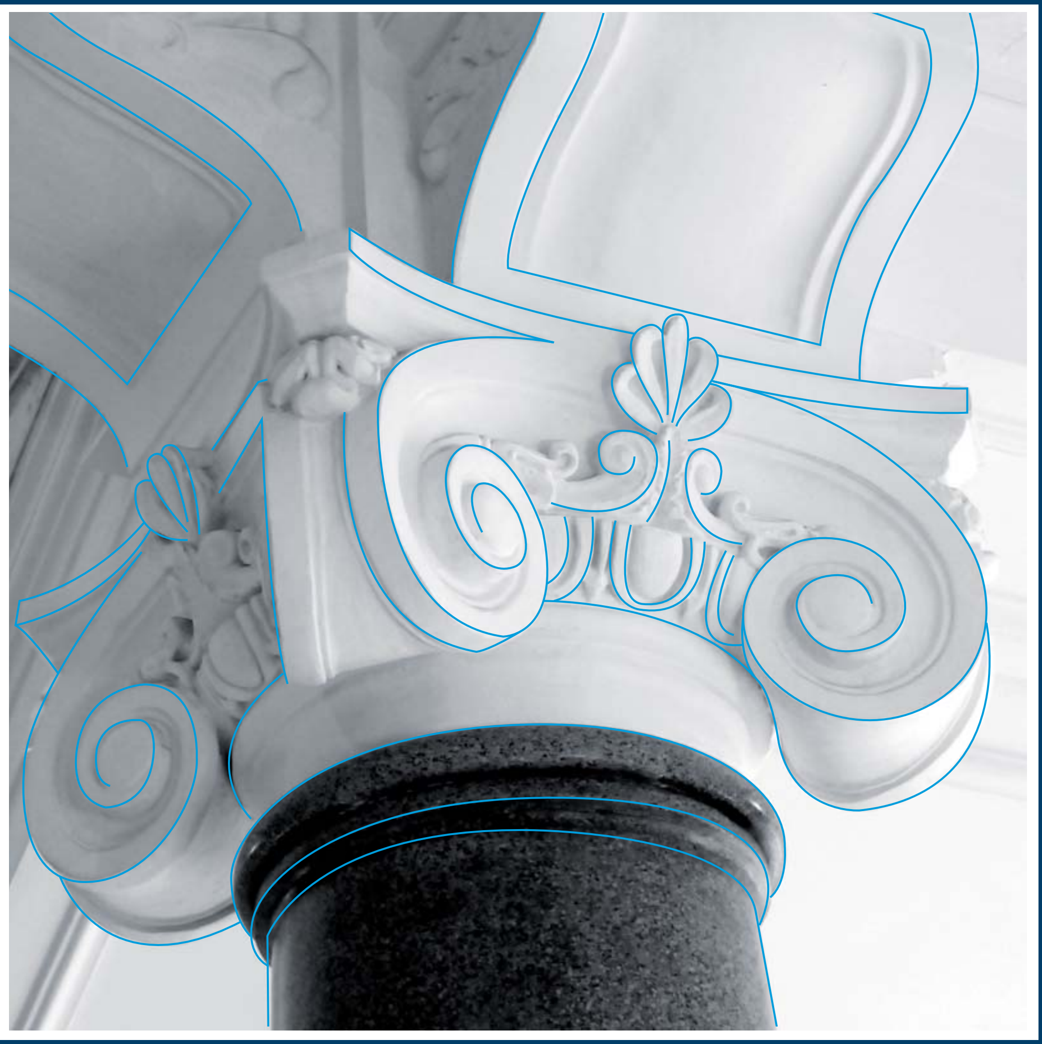
Cassa depositi e prestiti



Condensed Separate Interim Financial Statements

at 30 June 2011

Cassa depositi e prestiti

(Translation from the Italian original)

Condensed separate interim financial statements at 30 June 2011

Cassa depositi e prestiti società per azioni

REGISTERED OFFICE

ROME – Via Goito, 4

COMPANY REGISTER OF ROME

Entered in Company Register of Rome no. 80199230584

Registered with Chamber of Commerce of Rome at no. REA 1053767

SHARE CAPITAL

Share capital €3,500,000,000.00 fully paid-up

Tax code 80199230584 – VAT registration no. 07756511007

Board of Directors (in office at 30 June 2011)

