice of a request for extension of the deadline for the preliminary investigations, under Article 406 of the Code of Criminal Procedure, into the former manager of the Monfalcone shipyard for the alleged infringement of Article 256(1) (a) and (b) of Legislative Decree no. 152/2006, and investigation into the Company, under Article 25-undecies of Legislative Decree no. 231/2001 for the alleged management of hazardous waste sorting and temporary storage areas at the Monfalcone shipyard without the required authorization, and the alleged dispatch of such waste for disposal with documents not allowing its traceability. Under this investigation, the public prosecutor's request for seizure of some areas and sheds was rejected in first and second instance, but Italy's Court of Cassation upheld the prosecutor's appeal against the rejection, referring the proceedings back to the Court.

On 21 May 2015, the Court ordered the seizure of some areas and buildings, which was executed by the Environmental Unit of the Italian Carabinieri on 29 June 2015. Following the entry into force of Italian Law Decree no. 92 of 4 July 2015, the Public Prosecutor's Office of Gorizia ordered the release of the seized facilities on 6 July 2015.

Between March and April 2014, 21 individuals were notified of the completion of preliminary investigations into an accident incurred by an employee on 13 December 2010 at the Monfalcone shipyard during the lifting of two bundles of iron pipes. The notified persons (who included the members of the Board of Directors and of the Oversight Board, and several employees of the Company at the date of the event, some of whom are still in office or employed by the Company), were investigated in different capacities for the offences of "wilful removal or omission of precautions against workplace accidents" and "bodily harm" under Articles 437 and 590 of the Italian Criminal Code and for violation of certain provisions of Legislative Decree no. 81/2008. A notice was also served on the Company under Article 25-septies(3) of Legislative Decree no. 231/2001. At the preliminary hearing on 18 December 2014, the Court decided not to prosecute the members of the Board of Directors and the Oversight Board and the two General Managers, while the other employees of the Company at the date of the incident, as notified above, were formally indicted. Gorizia's Public Prosecutor has challenged the dismissal in the Court of Cassation which, at the end of the hearing held on 20 January 2016, rejected the appeal and upheld the dismissal of the action against members of the Board of Directors and the Oversight Board, and the two General Managers.

Between September and October 2014, 21 individuals were notified of the completion of preliminary investigations into the death of an employee of a contractor on 21 February 2011 at the Monfalcone shipyard after falling into a ventilation shaft. The notified persons (who included the members of the Board of Directors and of the Oversight Board, and several employees of the Company at the date of the event, some of whom are still in office or employed by the Company) were investigated in different capacities for the offences of "wilful removal or omission of precautions against workplace accidents" and "wrongful death" under Articles 437 and 589 of the Criminal Code and of violation of certain provisions of Legislative Decree no. 81/2008. Notice was also served on the Company under Article 25-septies of Legislative Decree no. 231/2001. In early July 2016, the Company and the former manager of the Monfalcone shipyard were notified of the requests for indictment and of the scheduling of the preliminary hearing. These notices indicate that, following the above-mentioned dismissal ruling, the positions of the members of the Board of Directors and the Oversight Board and of the General Managers were dealt with separately. At the preliminary hearing, initially scheduled for 8 November 2016 later postponed to 28 February 2017, the Preliminary Hearing Judge dismissed the case against the Company since the offence referred to in Legislative Decree no. 231/01 had become time-barred. All the defendants, on the other hand, were indicted.

In September 2015, notices of conclusion of preliminary investigations into an accident undergone on 24 November 2009 at the Monfalcone shipyard by an employee, resulting in a sprained shoulder that healed after one year, were served on the former Monfalcone shipyard manager and three other employees under investigation for violation of Article 19(f) and Article 71 of Legislative Decree no. 81/2008 (respectively concerning breach of management obligations and failure to provide suitable personal protective equipment) and in general of Article 2087 of the Italian Civil Code (failure to adopt suitable measures to protect workers' health); a notice was also served on the Company, under Article 25-septies(1), (2) and (3) of Legislative Decree no. 231/2001.

In November 2015, notices of conclusion of preliminary investigation were served on the former manager of the Monfalcone shipyard, under investigation for the offence of "bodily harm" under Article 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008; a notice was also served on the Company, under Article 25-septies(3) of Legislative Decree no. 231/2001; the case in question concerned an accident which had occurred on 14 March 2011 at the Monfalcone yard involving an employee who broke the middle finger of his right hand, which healed after eight months.

In March 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard manager, under investigation for the offence of "bodily harm" under Article 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general Article 2087 of the Italian Civil Code (failure to take suitable measures to protect worker health), but also on the Company under Article 25-septies(3) of Legislative Decree no. 231/2001, in connection with an accident on 29 March 2012 at the Monfalcone yard involving an employee who injured the fifth finger of his left hand, which healed in eight months.

Lastly, in June and July 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard manager, under investigation for the offence of “bodily harm” under Article 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general of Article 2087 of the Italian Civil Code (failure to take suitable measures to protect workers’ health). A notice was also served on the Company under Article 25-*septies*(3) of Legislative Decree no. 231/2001. The investigation concerned an accident which had occurred on 25 August 2010 at the Monfalcone yard involving the employee of a contractor who had suffered a bruise on his left knee, which had healed after more than 40 days.

Fintecna group

In 2016, the Fintecna group continued to monitor carefully the main risk factors that influence corporate operations. During the year, the Risk Management and Compliance Unit was set up within Fintecna S.p.A., as a unit dedicated to risk assessment and control, reporting directly to the Chief Executive Officer.

Operational risks

The main operational risk factors for the Fintecna group relate to its core activity, which is the specialised management of complex liquidation processes and of the significant disputes involved.

Indeed, both the parent company Fintecna S.p.A. and its special purpose entities dedicated to liquidation activities are exposed to the risks arising from development of litigation management activity, mostly concerning the many companies already in liquidation that have been acquired over the years.

With respect to the above-mentioned special purpose entities, operational risks also include those linked to environmental remediation activities at the sites of the former EFIM group belonging to Ligestra S.r.l. and the real estate assets acquired by Ligestra Due S.r.l and originally held by the Dissolved Entities.

In light of the complexity and considerable future uncertainty of these situations, the directors – acting on the best available information and a 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.

Financial risks

Relevant financial risks include:

Liquidity risk

According to management assessments, financial resources are sufficient to meet the cash requirements linked to the large volume of litigation mentioned earlier and to environmental remediation activities. Indeed, cash and cash equivalents represent the ideal asset to counterbalance the “provisions for risks and charges” on the liability side of its balance sheet.

Accordingly, as part of their assessments of the provisions for liabilities and charges, the directors also continually update their assessments on the use of these provisions, including by means of forecasts, and take them into account when setting their liquidity management policies.

Lastly, it should be noted that currently, the group’s liquidity (and from 2016 that of Ligestra S.r.l. and of group Ligestra Tre) is largely deposited with the Shareholder; the parties have mutually concluded Irregular Deposit Contracts, which define the manner and conditions of deposits. Fintecna’s remaining cash and equivalents are deposited on a short-term basis with banks meeting the requirements set out in the Guidelines for Treasury Operations issued by the shareholder and adopted by Fintecna S.p.A.

Credit and counterparty risk

Credit risk refers to outstanding trade receivables. These receivables mainly comprise positions dating back years, are often subject to litigation, and have been almost entirely written down.

There is also a banking counterparty risk linked to short-term liquidity uses; this risk is quite limited since liquidity is by now almost entirely deposited in CDP. In this regard, it is noted that the parent company Fintecna and the companies under its management and coordination follow the Guidelines for Treasury Operations issued by CDP, which among other things set the minimum rating criteria that banking counterparties must meet.

Other financial risks

The risks linked to the majority stake in Fincantieri, over which Fintecna no longer exercises management and control activity, should be highlighted, also in the light of the stock's performance in the year, which however, started picking up in early 2017.

Lastly, the Company focuses particularly on regulatory compliance risk, also in view of their potential impact on its reputation, and in view of environmental protection and health and occupational safety aspects.

In 2016, control of regulatory compliance risks focused on equity investment management. On the parent company's input, the Compliance function also established counterparty identification and verification processes to ensure effective prevention of the use of the financial system for the purpose of money laundering.

Furthermore, during 2016 regulatory alert and consultancy activity continued in areas exposed to compliance risk.