Franco Bassanini	*Chairman*
Giovanni Gorno Tempini	*Chief Executive Officer*
Cristian Chizzoli	*Director*
Cristiana Coppola	*Director*
Piero Gastaldo	*Director*
Ettore Gotti Tedeschi	*Director*
Vittorio Grilli	*Director*
Nunzio Guglielmino	*Director*
Mario Nuzzo	*Director*

Supplementary members for administration of Separate Account

(Article 5,8, Decree Law 269/2003, ratified with amendments by Law 326/03)

State Accountant General	*Director*	*(1)*
Director General of the Treasury	*Director*	*(2)*
Romano Colozzi	*Director*	
Guido Podestà	*Director*	
Giuseppe Pericu	*Director*	

(1) Giovanni De Simone, delegate of the State Accountant General.

(2) Maria Cannata, delegate of the Director General of the Treasury.

Preference Shareholders Support Committee (in office at 30 June 2011)

Matteo Melley	*Chairman*
Teresio Barioglio	*Member*
Alessio Bellincampi	*Member*
Marcello Bertocchini	*Member*
Angela Gallo	*Member*
Giulio Ghetti	*Member*
Roberto Giordana	*Member*
Amedeo Grilli	*Member*
Antonio Marotti	*Member*
Marco Parlangeli	*Member*
Roberto Saro	*Member*

Steering Committee

Giuliano Segre	*Chairman*
Carlo Colaiacovo	*Member*
Adriano Giannola	*Member*
Andrea Landi	*Member*
Antonio Miglio	*Member*
Francesco Parlato	*Member*
Antimo Prosperi	*Member*
Alessandro Rivera	*Member*
Giovanni Gorno Tempini	*Member*

Board of Auditors

Angelo Provasoli	*Chairman*
Paolo Fumagalli	*Auditor*
Biagio Mazzotta	*Auditor*
Gianfranco Romanelli	*Auditor*
Giuseppe Vincenzo Suppa	*Auditor*
Francesco Bilotti	*Alternate*
Gerhard Brandstätter	*Alternate*

Parliamentary Supervisory Committee

Tommaso Foti	*Chairman*
Massimo Bitonci	*Deputy Chairman*
Salvatore Cultrera	*Secretary for Confidential Matters*
Pietro Franzoso	*Parliamentary member*
Oriano Giovanelli	*Parliamentary member*
Cinzia Bonfrisco	*Parliamentary member*
Paolo Franco	*Parliamentary member*
Giovanni Legnini	*Parliamentary member*
Valter Zanetta	*Parliamentary member*
Carmine Volpe	*Non-parliamentary member*
Gaetano Trotta	*Non-parliamentary member*
Manfredo Atzeni	*Non-parliamentary member*

Judge of the State Audit Court

(Article 5,17, Decree Law 269/2003 – attends meetings of the Board of Directors and the Board of Auditors)

Luigi Mazzillo

General Manager

Matteo Del Fante

Independent auditors

PricewaterhouseCoopers S.p.A.

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ON
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FINANCIAL HIGHLIGHTS

MAIN INDICATORS

HIGHLIGHTS

(millions of euros)

	2011	2010
RECLASSIFIED BALANCE SHEET DATA (balances at 30 June 2011 and 31 December 2010)		
Total assets	254,496	249,183
Cash and cash equivalents and interbank deposits (assets)	129,382	127,891
Loans to customers and banks	95,825	91,954
Equity investments and shares	18,683	18,652
Postal funding	211,971	207,324
Other direct funding	17,780	16,386
Equity	13,738	13,726
RECLASSIFIED PERFORMANCE DATA (accruing in 1st Half of 2011 and 2010)		
Net interest income	1,064	769
Gross income	896	1,182
Operating income	859	1,150
Net income (loss) for the period	715	991

NEW LENDING

(millions of euros)

	1st half 2011	1st half 2010
Public Entities	4,813	368
Enterprises and public-private partnerships to develop infrastructure	732	869
Enterprises	1,301	3,288
Total new lending	**6,846**	**4,525**

MAIN INDICATORS

(units; %)

	2011	2010
PERFORMANCE RATIOS (annualised, where material, on the basis of accruals for 1st half)		
Spread interest-bearing assets - liabilities	1.0%	0.8%
Cost/income ratio	4.5%	3.1%
ROE	10.4%	16.3%
CREDIT RISK RATIOS (balances at 30 June 2011 and 31 December 2010)		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.105%	0.104%
Net writedowns/Net loans to customers and banks	0.001%	0.004%
RATING		
Fitch Ratings	AA-	
Moody's	Aa2	
Standard & Poor's	A+	
OPERATING STRUCTURE (averages for 1st half 2011 and 2010)		
Average no. of employees	461	414

1. PRESENTATION OF THE COMPANY

1.1 CDP'S ROLE AND MISSION

Cassa depositi e prestiti S.p.A. is the result of the transformation of CDP from an agency that was part of general government into a joint-stock company pursuant to Article 5 of Decree Law 269 of 30 September 2003, ratified, with amendments, by Law 326 of 24 November 2003, as amended. Subsequent decrees issued by the Minister for the Economy and Finance implemented the decree law and established the assets and liabilities of CDP S.p.A. as well as the guidelines for organisational and accounting separation and the procedures to be followed in setting the terms and conditions of lending and funding under the Separate Account.

The Decree Law outlines the new company's main lines of activity, which maintain continuity with CDP's mission prior to the transformation. Subsequent regulatory changes considerably expanded CDP's institutional mission and areas of expertise.

Most recently, in April 2011 the Extraordinary Shareholders' Meeting of CDP approved a number of amendments to the Articles of Association as a consequence of the enactment of Article 7 of Decree Law 34 of 31 March 2011. These changes further extend the scope of CDP's operations, enabling it to acquire equity holdings in companies of major national interest, on the condition that they have a stable financial position and performance, adequate profit-generating prospects and significant scope for growth.

More specifically, the decree of the Minister for the Economy and Finance of 8 May 2011 identified as "strategic" companies belonging to a number of sectors (defence, security, infrastructure and public services, transportation, communication, energy, insurance and financial intermediation, research and high technology) or, alternatively, which have certain size characteristics (net turnover of at least €300 million and an average of at least 250 employees or, in the case of companies whose business has a significant impact in terms of spillovers and benefits for the economic system, turnover of up to €240 million and an average of at least 200 employees).

CDP is now a long-term investor, outside the scope of general government, providing funding for national infrastructure and the economy. CDP's corporate purpose comprises the following activities.

1) Any sort of financing of the state, regions, local authorities, public entities and public law bodies by using funds redeemable by way of postal savings passbooks and interest-bearing postal savings bonds, guaranteed by the state and distributed through Poste Italiane S.p.A. or its subsidiaries, and funds deriving from the issue of notes, the taking on of loans and other financial transactions, which may be guaranteed by the state.
2) Any sort of financing using funds guaranteed by the state, directed at public-interest initiatives "promoted" by the entities referred to in the previous point, to support the international expansion of enterprises when such initiatives are secured by guarantees or insurance from SACE S.p.A. or carried out in favour of small and medium-sized enterprises for the purpose of supporting the economy. The financial transactions may be conducted either directly (if for an amount equal to or greater than €25 million) or through the banking system, with the exception of operations in favour of SMEs, which may only be conducted through the banking system or the subscription of investment funds managed by an asset management company whose corporate purpose achieves one or more of the institutional missions of CDP. Financial transactions carried out for operations "promoted" by the entities referred to in the point above or directed at supporting the international expansion of enterprises (when such initiatives are secured by guarantees or insurance from SACE S.p.A.), may be carried out in favour of public or private entities, with the exclusion of natural persons, having legal personality.
3) Acquiring equity investments in companies of major national interest, as defined in the decree of the Minister for the Economy and Finance, having a stable financial position and performance and adequate profit-generating prospects. These equity investments may be acquired through corporate vehicles or investment funds in which CDP, possibly with other private or state-owned companies or public entities, holds an interest.
4) Any sort of financing of projects, plants, networks and other infrastructure intended to supply public services and for the reclaiming of land, using funds derived from the issue of notes, the taking on of loans and other financial transactions, without state guarantee, without raising funds first-hand and by means of fund-raising exclusively from institutional investors.