Legal disputes

The year 2016 saw continuing monitoring and optimisation of the legal strategies of the lawyers handling the disputes involving Fintecna for various reasons – as a consequence of a number of corporate transactions; this included specific targeted assessment of the key threats posed by individual disputes.

As concerns employment disputes, concerning claims for compensation lodged by former workers or their heirs for diseases with alleged occupational causes, which developed after a long latency period, the key aim of streamlining and settling the bulk of the litigation has been implemented, where financial and legal conditions allowed it, by means of out-of-court settlements. The results achieved can be considered to be cost-effective, especially when compared with the potential losses for the company in the event of adverse court rulings; nevertheless, account was taken of the differences in the reported illnesses and in the case law positions at the different courts.

The costs of settling these claims were fully covered by the risk provisions for litigation.

Similarly to past years, the number of new claims notified to Fintecna has remained high but largely unvaried, thus allowing a small reduction in the stock of pending litigation.

As concerns the number of civil/administrative/tax disputes, while the number of new lawsuits brought in the year was limited, the stock of pending cases could not be reduced significantly, due to the difficulty of reaching out-of-court settlements in view of the complexity of the pending cases and of the different assessments made by the adverse parties.

Thus, these disputes tend to drag on due to the notorious sluggishness of the Italian justice system.

In any case, in view of the uncertainty of all litigation and of the different positions, claims against the company are covered by appropriate allocation of funds to the litigation risk provision.

The following table provides key figures on the results achieved:

(number of disputes; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
Civil/administrative/tax disputes	122	141	(19)	-13.5%
Employment disputes	688	719	(31)	-4.3%
Total	**810**	**860**	**(50)**	**-5.8%**

SIMEST

With regard to the main risks and uncertainties to which the Company is exposed in its equity investment activity, SIMEST has put in place functions for managing price risk, credit risk, liquidity risk and market risk.

In 2016, the Board of Directors approved SIMEST's Risk Regulation. The main purpose of this Regulation is to ensure that SIMEST, in coordination with the Parent Company Cassa depositi e prestiti S.p.A., is able to cover the risks it faces with its own resources. Thus, the Regulation contains the same risk management principles adopted by the Parent Company, while taking into account SIMEST's specific nature and size. Furthermore, the associated operational policies have been issued.

The above-mentioned regulations and the Investment Regulation, in force since November 2015, have been supplemented by specific guidelines on investments and dedicated credit rating control functions, both ex ante and ex post, for each counterparty: the regulations govern the operation of the investment and monitoring process and the roles of the organisational units involved.

The results of the assessment carried out by the various organisational units are summarised in the equity investment proposal, which is then examined by the Investment Committee. If the proposal is considered sound and attractive – also in view of its financial/credit risk and of the proposed risk management and mitigating methods – the proposal is submitted to SIMEST's Board of Directors for final approval. Next, the agreement with the counterparty is prepared and signed, in accordance with the guidelines and instructions provided by the Board.

Following approval of the Risk Regulation, during the year the Company implemented the process of assessing the correspondence between the capital resources available (represented by equity) and the economic capital necessary to cover existing risks, this latter measured with the same methodologies used by the Parent Company CDP (ICAAP – Internal Capital Adequacy Assessment Process). Results of the assessment have confirmed the full adequacy of capital resources both at present and over the time period covered by the Business Plan.

Financial risks

Credit risk

With regard to risk monitoring and mitigation, the credit risk associated with the equity investment is primarily mitigated through the direct commitments of the Italian partners to repurchase SIMEST's equity investments, partially secured by corporate sureties, collateral and bank or insurance guarantees.

(millions of euros; %)	31/12/2016		31/12/2015	
Direct commitments of Italian partners	410	83%	370	79%
Commitments secured by banks and insurance companies	58	12%	77	16%
Commitments secured by collateral	28	5%	21	5%
Total	**496**		**468**	

Price risk and foreign exchange risk

Price risk and foreign exchange risk is mitigated by contractual clauses which as a rule guarantee that SIMEST will recoup its investment at the historic price paid in Euro for acquisition of the equity stake.

Liquidity risk and interest rate risk

Liquidity risk and interest rate risk are monitored constantly through analysis of expected cash flows, especially for equity investments. Furthermore, to reduce exposure to such risks, in 2016 review of the composition of financial debt continued, to align the time composition of their equity investment portfolio with the raising of the related finance through the taking out of new medium and long-term loans and the renegotiation of existing credit lines.

Legal disputes

As to employment disputes, as at 31 December 2016 three lawsuits are pending in Court. For two of them the total amount of the claim is about euro 280,000. The third case concerns an employee's appeal against dismissal.

As concerns tax litigation, the court proceedings, now in the appeal stage for the annulment of a tax assessment concerning registration tax, relating to the transfer by Mediocredito Centrale to SIMEST of its Subsidised Fund business line, a ruling in SIMEST's favour is expected, in line with the decision already taken for its joint obligor Mediocredito Centrale.

CDP Immobiliare group

The risk management service is provided to this group by its Parent Company Cassa depositi e prestiti S.p.A. in outsourcing mode.

The description of risks to which the company and its subsidiaries are exposed and the relevant monitoring and minimisation activities are provided below.

Financial risks

Market risks

Risks relating to property values

The risk relating to property values is linked to fluctuations in the market value of the properties in the portfolio, reflecting the problems experienced by the sector, which have deepened in recent years. The CDP Immobiliare group's policy is aimed at minimising the effects of such risk, operationally, by managing the development of real estate complexes in the most critical market conditions through the selection of the best development options, taking account of the state of urbanisation and construction and of the market absorption rate; administratively, by constantly monitoring the value of property assets in the portfolio through the independent valuation of properties by third-party industry experts, whose appraisals are recognised in the Financial Statements.

In order to monitor operational risks, for valuation of the portfolio as at 31 December 2016 by the Independent Experts, the absence of calculation errors in the valuation models used was verified, together with the consistency of the valuation criteria applied by the Independent Experts, both with each other and over time.

Interest rate risk

Exposure to interest rate risk is mainly linked to the medium and long-term financial liabilities of some subsidiaries, relating to mortgages and variable 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 in changes in the reference interest rates on economic and financial performance.

Exchange rate risk

The group operates only in Italy; therefore it is not exposed to exchange rate risk.

Liquidity risk

The CDP Immobiliare group made no investments for the management of its liquidity, since such liquidity is of limited amount and is intended to fund short-term needs. A diversification policy for bank deposits was also adopted, with a preference for solutions offering the best guarantees, in light of the current conditions of the Italian banking market. 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.

With regard to the short and medium-term financial needs of CDP Immobiliare, these have been expressed to the Shareholder CDP, which has confirmed its intention to make available to the CDP Immobiliare, from time to time, after verifying the activities to which the financial needs pertain, the resources necessary to meet the company's needs in 2017, within the previously approved ceiling.

Credit risk

Credit risk is linked to a counterparty's ability to fulfil the obligations entered into with the CDP Immobiliare group.

In view of its operational business management methods, credit risk for the parent company consists essentially in the risks linked to its trade receivables from the partnerships.

For new transactions, an analysis of the counterparty's financial capacity is performed.

Operational risks

A Risk Assessment activity has been conducted on corporate processes, to identify and assess operational risks and the related control functions. Subsequently, the mitigation actions for the key risks have been designed. The analysis is currently being examined by the company's management.

Legal disputes

The disputes in which the CDP Immobiliare group is involved originated on 1 January 2007, when the real estate business unit was transferred by Fintecna S.p.A. to Fintecna Immobiliare S.r.l., since renamed CDP Immobiliare S.r.l.

The disputes concern mainly management of the real estate assets of CDP Immobiliare S.r.l. and its subsidiaries. More specifically, they consist in repossession actions on abusively 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 liability, credit recovery actions for outstanding payments, etc.

The year ended on 31 December 2016 witnessed a reduction in the number of disputes, mostly relating to the management of real estate assets (repossession of buildings occupied without title, purchase and sale agreements, debt recovery, environment, etc.).

The situation of pending civil and administrative disputes involving CDP Immobiliare and its subsidiaries as at 31 December 2016 is summarised in the following table:

(number of disputes; %)	31/12/2016	31/12/2015	Change (+/-)	Change (%)
CDP Immobiliare S.r.l.	67	76	(9)	-11.8%
Investee companies	23	33	(10)	-30.3%
Total	**90**	**109**	**(19)**	**-17.4%**

In addition to the disputes listed above, CDP Immobiliare is involved in 12 tax disputes handled by the company's Administration, Budget and Tax Unit with the assistance of a tax law firm. Of these, 7 relate to State taxes (specifically, registration tax, mortgage tax and cadastral tax) and 5 to local authority claims for municipal property taxes.

With respect to these disputes, ad hoc risk provisions have been made for those cases felt likely to generate losses for the company and/or the group.

PART F - INFORMATION ON CONSOLIDATED CAPITAL

Section 1 - Consolidated capital

A. Qualitative disclosures

Pending the issuance of specific measures in this area by the Bank of Italy, the Parent Company is subject to "informational" supervision only.

Accordingly, in 2016, in agreement with the Supervisory Authority, the CDP Group did not calculate supervisory capital or the related supervisory capital requirements.

PART G - BUSINESS COMBINATIONS

SECTION 1 - BUSINESS COMBINATIONS CARRIED OUT DURING THE YEAR

1.1 Business combinations

(thousands of euros) Company names	Date of transaction	(1)	(2)	(3)	(4)
Storvik Aqua AS	01/11/2016	3,767	95%	832	30

Key
(1) = Cost of transaction
(2) = Percentage of voting rights in the Ordinary Shareholders' Meeting
(3) = Total Group revenues
(4) = Group net Profit (Loss)

Acquisition of Storvik Aqua AS

On 1 November 2016, subsidiary Fincantieri, acting through Vard Group AS, purchased 100% of the shares in Storvik Aqua AS, a major aquaculture equipment supplier operating in Norway, Chile and Scotland.

On closure of the transaction, 5.36% of the shares in Storvik Aqua were sold to an entity controlled by the company's key managers, under a management-shareholding loyalty plan. The stake will be brought back to 100% by 2019 under a predefined share repurchase plan.

The following table shows the consideration paid for purchase of the company, and a gives breakdown of the assets acquired and liabilities assumed at the date of the transaction:

(thousands of euros)	Book value	Adjustment	Fair value
Assets			
Cash and cash equivalents	363		363
Property, plant and equipment	138		138
Intangible assets	440		440
Tax assets	202		202
Other assets	3,448		3,448
Total acquired assets	**4,591**		**4,591**
Liabilities			
Due to banks	1,097		1,097
Tax liabilities	37		37
Other liabilities	1,064		1,064
Total liabilities assumed	**2,198**		**2,198**
Net acquired assets	**2,393**		**2,393**
Goodwill		1,374	1,374
Cost of business combination	**2,393**	**1,374**	**3,767**

The greater price paid with respect to the company's net assets is entirely attributable to its know-how and its synergies with the other Group companies; since these elements could not be measured separately, the entire greater value was recognised under goodwill.

SECTION 2 - BUSINESS COMBINATIONS CARRIED OUT AFTER THE YEAR-END

No business combinations were effected after the end of 2016.

PART H - TRANSACTIONS WITH RELATED PARTIES

1. Information on the compensation of key management personnel

The following table reports the compensation paid in 2016 to members of the management and control bodies and key management personnel of the Parent Company and the wholly-owned subsidiaries.

Directors' and statutory auditors' compensation

(thousands of euros)	Directors	Statutory Auditors	Other key managers
(a) Short-term benefits	16,769	2,185	15,551
(b) Post-employment benefits	154		342
(c) Other long-term benefits	731		1,247
(d) Severance benefits			3,885
(e) Share-based payments			
Total	**17,654**	**2,185**	**21,025**

2. Information on transactions with related parties

Certain transactions between 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.

At all events, 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 reports assets, liabilities, revenues and costs in respect of the CDP Group's transactions in 2016 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.

Information on transactions with related parties

(thousands of euros) Company name	Assets	Liabilities	Off-balance sheet	Costs/ Revenues
Agenzia Giornalistica Italia S.p.A.				(37)
Alenia Aermacchi S. p.A.	3,947			24
Alfiere S.p.A.	15,162	22		548
Amundi (*)		48		(250)
ANAS International Enterprise S.p.A.	487			(879,000)
ANAS S.p.A.	1,005	5,115		(1,116)
Ansaldo Energia S.p.A.	59,862	10		90,669
Ansaldo Sviluppo Energia S.r.l.				2
Ansaldobreda S.p.A.	199			2
AS Gasinfrastruktur GmbH	3,666			3,666
Banca del Mezzogiorno - MedioCredito Centrale S.p.A.	119,093	20,000		764
Bonafous S.p.A.				56
Brevik Technology AS	186			16
Cagliari 89 S.c.r.l. in liquidazione	1,166	1,065		1
Camper and Nicholsons International SA	499			
CDP Equity S.p.A.		6,632		(6,632)
CESI S.p.A.	16,677	10,342	1,200	(2,308)
Cinecittà Luce S.p.A. in liquidazione	2,304	1		701
Cinque Cerchi S.p.A.	8			87
Cometa (*)		3,461		(1,387)
Concessioni Autostradali Venete S.p.A.	199,093			5,399
Consorzio Aerest in liquidazione	23	471		23
Consorzio Bancario Sir S.p.A. in liquidazione		44,000		
Consorzio Codelsa in liquidazione	13	17		13
Consorzio Condif in liquidazione		12		
Consorzio Edinca in liquidazione	1,320	64	42	165
Consorzio Edinsud in liquidazione	767	59		10
Consorzio G1 in liquidazione	5	102		38
Consorzio I.MA.FI.D. in liquidazione	99	54		
Consorzio INCOMIR in liquidazione	45		623	
Consorzio Italtecnasud in liquidazione	3,962	108		13
Consorzio MED. IN. in liquidazione	203	35		13
CORESO S.A.				(1,493)
CSS Design Limited	731			
DOF Iceman AS	6,532			216
e-distribuzione S.p.A.	1,072,111			20,417
Elettronica S.p.A.		7		179
Enel Energia S.p.A.	31,593	1,861		30,892
Enel Produzione S.p.A.				315
ENEL S.p.A.	458,455	44,893	789,900	1,366487
ENI Benelux B.V.		2		(9)
ENI S.p.A.	470,317	66,579	19,900	1,874,685
EniPower S.p.A.	26			
Etihad Ship Building LLC	17,160	3,928		(2,059)
Europrogetti & Finanza S.p.A. in liquidazione	4,128		81	

(thousands of euros) Company name	Assets	Liabilities	Off-balance sheet	Costs/ Revenues
Fondenel				(416)
Fondo Italiano d'Investimento SGR S.p.A.				25
Fondo Pensione Complementare per i Dirigenti della Società Fincantieri - Cantieri Navali Italiani S.p.A.		1,144		(1,239)
Fondo Pensione Complementare per il Personale Direttivo di Fintecna S.p.A. (*)		452		(217)
Fondo Previgen (ex Insud managers) (*)		16		
FOPEN (*)		1,516		(1,864)
FS - Ferrovie dello Stato Italiane S.p.A.	695,396	773		7,772
FSI S.p.A. - Società di Gestione del Risparmio	59			59
Galaxy S.àr.l. SICAR	1			15
Gestore dei Mercati Energetici S.p.A.	44	1		
GSE - Gestore dei Servizi Energetici S.p.A.	15,862	10,566		21,473
IQ Made in Italy Investment Company S.p.A.	9			1,083
Istituto per il Credito Sportivo	319,714			11,893
Kedrion Biopharma Inc.	10			12
Kedrion S.p.A.	1,376	5,697	51,936	2,840
Leonardo - Finmeccanica S.p.A.	218,688	6,972		8,021
Ligestra Due S.r.l.	155,980	6		2,495
Ligestra Quattro S.r.l.	5,171			92
Ligestra S.r.l.	80,657	36,000		2,065
Ligestra Tre S.r.l.	228,567	279,000		1,317
M.T. - Manifattura Tabacchi S.p.A.	11			553
Manifatture Milano S.p.A.	10			797
Metano Sant'Angelo Lodigiano S.p.A.	3			243
Metroweb S.p.A.	931			133,999
Ministero dell'Economia e delle Finanze	229,774,187	34,600,030	2,174,066	4,318,254
Olympic Challenger KS (formerly Olympic Subsea KS)	51			56
OMSAV S.p.A. in fallimento	650	81		
Open Fiber S.p.A.	125,057	12,401		79
Orizzonte Sistemi Navali S.p.A.	77,308	2,565		295,608
Pentagramma Perugia S.p.A.	865			29
Pentagramma Piemonte S.p.A.				182
Pentagramma Romagna S.p.A. in liquidazione		6		33
Poste Italiane S.p.A.	101,525	364,117		(1,577,098)
Quadrifoglio Brescia S.p.A. in liquidazione				46
Quadrifoglio Genova S.p.A. in liquidazione				33
Quadrifoglio Modena S.p.A. in liquidazione				54
Quadrifoglio Piacenza S.p.A. in liquidazione				43
Quadrifoglio Verona S.p.A. in liquidazione				43
QuattroR SGR S.p.A.				2
Raffineria di Milazzo S.c.p.A.			42,000	160
Rai Way S.p.A.	463			3
RAM - Rete Autostrade Mediterranee S.p.A.	17			1
Rem Supply AS				20
Rete Ferroviaria Italiana S.p.A. (RFI)	12,655	29,901	24,200	(32,240)
Risparmio Holding S.p.A.	15			15
Rocco Forte & Family (Rome) S.p.A.				2