As to more recent amendments of the articles of association, in March 2011, the shareholders approved a number of changes to reflect amendments introduced in the Italian Civil Code by legislation on the rights of shareholders in listed companies (Legislative Decree 27 of 27 January 2010) and new statutory audit rules (Legislative Decree 39 of 27 January 2010). One of the main changes is the option – where the company is required to prepare consolidated financial statements or has special requirements due to its structure or corporate purpose – to call the annual general meeting, and thus approve the financial statements, within 180 days of the end of the financial year.

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

In accordance with Article 5.6 of Decree Law 269/2003, the provisions of Title V of the Consolidated Banking Act concerning supervision of non-bank financial intermediaries, taking account of the characteristics of the entity subject to supervision and the special rules that govern the Separate Account, apply to CDP S.p.A.

The company is also subject to the oversight of the Parliamentary Supervisory Committee and the State Audit Court.

1.1.1 2011-2013 BUSINESS PLAN

The evolution of the market in the coming years, which will be characterised by a global decline in the availability of resources and the emergence of a structural deficit of such funds with respect to investment needs, creates major challenges for all financial institutions, CDP and its customers. CDP has therefore revised its strategy and objectives for the medium and long term, drafting a new Business Plan for 2011-2013, which was approved by the Board of Directors in March 2011.

More specifically, the Plan seeks to consolidate CDP's role as a key partner in the long-term finance segment, helping to support public entities in meeting their investment requirements, acting as a catalyst in the development of the country's infrastructure and playing a central role in supporting industrial development and the international growth of enterprises. At the same time, CDP intends to preserve the stability of postal funding and strengthen its market funding.

At the operational level, in the coming three years, CDP will provide more than €40 billion in new resources to the economy, compared with €33 billion in the previous three years (+29%).

As regards the public sector, which is affected by the constraints on the ability of local governments to borrow imposed by the condition of the public finances and the rules of the Internal Stability Pact, CDP will maintain or slightly expand its existing large market share by granting €18 billion in new loans (€20 billion in the previous three years). At the same time, with almost €24 billion in loans and over €1 billion in equity investments, CDP will confirm its position as a major player in the financing of infrastructure and one of the key actors in providing support to the productive system. In particular, new CDP resources for infrastructure financing will amount to €11 billion, compared with €6 billion in the previous three years. CDP will also double the volume of new loans to help enterprises, reaching €14 billion. The use of private resources, such as postal savings and market funding, will ensure that this action to sustain the growth of the country does not impact the public debt.

A primary objective of the Plan is also to ensure the stability of postal funding and to consolidate market funding. CDP's net postal funding will total about €36 billion. New products will be rolled out to encourage long-term savings. Tools for monitoring and mitigating the interest rate risk associated with the early redemption options in postal savings bonds will be upgraded and the approaches already used in market funding will be intensified.

Critical factors for achieving the priority objectives of the 2011-2013 Business Plan include the following: (i) careful management of risk and use of capital; (ii) a fundamental transformation of operational approach, with the doubling of technology investments compared with the previous three years (more than €20 million); and (iii) expanding staff with the hiring of highly qualified new personnel and boosting the skills of current employees. At the same time, CDP will maintain a high level of operating efficiency, with a cost-revenue ratio of less than 5%.

The 2011-2013 period will close with even stronger financials. The stock of loans to customers, postal funding and market funding will all increase and CDP's capital base will be strengthened.

1.2 ORGANISATIONAL AND ACCOUNTING SEPARATION

Article 5.8 of Decree Law 269/2003 established a system of organisational and accounting separation between the activities of general economic interest and the other activities performed by the company.