(thousands of euros) Company name	Assets	Liabilities	Off-balance sheet	Costs/ Revenues
Rocco Forte Hotels Limited (formerly Rocco Forte & Family Limited)	2			666
Rosetti Marino S.p.A.		61		(148)
Saipem S.p.A.	3	43,679		133,128
Selex Elsag Ltd		2,005		
Selex ES S.p.A.	12,574			66
Ship Recycling S.c.a r.l.	4			5
SIA S.p.A.	13,196	441		25,841
Società Italiana p.A. per il Traforo del Monte Bianco	158,776			6,200
SOGEI - Società Generale di Informatica S.p.A.	30,038			109
Stmicroelectronics N.V.	117			115
Telespazio S.p.A.			1,042	
TIGF Holding S.a.s.	5	6		113
TIGF Investissements S.a.s.	1,001	48		138
TIGF S.A.	277	296		(149)
Tirrenia di Navigazione S.p.A. in A.S.	10,760		516	
Toscana Energia S.p.A.	231	9	14,963	1,961
Trans Adriatic Pipeline AG	252			236
Trans Austria Gasleitung GmbH	3,170	2,719		1,845
Trenitalia S.p.A.				(95)
Trevi Finanziaria Industriale S.p.A.		2		(3)
Umbria Distribuzione Gas S.p.A.				460
Unifer Navale S.r.l.		75		(75)
Valvitalia Finanziaria S.p.A.	197,056			(19,653)
Valvitalia S.p.A.				45
XXI Aprile S.r.l.	561			36

(*) These are pension funds that receive the contributions for CDP Group employees' retirement plans.

PART I - SHARE-BASED PAYMENTS

No share-based payment agreements were entered into in 2016 nor are any plans from previous periods outstanding.

PART L - CONSOLIDATED OPERATING SEGMENTS

Segment reporting

This section of the Notes to the consolidated financial statements has been drafted in compliance with IFRS 8 Operating Segments.

Operating segment disclosures are presented by showing separately the contribution given by four sectors to the Group's results:
- Support to the economy: represented by the Parent Company's financial data;
- Internationalisation: represented by the SACE group's financial data;
- Other sectors: 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 instead under the heading "Companies not subject to management and coordination". Thus, this segment includes CDP RETI, CDP GAS, Fintecna, CDP Equity, FSI Investimenti, FSIA Investimenti, CDP Investimenti SGR, the funds FIV Plus and FIV Extra, and CDP Immobiliare[44];
- Companies not subject to management and coordination: represented by the financial data of the fully consolidated subsidiaries of SNAM, Terna, Italgas and Fincantieri and by the financial data from consolidation with the equity method of ENI, Poste Italiane, Saipem, Ansaldo Energia, SIA, Open Fiber, Kedrion, IQ Made in Italy, Valvitalia, Trevi Finanziaria Industriale, Inalca, Rocco Forte Hotels and the other affiliates or joint control companies.

The financial data reported were prepared considering the contribution of the four sectors already net of the effects of consolidation entries, but without the elimination of dividends, which has instead been performed in the column aggregating the three sectors: Support to the economy, Internationalisation and Other sectors.

Thus, the contribution of the three sectors taken together, whose year-end profit before tax amounts to euro 0.8 billion, is represented by the Parent Company and the companies under its management and coordination.

This aggregate figure is impacted significantly by the weight of the economic data of the "Support to the economy" sector in terms of interest margin, net fee and commission income and net impairment losses, the latter concerning receivables and the Fondo Atlante. In the other sectors, major elements are the impairment losses recognised by CDP Immobiliare following review of its property portfolio, following revision of its business strategy and the further drop in market prices.

The sector "Companies not subject to management and coordination" reports a pre-tax profit of euro 1.1 billion. The result of intermediation margin was influenced by the reduction in interest margin due to the charges on current debt, by the impact of other net revenue mainly linked to SNAM, and by the net losses from the accounting of subsidiaries at equity. Despite the improvement from the previous year, this item is affected by ENI's still negative results, by the negative results of Saipem and by a negative contribution of Poste Italiane in the fourth quarter of 2016.

The year-end pre-tax result benefits from the high contribution from the core earnings of the companies recorded under Other net operating income, which offset administrative expenses of euro 5.8 billion and the writedowns for the year of euro 1.8 billion linked to technical investments and to the effects of purchase price allocations on those assets.

Balance sheet figures too show the significant weight of the "Support to the economy" sector, in particular under property, plant and equipment and in funding from companies not subject to management and coordination.

44 The sector includes the equity investments of CDP Immobiliare and Fintecna (except for Fincantieri) since they are representative of the company's business.

The following tables present the reclassified income statement figures and the main reclassified balance sheet figures for 2016, and their comparison with prior year figures.

Reclassified consolidated balance sheet 2016

(thousands of euros)	Support to the economy	Companies subject to management and coordination		Total	Companies not subject to management and coordination	Total
		Internatio-nalisation	Other sectors			
Receivables and cash and cash equivalents	269,920,250	3,953,964	2,161,417	276,035,631	1,796,773	277,832,404
Debt securities, equity securities and units in Collective investment undertakings	52,003,801	2,930,988	205,097	55,139,886	3,667	55,143,553
Equity investments		7,954	81,492	89,446	20,820,274	20,909,720
Property, plant and equipment/technical investments	272,567	100,712	29,579	402,858	34,755,799	35,158,657
Other assets (including Inventories)	121,794	135,344	1,604,691	1,861,829	7,439,147	9,300,976
Funding	328,091,969	1,636,938	1,188,148	330,917,055	25,072,471	355,989,526
- *of which: bonds*	*11,937,841*	*531,533*	*416,126*	*12,885,500*	*15,222,267*	*28,107,767*

Reclassified consolidated balance sheet 2015

(thousands of euros)	Support to the economy	Companies subject to management and coordination		Total	Companies not subject to management and coordination	Total (*)
		Internatio-nalisation	Other sectors			
Receivables and cash and cash equivalents	275,085,563	4,266,727	2,722,326	282,074,616	989,008	283,063,624
Debt securities, equity securities and units in Collective investment undertakings	37,282,042	2,865,592	264,443	40,412,077	5,330	40,417,407
Equity investments		7,954	43,569	51,523	18,120,720	18,172,243
Property, plant and equipment/technical investments	252,558	103,945	33,299	389,802	34,231,955	34,621,757
Other assets (including Inventories)	220,396	167,559	1,825,956	2,213,911	7,964,324	10,178,235
Funding	318,099,604	1,594,731	1,266,350	320,960,685	24,448,458	345,409,143
- *of which: bonds*	*12,503,347*	*531,733*	*415,948*	*13,451,028*	*16,635,331*	*30,086,359*