By the end of the 2004 financial year, CDP S.p.A. had completed the procedures to implement organisational and accounting separation after having obtained the opinion of the Bank of Italy and submitting the definitive criteria to the MEF pursuant to Article 8 of the MEF decree of 5 December 2003. As such, the organisational and accounting separation took full effect from 2005.

CDP S.p.A.'s implementation of this system of organisational and accounting separation was necessary to ensure compliance with EU regulations regarding state aid and domestic competition, in light of the fact that certain forms of CDP S.p.A. funding, such as postal savings bonds and passbook savings accounts, benefit from an explicit state guarantee in the event of issuer default. The existence of this guarantee, which is justified, first and foremost, by the social and economic importance of postal savings (which was defined by the MEF decree of 6 October 2004 as a service of general economic interest on the same level as the activities of lending to public entities and public-law bodies under the Separate Account), makes it necessary to distinguish between activities that are not of general economic interest and are, therefore, potentially conducted in competition with other market players.

More specifically, the separation arrangements put in place by CDP S.p.A. envisage:

- for accounting purposes, the establishment of three operating units called, respectively, the Separate Account, the Ordinary Account, and Joint Services, within which CDP S.p.A.'s existing organisational units have been re-grouped. The Separate Account includes, in general, the units responsible for financing regional and local government, public entities and public-law bodies or financing directed at public-interest initiatives "promoted" by such entities, funding to support the international expansion of enterprises (when such initiatives are secured by guarantees or insurance from SACE S.p.A.), and funding in favour of small and medium-sized enterprises for the purpose of supporting the economy. The Separate Account also includes the management of the assets and functions transferred to MEF with CDP S.p.A.'s transformation into a joint-stock company, and the provision of advisory services to government bodies. The Ordinary Account includes the units responsible for funding activities regarding infrastructure for the delivery of public services and related advisory, study, and research activities. Joint Services include the units responsible for shared functions of governance, policy, control and support for the company in the light of the company's unique status;

- the existence of a double level of separation, with the first level envisaging the allocation of direct costs and revenues to the Accounts and Joint Services, and the second level the subsequent allocation to the Accounts of the costs and revenues of Joint Services on the basis of appropriate analytical accounting methods;
- the recognition and measurement of any internal transactions between the Separate Account and the Ordinary Account, or between the Accounts and Joint Services, using the respective market prices as a benchmark, with a view to preventing unauthorised transfers of resources;
- the preparation of distinct annual income statements on the basis of the levels of separation described above.

Under CDP's organisational structure at 30 June 2011, the Separate Account encompasses the following business areas: Public Entities, Local Authorities Project, Facilitated Credit and Economic Support, Public Interest Lending, and postal savings-related activities conducted by the Finance unit. The Financing business area falls under the Ordinary Account.
Joint Services include the service departments, the support, steering and control departments, and the governance and control bodies.

From the very start of operations for the Ordinary Account, CDP S.p.A. chose to keep cash flows separated for the two Accounts, although such a strict division is not required by the system of accounting separation. In other words, the forms of funding, lending and liquidity management (deposits and current accounts) for the Separate Account are distinct and autonomous from the analogous instruments used for the Ordinary Account, with the sole exception of temporary and exceptional circumstances.

2. THE MARKET

2.1 THE MACROECONOMIC SITUATION

The recovery in the global economy, which grew at a rapid pace in 2010 (with real GDP expanding by 5%), showed signs of slowing in the first quarter of 2011 (4.3%) due, in particular, to the effects of the earthquake in Japan and the consequent loss in industrial production and consumer confidence, as well as the partial interruption in the supply chain, which had generated major synergies between Japan and the rest of the world.

The U.S. economy grew at an even slower pace in the first part of the year (2.5%), being held back by rising prices for commodities, especially oil. According to recent IMF forecasts,[1] the emerging economies will continue to drive the world economy (with growth rates of 6.6% in 2011 and 6.4% in 2012), while the more advanced economies are expected to post slower growth (2.2% in 2011 and 2.6% in 2012). Within the euro area, which grew by 1.8% in 2010, the economy posted a relatively modest expansion (2% in the first half of 2011), with the pace of growth varying considerably from one country to another.

Inflation has begun rising again at the global level, reaching around 4% in the first quarter of 2011, compared with 3.1% at the end of 2010, due to increases in raw materials prices and demand-side pressures in the consumption of food products and energy in both the emerging and, to a lesser extent, the advanced economies.

Although conditions in the financial markets improved in 2010, they showed signs of increasing volatility in the first half of this year. The tensions buffeting the government securities of the peripheral countries of the euro area, Greece in particular, appear to have adversely affected market expectations. Further sources of instability include the continuing weakness of real estate markets in the more advanced economies and the emergence of a number of critical issues concerning the sustainability of the public debt of the United States.

In this environment, Italy posted GDP growth of 1.3% in 2010, with forecasts for 2011 pointing to a slightly slower pace before a modest acceleration in 2012, remaining below the European average, equal to 2% in 2011 and 1.7% in 2012.[2]

[1] See IMF, *World Economic Outlook Update*, 17 June 2011.
[2] See Bank of Italy, *Economic Bulletin*, no. 64 of April 2011.

The Italian economy has been burdened by both the slow pace of growth in household consumption and a decline in gross fixed investment. In addition, foreign demand, which had driven the admittedly slow recovery in 2010, appears to have flagged, with exports decelerating in the latter part of the year and imports continuing to grow at a rapid pace. Inflation remains subdued, although in the first quarter of 2011 it began rising again, driven by the prices of energy and food products. Consumer prices are forecast to increase by 2.4% in 2011 and 2% in 2012, is in line with projections for the euro area as a whole.

Growth in industry was not as strong as in the other leading European countries. Nonetheless, the first quarter of 2011 saw a recovery in the sector, including the competitiveness of Italian companies (measured in terms of relative producer prices), helped by the depreciation of the euro in real effective terms. Construction saw investment slow due to the climate of uncertainty in the real estate market, although overall activity posted weak growth, which continued into the first few months of 2011.

The labour market gave its first positive signals after the contraction caused by the deepening economic crisis, with the market being driven by private-sector services, while industry declined. The employment outlook for firms is improving, while recourse to the Wage Supplementation Fund also fell in the first quarter of 2011, although the employment gap compared with the situation prior to the crisis remains wide.

In the banking industry, lending to the private sector, and to firms in particular, expanded, driven mainly by growing demand associated with the recovery in economic activity. As shown by the Bank Lending Survey, access to credit appears to have improved on the whole in 2011, although conditions remain relatively stringent for SMEs. Overall, the segment has been affected by the considerable caution in lending displayed by all banks due to stagnant funding and expectations for only limited increases in margins.

2.2 THE FINANCIAL MARKET AND RATES

In the euro area, acting in response to the recovery in activity and the consequent increase in prices, in early 2011 the ECB decided to raise its rate on main refinancing operations by 50 basis points to 1.50%. While monetary policy remains relatively accommodating, the ECB announced that it was in “strong vigilance mode” with regard to price developments. At the same time, 3 and 6-month Euribor rose gradually, reaching 1.57% and 1.8%, respectively, by mid-

2011, with both rates posting increases of about half a percentage point since the start of the year.

In the United States, monetary policy remains expansionary, with the main reference rates holding firm at the levels of recent months, and the federal funds rate target is expected to remain at its current levels (of between 0% and 0.25%) for some time.

The yields on government securities in all of the main advanced economies have risen significantly in 2011, having factored in market expectations about the positive outlook for economic growth.

On the foreign exchange market, the euro has strengthened against all of the major currencies since the beginning of the year, and its relative strength against the dollar has continued following a period of recovery for the dollar due mainly to tensions surrounding the sovereign debt of the peripheral European countries. Nevertheless, although it has helped shore up the credibility of the monetary system, the strengthening of the euro has had a negative impact on exports, especially for these peripheral countries, whose productive specializations are highly sensitive to price competition.