(*) Restated

Reclassified consolidated income statement 2016

(thousands of euros)	Support to the economy	Companies subject to management and coordination		Total (*)	Companies not subject to management and coordination	Total
		Internatio-nalisation	Other sectors			
Net interest income	**2,419,657**	**134,981**	**(15,502)**	**2,539,136**	**(432,730)**	**2,106,406**
Dividends	1,570,769	128	420,443	4,579	27	4,606
Gains (losses) on equity investments			(5,506)	(5,506)	(651,157)	(656,663)
Net commission income	(1,474,218)	36,873	8,387	(1,428,958)	(34,246)	(1,463,204)
Other net revenues	38,903	304,718	875	344,496	(319,279)	25,217
Intermediation margin	**2,555,111**	**476,700**	**408,697**	**1,453,747**	**(1,437,385)**	**16,362**
Profit (loss) on insurance business	(4,045)	335,957		331,912		331,912
Profit (loss) on banking and insurance operations	**2,551,066**	**812,657**	**408,697**	**1,785,659**	**(1,437,385)**	**348,274**
Net value reversals (writedowns)	(457,112)	(13,944)	(4,386)	(475,442)	(3,135)	(478,577)
Administrative expenses	(137,066)	(129,453)	(89,009)	(355,528)	(5,832,966)	(6,188,494)
Other net operating income (costs)	(4,571)	9,380	(157,816)	(153,007)	10,332,385	10,179,378
Operating income	**1,952,317**	**678,640**	**157,486**	**801,682**	**3,058,899**	**3,860,581**
Provisions for risks and charges	(1,158)	65,250	(43,680)	20,412	(129,005)	(108,593)
Net writedowns on property, plant and equipment and intangible assets	(7,023)	(6,366)	(2,184)	(15,573)	(1,841,336)	(1,856,909)
Net goodwill impairment					(635)	(635)
Other	(4)		100	96	104	200
Income (loss) for the year before tax	**1,944,132**	**737,524**	**111,722**	**806,617**	**1,088,027**	**1,894,644**
Taxes						(766,222)
Net income for the year						**1,128,422**

(*) Total of the sectors “Support to the economy”, “Internationalisation” and “Other sectors” net of elimination of dividends.

Reclassified consolidated income statement 2015

(thousands of euros)	Support to the economy	Companies subject to management and coordination		Total (*)	Companies not subject to management and coordination	Total (**)
		Internatio-nalisation	Other sectors			
Net interest income	**958,104**	**145,829**	**(8,637)**	**1,095,296**	**(544,495)**	**550,801**
Dividends	1,538,444	880	431,546	9,111	29	9,140
Gains (losses) on equity investments		178	3,713	3,891	(2,345,043)	(2,341,152)
Net commission income	(1,555,704)	23,889	833	(1,530,982)	(45,517)	(1,576,499)
Other net revenues	476,313	614,397	242,997	1,333,707	(94,223)	1,239,484
Intermediation margin	**1,417,157**	**785,173**	**670,452**	**911,023**	**(3,029,249)**	**(2,118,226)**
Profit (loss) on insurance business		(71,159)		(71,159)		(71,159)
Profit (loss) on banking and insurance operations	**1,417,157**	**714,014**	**670,452**	**839,864**	**(3,029,249)**	**(2,189,385)**
Net value reversals (writedowns)	(95,629)	(17,821)	(172)	(113,622)	(2,458)	(116,080)
Administrative expenses	(131,358)	(127,097)	(98,019)	(356,474)	(5,788,429)	(6,144,903)
Other net operating income (costs)	(20,804)	3,259	(28,957)	(46,502)	10,119,993	10,073,491
Operating income	**1,169,366**	**572,355**	**543,304**	**323,266**	**1,299,857**	**1,623,123**
Provisions for risks and charges	(18,486)	(56,976)	(9,969)	(85,431)	(49,862)	(135,293)
Net writedowns on property, plant and equipment and intangible assets	(6,822)	(29,055)	(822)	(36,699)	(1,788,257)	(1,824,956)
Net goodwill impairment						
Other	(5)		30	25	(5,668)	(5,643)
Income (loss) for the year before tax	**1,144,053**	**486,324**	**532,543**	**201,161**	**(543,930)**	**(342,769)**
Taxes						(514,523)
Net income for the year						**(857,292)**

(*) Total of the sectors “Support to the economy”, “Internationalisation” and “Other sectors” net of elimination of dividends.
(**) Restated.

Annexes to the consolidated financial statements

ANNEX 1 - SCOPE OF CONSOLIDATION

Company name	Registered office	Investor	% holding	Consolidation method
Parent company				
Cassa depositi e prestiti S.p.A.	Rome			
Consolidated companies				
ACAM GAS S.p.A.	La Spezia	Italgas Reti S.p.A.	100.00%	Line-by-line
Accialtalia S.p.A.	Milan	CDP S.p.A.	27.50%	At cost
ACE Marine LLC	Green Bay - WI (USA)	Fincantieri Marine Group LLC	100.00%	Line-by-line
African Trade Insurance Company	Nairobi (KN)	SACE S.p.A.	5.51%	Equity
Alfiere S.p.A	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Alitalia Servizi S.p.A. in amm.ne straordinaria	Fiumicino (RM)	Fintecna S.p.A.	68.85%	Unconsolidated subsidiary
Altiforni Ferriere Servola S.p.A. in amm.ne straordinaria	Udine	Fintecna S.p.A.	24.10%	Unconsolidated subsidiary
Ansaldo Energia	Genoa	CDP Equity S.p.A.	44.84%	Equity
AS Gasinfrastruktur Beteiligung GmbH	Vienna (A)	SNAM S.p.A.	40.00%	Equity
Asset Company 1 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	Unconsolidated subsidiary
Asset Company 2 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	Unconsolidated subsidiary
Bacini di Palermo S.p.A.	Palermo	Fincantieri S.p.A.	100.00%	Line-by-line
Bonafous S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Unconsolidated
Brevik Elektro AS	Brevik (N)	Multifag AS	100.00%	Line-by-line
Brevik Technology AS	Brevik (N)	Vard Group AS	34.00%	Equity
Bridge Eiendom AS	Brevik (N)	Vard Group AS	50.00%	Equity
Cagliari 89 S.c.a r.l. in liquidazione	Monastir (CA)	Fintecna S.p.A.	51.00%	Unconsolidated subsidiary
Camper and Nicholsons International S.A.	Luxembourg (LU)	Fincantieri S.p.A.	49.96%	Equity
Canadian Subsea Shipping Company AS	Bergen (N)	Vard Group AS	45.00%	Equity
Castor Drilling Solution AS	Kristiansand S (N)	Seaonics AS	34.13%	Equity
CDP Equity S.p.A.	Milan	CDP S.p.A.	97.13%	Line-by-line
		Fintecna S.p.A.	2.87%	Line-by-line
CDP GAS S.r.l.	Rome	CDP S.p.A.	100.00%	Line-by-line
CDP Immobiliare S.r.l.	Rome	CDP S.p.A.	100.00%	Line-by-line
CDP Industries Estonia OÜ	Tallinn (EST)	CDP Technologies AS	100.00%	Line-by-line
CDP Investimenti SGR S.p.A.	Rome	CDP S.p.A.	70.00%	Line-by-line
CDP RETI S.p.A.	Rome	CDP S.p.A.	59.10%	Line-by-line
CDP Technologies AS	Alesund (N)	Seaonics AS	100.00%	Line-by-line
Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Fincantieri S.p.A.	71.10%	Line-by-line
		Seaf S.p.A.	15.00%	Line-by-line
CESI S.p.A.	Milan	Terna S.p.A.	42.70%	Equity
CGES A.D.	Podgorica (MNE)	Terna S.p.A.	22.09%	Equity
Cinecittà Luce S.p.A. in liquidazione	Rome	Ligestra Quattro S.r.l.	100.00%	Unconsolidated subsidiary
Cinque Cerchi S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Consorzio Aerest in liquidazione	Rome	Fintecna S.p.A.	97.38%	Unconsolidated subsidiary
Consorzio Codelsa in liquidazione	Rome	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary

Company name	Registered office	Investor	% holding	Consolidation method
Consorzio Condif in liquidazione	Rome	CDP Immobiliare S.r.l.	33.33%	Unconsolidated associate
Consorzio Edinca in liquidazione	Naples	Fintecna S.p.A.	47.32%	Unconsolidated subsidiary
Consorzio Edinsud in liquidazione	Naples	Fintecna S.p.A.	58.82%	Unconsolidated subsidiary
Consorzio G1 in liquidazione	Rome	CDP Immobiliare S.r.l.	99.90%	Unconsolidated subsidiary
Consorzio IMAFID in liquidazione	Naples	Fintecna S.p.A.	56.85%	Unconsolidated subsidiary
Consorzio INCOMIR in liquidazione	Mercogliano (AV)	Fintecna S.p.A.	45.46%	Unconsolidated subsidiary
Consorzio Italtecnasud in liquidazione	Rome	Fintecna S.p.A.	75.00%	Unconsolidated subsidiary
Consorzio MED.IN. in liquidazione	Rome	Fintecna S.p.A.	85.00%	Unconsolidated subsidiary
CORESO S.A.	Brussels (B)	Terna S.p.A.	16.67%	Equity
CSS Design Limited	British Virgin Islands (GB)	Vard Marine Inc.	31.00%	Equity
CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong (RC)	Fincantieri S.p.A.	40.00%	Equity
Dameco AS	Skien (N)	Vard Offshore Brevik AS	34.00%	Equity
Delfi S.r.l.	Follo (SP)	Fincantieri S.p.A.	100.00%	Line-by-line
Difebal S.A.	Montevideo (UR)	Terna S.p.A.	100.00%	Line-by-line
DOF Iceman AS	Norway (N)	Vard Group AS	50.00%	Equity
ELMED Etudes S.a r.l.	Tunis (TN)	Terna S.p.A.	50.00%	Equity
ENI S.p.A.	Rome	CDP S.p.A.	25.76%	Equity
Estaleiro Quissamã Ltda	Rio de Janeiro (BR)	Vard Group AS	50.50%	Line-by-line
Etihad Ship Building LLC	Abu Dhabi (UAE)	Fincantieri S.p.A.	35.00%	Equity
Europrogetti & Finanza S.p.A. in liquidazione	Rome	CDP S.p.A.	31.80%	Equity
Fincantieri (Shanghai) Trading Co. Ltd	Shanghai (PRC)	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Australia Pty Ltd	Sydney (AUS)	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri do Brasil Partecipaçoes S.A.	Rio de Janeiro (BR)	Fincantieri S.p.A.	80.00%	Line-by-line
		Fincantieri Holding B.V.	20.00%	Line-by-line
Fincantieri Holding B.V.	Amsterdam (NL)	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri India Private Limited	New Delhi (IND)	Fincantieri Holding B.V.	99.00%	Line-by-line
		Fincantieri S.p.A.	1.00%	Line-by-line
Fincantieri Marine Group Holdings Inc.	Green Bay - WI (USA)	Fincantieri USA Inc.	87.44%	Line-by-line
Fincantieri Marine Group LLC	Washington, DC (USA)	Fincantieri Marine Group Holdings Inc.	100.00%	Line-by-line
Fincantieri Marine Systems North America Inc.	Chesapeake - VI (USA)	Fincantieri Holding B.V.	100.00%	Line-by-line
Fincantieri Oil & Gas S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri S.p.A.	Trieste	Fintecna S.p.A.	71.64%	Line-by-line
Fincantieri SI S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Sweden AB	Stockholm (S)	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri USA Inc.	Washington, DC (USA)	Fincantieri S.p.A.	100.00%	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 (J)	Fincantieri Marine Systems North America Inc.	100.00%	Line-by-line
Fonderit Etruria S.r.l. in fallimento	Campiglia Marittima (LI)	Fintecna S.p.A.	36.25%	Unconsolidated subsidiary
Fondo Italiano di Investimento SGR S.p.A.	Milan	CDP S.p.A.	25.00%	Equity

Company name	Registered office	Investor	% holding	Consolidation method
FOSIDER S.r.l. in A.S.	Bologna	CDP Immobiliare S.r.l.	40.00%	Unconsolidated associate
FSI Investimenti S.p.A.	Milan	CDP Equity S.p.A.	77.12%	Line-by-line
FSI SGR S.p.A.	Milan	CDP S.p.A.	49.00%	Equity
FSIA Investimenti S.r.l.	Milan	FSI Investimenti S.p.A.	100.00%	Line-by-line
Galaxy S.àr.l. SICAR	Luxembourg	CDP S.p.A.	40.00%	Equity
GasBridge 1 B.V.	Rotterdam (NL)	SNAM S.p.A.	50.00%	Equity
GasBridge 2 B.V.	Rotterdam (NL)	SNAM S.p.A.	50.00%	Equity
Gasrule Insurance D.A.C.	Dublin (Ireland)	SNAM S.p.A.	100.00%	Line-by-line
Gestione Bacini La Spezia S.p.A.	La Spezia	Fincantieri S.p.A.	99.89%	Line-by-line
GNL Italia S.p.A.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	Line-by-line
ICD Software AS	Alesund (N)	Seaonics AS	100.00%	Line-by-line
Inalca S.p.A.	Castelvetro (MO)	IQ Made in Italy Investment Company S.p.A.	28.40%	Equity
Industrial Control Design AS	Alesund (N)	ICD Software AS	100.00%	Line-by-line
IQ Made in Italy Investment Company S.p.A.	Milan	FSI Investimenti S.p.A.	50.00%	Equity
Isotta Fraschini Motori S.p.A.	Bari	Fincantieri S.p.A.	100.00%	Line-by-line
Italgas Reti S.p.A.	Turin	Italgas S.p.A.	100.00%	Line-by-line
Italgas S.p.A.	Milan	CDP RETI S.p.A.	25.08%	Line-by-line
		SNAM S.p.A.	13.50%	Line-by-line
		CDP GAS S.r.l.	0.97%	Line-by-line
Kedrion S.p.A.	Castelvecchio Pascoli (LU)	FSI Investimenti S.p.A.	25.06%	Equity
Ligestra Due S.r.l.	Rome	Fintecna S.p.A.	100.00%	Equity
Ligestra Quattro S.r.l.	Rome	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary
Ligestra S.r.l.	Rome	Fintecna S.p.A.	100.00%	Equity
Ligestra Tre S.r.l.	Rome	Fintecna S.p.A.	100.00%	Equity
M.T. Manifattura Tabacchi S.p.A.	Rome	CDP Immobiliare S.r.l.	90.91%	Equity
Manifatture Milan S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Marine Interiors S.p.A.	Trieste	Seaf S.p.A.	100.00%	Line-by-line
Marinette Marine Corporation	Marinette - WI (USA)	Fincantieri Marine Group LLC	100.00%	Line-by-line
Metano S. Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano (LO)	Italgas Reti S.p.A.	50.00%	Equity
Møkster Supply AS	Stavanger (N)	Vard Group AS	40.00%	Equity
Møkster Supply KS	Stavanger (N)	Vard Group AS	36.00%	Equity
Monita Interconnector S.r.l.	Rome	Terna S.p.A.	95.00%	Line-by-line
		Terna Rete Italia S.p.A.	5.00%	Line-by-line
Multifag AS	Skien (N)	Vard Group AS	100.00%	Line-by-line
Napoletanagas S.p.A.	Naples	Italgas Reti S.p.A.	99.69%	Line-by-line
Olympic Challenger KS	Fosnavåg (N)	Vard Group AS	35.00%	Equity
Olympic Green Energy KS	Fosnavåg (N)	Vard Group AS	30.00%	Equity
OMSAV S.p.A. in fallimento	Savona	Fintecna S.p.A.	30.00%	Unconsolidated subsidiary
Open Fiber S.p.A.	Milan	CDP Equity S.p.A.	50.00%	Equity
Orizzonte Sistemi Navali S.p.A.	Genoa	Fincantieri S.p.A.	51.00%	Equity
Pentagramma Perugia S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Pentagramma Piemonte S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Pentagramma Romegna S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	Unconsolidated
Piemonte Savoia S.r.l.	Rome	Terna Interconnector S.r.l.	100.00%	Line-by-line
Poste Italiane S.p.A.	Rome	CDP S.p.A.	35.00%	Equity