Equity markets experienced a period of recovery coupled with high volatility, although in Europe, and Italy in particular, the increases were limited. The Italian general market index rose in the first quarter of 2011, although the gain was reversed over the course of the rest of the first half in the face of growing fears of an international debt crisis, the tensions engendered by the “Arab Spring” and the uncertainty about the effects of the earthquake in Japan on the global recovery.

2.3 PUBLIC FINANCES

The situation of the public finances began improving again in 2010, following the deterioration caused by the impact of automatic stabilization mechanisms during the crisis.

The general government borrowing requirement fell to 4.6% of GDP (from 5.4% in 2009),[3] while the budget before interest payments on the public debt was essentially in balance. The reduction was due mainly to the contraction in total

[3] See Bank of Italy (2011), *ibid*.

expenditure, which went from 52.5% of GDP in 2009 to 51.2% in 2010 thanks, above all, to a reduction in spending on capital account.

Over the same period, the ratio of public debt to GDP increased significantly, going from 116.1% in 2009 to 119% in 2010. This increase was almost entirely the result of the increase in central government debt (111.8% of GDP), while the debt of local governments remained essentially stable (at 7.2% of GDP).

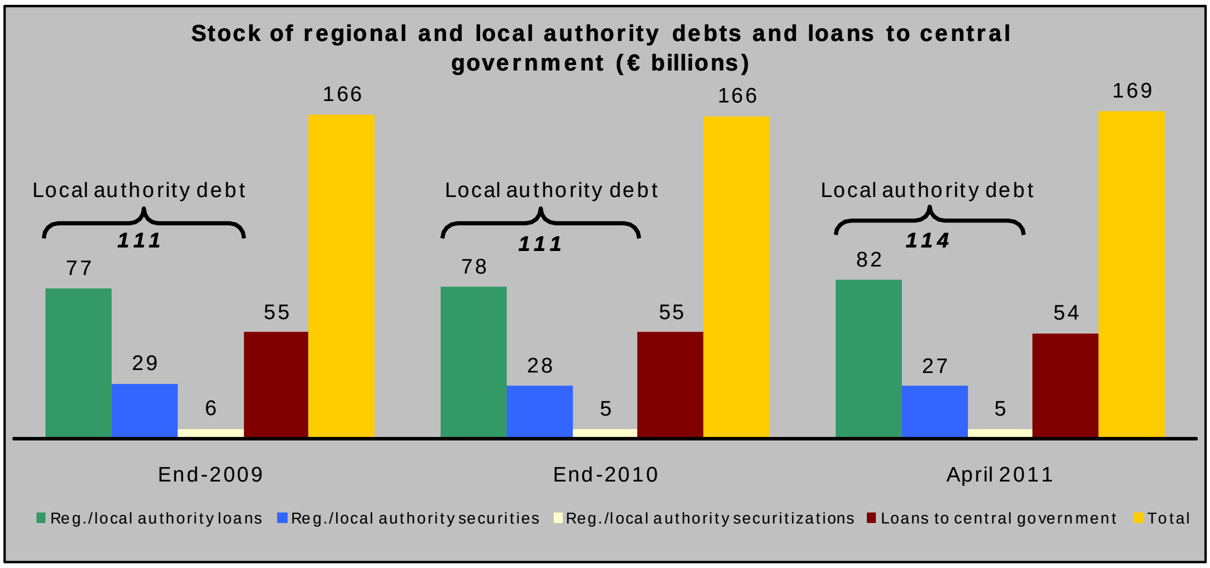
With regard to future trends in the public finances, it is important to note that, within the scope of the “European semester”, the procedures and timing of budget planning have changed. The new *Economy and Finance Document* approved in April 2011 includes the main forecasts and targets for net borrowing and the public debt for the next two years. For the current year, net borrowing will be around 3.9%, before declining further in 2012 (to 2.7%). According to Government estimates, this deficit reduction process should be completed by 2014, when substantial budget balance is expected to be achieved.