Company name	Registered office	Investor	% holding	Consolidation method
Quadrifoglio Brescia S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	Unconsolidated
Quadrifoglio Genova S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	Unconsolidated
Quadrifoglio Modena S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Unconsolidated
Quadrifoglio Piacenza S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	Unconsolidated
Quadrifoglio Verona S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	Unconsolidated
QuattroR SGR S.p.A.	Milan	CDP S.p.A.	29.41%	At cost
Rem Supply AS	Fosnavåg (N)	Vard Group AS	26.66%	Equity
Residenziale Immobiliare 2004 S.p.A.	Rome	CDP Immobiliare S.r.l.	74.47%	Line-by-line
Rete S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
Risparmio Holding S.p.A.	Rome	CDP S.p.A.	20.00%	At cost
Rocco Forte Hotels Limited	London (UK)	FSI Investimenti S.p.A.	23.00%	Equity
S.P.S. S.c.p.a. in fallimento	Italia	Fintecna S.p.A.	20.40%	Unconsolidated subsidiary
SACE BT	Rome	SACE S.p.A.	100.00%	Line-by-line
Sace do Brasil	Sao Paolo (BR)	SACE S.p.A.	100.00%	Line-by-line
SACE FCT	Rome	SACE S.p.A.	100.00%	Line-by-line
SACE Servizi	Rome	SACE BT	100.00%	Line-by-line
SACE S.p.A.	Rome	CDP S.p.A.	100.00%	Line-by-line
Saipem S.p.A.	San Donato Milanese (MI)	CDP Equity S.p.A.	12.55%	Equity
Seaonics AS	Alesund (N)	Vard Group AS	56.40%	Line-by-line
Seaonics Polska Sp.zo.o.	Gdansk (PL)	Seaonics AS	37.50%	Line-by-line
		ICD Software AS	62.50%	Line-by-line
Seastema S.p.A.	Genoa	Fincantieri S.p.A.	100.00%	Line-by-line
SIA ICD Industries Latvia	Riga (LV)	ICD Software AS	100.00%	Line-by-line
SIA S.p.A.	Milan	FSIA Investimenti S.r.l.	49.48%	Equity
SIMEST S.p.A.	Rome	SACE S.p.A.	76.01%	Line-by-line
SNAM Rete Gas S.p.A.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	Line-by-line
SNAM S.p.A.	San Donato Milanese (MI)	CDP RETI S.p.A.	28.98%	Line-by-line
		CDP GAS S.r.l.	1.12%	Line-by-line
Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Stogit S.p.A.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	Line-by-line
Storvik Aqua AS	Sunndalsøra (N)	Vard Group AS	94.64%	Line-by-line
Storvik Aqua Ltd	Lochgilphead (UK)	Storvik Aqua AS	100.00%	Line-by-line
Storvik Aqua SA	Chile	Storvik Aqua AS	95.00%	Line-by-line
Sviluppo Turistico culturale Golfo di Napoli S.c.a r.l.	Naples	CDP Immobiliare S.r.l.	25.00%	Unconsolidated associate
T.E.S. Transformer Electro Service S.r.l.	Ospitaletto (BS)	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Taklift AS	Skien (N)	Vard Group AS	25.47%	Equity
Tamini Transformers USA L.L.C.	Chicago (USA)	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Trasformatori S.r.l.	Melegnano (MI)	Terna Plus S.r.l.	70.00%	Line-by-line
Terna Chile S.p.A.	Santiago del Cile (RCH)	Terna Plus S.r.l.	100.00%	Line-by-line
Terna Crna Gora d.o.o.	Podgorica (MNE)	Terna S.p.A.	100.00%	Line-by-line
Terna Interconnector S.r.l.	Rome	Terna S.p.A.	65.00%	Line-by-line
		Terna Rete Italia S.p.A.	5.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Terna Plus S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
Terna Rete Italia S.p.A.	Rome	Terna S.p.A.	100.00%	Line-by-line
Terna Rete Italia S.r.l. (formerly Telat)	Rome	Terna S.p.A.	100.00%	Line-by-line
Terna S.p.A.	Rome	CDP RETI S.p.A.	29.85%	Line-by-line
Terna Storage S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
Tes Transformer Electro Service Asia Private Limited	Magarpatta City, Hadapsar, Pune (IN)	T.E.S. Transformer Electro Service S.r.l.	100.00%	Line-by-line
TIGF Holding S.A.S.	Pau (F)	SNAM S.p.A.	40.50%	Equity
Tirrenia di Navigazione S.p.A. in amm.ne straordinaria	Naples	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary
Toscana Energia S.p.A.	Florence	Italgas Reti S.p.A.	48.08%	Equity
Trans Adriatic Pipeline AG	Baar (CH)	SNAM S.p.A.	20.00%	Equity
Trans Austria Gasleitung GmbH	Vienna (A)	SNAM S.p.A.	84.47%	Equity
Trevi Finanziaria Industriale S.p.A.	Cesena	FSI Investimenti S.p.A.	16.86%	Equity
Umbria Distribuzione GAS S.p.A.	Terni	Italgas Reti S.p.A.	45.00%	Equity
Unifer Navale S.r.l.	Finale Emilia (MO)	Seaf S.p.A.	20.00%	Equity
V.T.D. Trasformatori S.r.l.	Valdagno (VI)	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Valvitalia Finanziaria S.p.A.	Milan	FSI Investimenti S.p.A.	0.50%	Equity
Vard Accommodation AS	Tennfjord (N)	Vard Group AS	100.00%	Line-by-line
Vard Accommodation Tulcea S.r.l.	Tulcea (RO)	Vard Accommodation AS	99.77%	Line-by-line
		Vard Electro Tulcea S.r.l.	0.23%	Line-by-line
Vard Braila SA	Braila (RO)	Vard Group AS	5.88%	Line-by-line
		Vard RO Holding S.r.l.	94.12%	Line-by-line
Vard Contracting AS	Norway (N)	Vard Group AS	100.00%	Line-by-line
Vard Design AS	Alesund (N)	Vard Group AS	100.00%	Line-by-line
Vard Design Liburna Ltd.	Rijeka (HR)	Vard Design AS	51.00%	Line-by-line
Vard Electrical Installation and Engineering (India) Private Limited	New Delhi (IND)	Vard Electro AS	99.00%	Line-by-line
		Vard Tulcea SA	1.00%	Line-by-line
Vard Electro AS	Tennfjord (N)	Vard Group AS	100.00%	Line-by-line
Vard Electro Braila S.r.l.	Braila (RO)	Vard Electro AS	100.00%	Line-by-line
Vard Electro Brazil (Instalaçoes Eletricas) Ltda	Niteroi (BR)	Vard Electro AS	99.00%	Line-by-line
		Vard Group AS	1.00%	Line-by-line
Vard Electro Canada Inc	Vancouver (CDN)	Vard Electro AS	100.00%	Line-by-line
Vard Electro Italy S.r.l.	Genoa	Vard Electro AS	100.00%	Line-by-line
Vard Electro Tulcea S.r.l.	Tulcea (RO)	Vard Electro AS	99.96%	Line-by-line
Vard Engineering Brevik AS	Brevik (N)	Vard Group AS	70.00%	Line-by-line
Vard Engineering Constanta S.r.l.	Costanza (RO)	Vard RO Holding S.r.l.	70.00%	Line-by-line
		Vard Braila SA	30.00%	Line-by-line
Vard Engineering Gdansk Sp.zo.o.	Poland	Vard Engineering Brevik AS	100.00%	Line-by-line
Vard Group AS	Alesund (N)	Vard Holdings Limited	100.00%	Line-by-line
Vard Holdings Limited	Singapore	Fincantieri Oil & Gas S.p.A.	55.63%	Line-by-line
Vard Marine Inc.	Vancouver (CDN)	Vard Group AS	100.00%	Line-by-line
Vard Marine US Inc.	USA	Vard Marine Inc.	100.00%	Line-by-line
Vard Niterói SA	Rio de Janeiro (BR)	Vard Group AS	99.99%	Line-by-line
		Vard Electro Brazil (Instalaçoes Eletricas) Ltda	0.01%	Line-by-line
Vard Offshore Brevik AS	Porsgrunn (N)	Vard Group AS	100.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Vard Piping AS	Tennfjord (N)	Vard Group AS	100.00%	Line-by-line
Vard PRomer SA	Recife (BR)	Vard Group AS	95.15%	Line-by-line
Vard RO Holding S.r.l.	Tulcea (RO)	Vard Group AS	100.00%	Line-by-line
Vard Seaonics Holding AS	Alesund (N)	Vard Group AS	100.00%	Line-by-line
Vard Ship Repair Braila SA	Braila (RO)	Vard Braila SA	100.00%	Line-by-line
Vard Shipholding Singapore Pte Ltd	Singapore	Vard Holdings Ltd	100.00%	Line-by-line
Vard Singapore Pte. Ltd.	Singapore	Vard Group AS	100.00%	Line-by-line
Vard Tulcea SA	Tulcea (RO)	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 (VN)	Vard Singapore Pte. Ltd.	100.00%	Line-by-line
XXI Aprile S.r.l.	Rome	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary

ANNEX 2 - CDP GROUP STATEMENTS OF RECONCILIATION OF ACCOUNTING AND OPERATING FIGURES

In order to ensure consistency between the consolidated financial statements, prepared on an accounting basis and the aggregates presented on an operational basis, the balance sheet and income statement reconciliations are shown below.

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

Consolidated balance sheet - Assets - Reconciliation

(millions of euros) Assets - Balance sheet items	31/12/2016	Cash and cash equivalents	Loans	Debt securities, equity securities and units in collective investment undertakings	Equity investments	Assets held for trading and hedging derivatives	Property, plant and equipment and intangible assets	Technical provisions	Other assets
10. Cash and cash equivalents	1	1							
20. Financial assets held for trading	1,092			803		289			
30. Financial assets at fair value	197			197					
40. Financial assets available for sale	8,513			8,513					
50. Financial assets held to maturity	33,774			33,774					
60. Loans to banks	27,731	13,080	14,502	149					
70. Loans to customers	261,957	152,371	97,878	11,708					
80. Hedging derivatives	1,109					1,110			
100. Equity investments	20,570				20,570				
110. Reinsurers' share of technical provisions	613							613	
120. Property, plant and equipment	35,159						35,159		
130. Intangible assets	7,935						7,935		
140. Tax assets	2,086								2,086
150. Non-current assets and disposal groups held for sale	387				340				47
160. Other assets	9,301								9,300
Total assets	**410,425**	**165,452**	**112,380**	**55,144**	**20,910**	**1,398**	**43,094**	**613**	**11,433**

Consolidated balance sheet - Liabilities and equity - Reconciliation

(millions of euros) Liabilities and equity - Balance sheet items	31/12/2016	Funding	Liabilities held for trading and hedging derivatives	Technical provisions	Other liabilities	Provisions for contingencies, taxes and staff severance pay	Equity
10. Due to banks	25,692	25,692					
20. Due to customers	302,190	302,190					
30. Securities issued	28,108	28,108					
40. Financial liabilities held for trading	289		289				
60. Hedging derivatives	970		970				
70. Adjustment of financial liabilities hedged generically	38				38		
80. Tax liabilities	3,589					3,589	
90. Liabilities associated with disposal groups held for sale	75				75		
100. Other liabilities	8,051				8,051		
110. Staff severance pay	231					231	
120. Provisions for risks and charges	2,719					2,719	
130. Technical provisions	2,794			2,794			
140. Valuation reserves	2,342						2,342
170. Reserves	13,660						13,660
180. Share premium reserve	2,379						2,379
190. Share capital	4,051						4,051
200. Treasury shares	(57)						(57)
210. Non-controlling interests	13,151						13,151
220. Net income (loss) for the year	153						153
Total liabilities and equity	**410,425**	**355,990**	**1,259**	**2,794**	**8,164**	**6,539**	**35,679**

Consolidated income statement - Reconciliation

(millions of euros) Income statement - Financial statement items	2016 financial year	Net interest income	Gains (losses) on equity investments	Net commission income	Other net revenues	Intermediation margin	Profit (loss) on insurance business
10. Interest income and similar income	6,994	6,994				6,994	
20. Interest expense and similar expense	(4,888)	(4,888)				(4,888)	
40. Commission income	155			155		155	
50. Commission expense	(1,618)			(1,618)		(1,618)	
70. Dividends and similar revenues	5		5			5	
80. Net gain (loss) on trading activities	321				321	321	
90. Net gain (loss) on hedging activities	2				2	2	
100. Gains (losses) on disposal or repurchase	(275)				(275)	(275)	
120. Net gain (loss) on financial assets and liabilities carried at fair value	(23)				(23)	(23)	
130. Net adjustments for impairment	(478)						
150. Net premium income	377						377
160. Net other income (expense) from insurance operations	(45)						(45)
180. Administrative expenses	(6,188)						
190. Net provisions for risks and charges	(108)						
200. Net adjustments of property, plant and equipment	(1,342)						
210. Net adjustments of intangible assets	(515)						
220. Other operating income (costs)	10,179						
240. Gains (losses) on equity investments	(657)		(657)			(657)	
260. Goodwill adjustments	(1)						
270. Gains (losses) on disposal of investments							
290. Income tax for the year on continuing operations	(767)						
320. Income (loss) for the year	**1,128**	**2,106**	**(652)**	**(1,463)**	**25**	**16**	**332**
330. Income (loss) for the year pertaining to non-controlling interests	975						
340. Parent Company's income (loss) for the year	**153**						

Profit (loss) on banking and insurance operations	Net value reversals (writedowns)	Administrative expenses	Other net operating income (costs)	Operating income	Net provisions for risks and charges	Net writedowns on property, plant and equipment and intangible	Net goodwill impairment	Taxes	Income for the year
6,994				6,994					6,994
(4,888)				(4,888)					(4,888)
155				155					155
(1,618)				(1,618)					(1,618)
5				5					5
321				321					321
2				2					2
(275)				(275)					(275)
(23)				(23)					(23)
	(478)			(478)					(478)
377				377					377
(45)				(45)					(45)
		(6,188)		(6,188)					(6,188)
					(108)				(108)
						(1,342)			(1,342)
						(515)			(515)
			10,179	10,179					10,179
(657)				(657)					(657)
							(1)		(1)
								(767)	(767)
348	**(478)**	**(6,188)**	**10,179**	**3,861**	**(108)**	**(1,857)**	**(1)**	**(767)**	**1,128**
									975
									153

Report of the Independent Auditors

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

To the shareholders of
Cassa Depositi e Prestiti SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Cassa Depositi e Prestiti Group, which comprise the balance sheet as of 31 December 2016, the income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers SpA

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Cassa Depositi e Prestiti Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Cassa Depositi e Prestiti SpA, with the consolidated financial statements of the Cassa Depositi e Prestiti Group as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Cassa Depositi e Prestiti Group as of 31 December 2016.

Rome, 21 April 2017

PricewaterhouseCoopers SpA

Signed by

Lorenzo Pini Prato
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Certification of the consolidated financial statements

pursuant to Article 154 bis of Legislative Decree no. 58/1998

1. The undersigned Fabio Gallia, in his capacity as Chief Executive Officer, and Fabrizio Palermo, in his capacity as Manager in charge with preparing the Company's financial reports of Cassa depositi e prestiti S.p.A., hereby certify, taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company and
   - the effective adoption

   of the administrative and accounting procedures for the preparation of the consolidated financial statements in 2016.

2. The assessment of the appropriateness of the administrative and accounting procedures followed in preparing the consolidated financial statements at 31 December 2016 was based on a process developed by Cassa depositi e prestiti S.p.A. in line with the *Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission*, which is a generally accepted framework at international level;

3. In addition, we certify that:

   3.1 the consolidated financial statements at 31 December 2016:
   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) provide 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, 21 April 2017

The Chief Executive Officer

Fabio Gallia

The Manager in charge with preparing the Company's financial reports

Fabrizio Palermo

5. Shareholders’ resolution

Shareholders' resolution

The Ordinary Shareholders' Meeting of CDP, held on 16 May 2017, chaired by Claudio Costamagna, approved the separate financial statements for 2016 and resolved the allocation of net income for the year in the amount of euro 1,662,672,023:

- euro 83,133,601 allocated to the legal reserve pursuant to article 2430 of Italian Civil Code;
- euro 986,900,875.84 distributed as a dividend to shareholders by the thirtieth day following the date of approval of the financial statements, equal to a dividend of euro 2.92 per share, excluding treasury shares;
- euro 592,637,546.16 carried forward as retained earnings.

Summary table of allocation of net income for the year

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

(euro)	
Income	1,662,672,023
Distributable income*	1,579,538,422
Dividend	986,900,875.84
Retained earnings	592,637,546.16
Dividend per share**	2.92

* Income, net of the amount of euro 83,133,601 allocated to the legal reserve.
** Excluding treasury shares.

Cassa depositi e prestiti S.p.A.

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