Analysing the debt of regional and local governments and loans to central government, which represent CDP’s target market, the stock of loans disbursed to regional and local governments at 30 April came to €82 billion, an increase of 4.6% compared with the end of 2010 (€78 billion). At the same date, the stock of securities issued by regional and local governments was more than €27 billion, a decline of 1.8% from the end of 2010 (€28 billion).

The total debt of regional and local governments therefore amounted to €114 billion, including securitisation transactions recognised as debt (€5 billion). The largest share was accounted for by local governments (provinces and municipalities), which accounted for about 52% of the total (€60 billion), followed by the regions, which accounted for 37% (€42 billion), with other entities accounting for 11% (€12 billion).

Overall, therefore, regional and local governments posted a 2.8% increase (equal to €3,062 million) in total debt compared with the end of 2010, due to the increase in loans (72% of the total for the segment). A breakdown by type of entity reveals a significant contribution from local governments (45% of the increase, or €1,392 million), followed by other entities (40% of the increase, or €1,214 million) and, finally, by regional governments (15%, or €456 million).

Loans with costs borne by central government totalled about €54 billion at 30 April, a decline of 0.8% from the end of 2010.



Source: Bank of Italy - *Supplementi al Bollettino Statistico*

RESULTS OF CASSA DEPOSITI E PRESTITI

3. PERFORMANCE AND FINANCIAL POSITION

The following is an analysis of the accounts as at 30 June 2011. In order to facilitate the understanding of our results for the period, the balance sheet and income statement shown below have been reclassified on the basis of operational criteria.
For the sake of full disclosure, a reconciliation of the standard and reclassified statements is also provided, in accordance with Bank of Italy circular no. 262/2005 as amended, with a detailed breakdown of the accounts and related reclassifications.

In the first half of 2011, new lending to customers and banks amounted to nearly €7 billion, an increase of more than 50% over the same period of 2010. This performance follows the solid progress made in lending to public entities, related in particular to tenders for the granting of loans with costs borne by the state and transactions of a non-recurring nature. The other areas of lending to enterprises and to support the economy declined due to a concentration of volumes of business under the SME lending instrument that characterized the first part of 2010.

New lending

(millions of euros)

Business lines	1st half 2011	1st half 2010	% change
Public entities	4,813	368	n/s
Enterprises and public-private partnerships to develop infrastructure	732	869	-16%
Enterprises	1,301	3,288	-60%
Total lending to customers and banks	**6,846**	**4,525**	**51%**
Equity investments and funds	33	2	n/s
Total new lending	**6,879**	**4,527**	**52%**

More specifically, new lending in the first half of 2011 was mainly in the form of direct loans to public entities (€4.8 billion, or 70% of the total) and, to a lesser extent, lending to enterprises through instruments to support the economy (€1.3 billion, or 19% of the total), especially through the resources available for SMEs. In addition, financing for companies and public-private partnerships to develop infrastructure projects came to about €0.7 billion (11% of the total).

The figures presented below regard both CDP as a whole and the individual business units responsible for the areas of business specified above. For more information on the methods of allocating results to the various units, see the notes to the financial statements (Operating segments).

Business lines	**Business unit responsible**
Public entities	Public Entities
Enterprises and public-private partnerships to develop infrastructure	
- *of which: for projects promoted by public entities*	Public Interest Lending
- *of which: to companies for works used to deliver public services*	Financing
Enterprises	Facilitated Credit and Economic Support
Equity investments and funds	

3.1 Reclassified balance sheet

3.1.1 Assets

The assets of CDP from the reclassified balance sheet at 30 June 2011 can be grouped into the following aggregates:

Reclassified balance sheet

(millions of euros)

	30/06/2011	**31/12/2010**	**% change**
ASSETS			
Cash and cash equivalents and interbank deposits	129,382	127,891	1.2%
Loans to customers and banks	95,825	91,954	4.2%
Debt securities	5,967	5,464	9.2%
Equity investments and shares	18,683	18,652	0.2%
Assets held for trading and hedging derivatives	1,024	1,223	-16.3%
Property, plant and equipment and intangible assets	202	205	-1.1%
Accrued income, prepaid expenses and other non-interest-bearing assets	2,843	2,965	-4.1%
Other assets	570	829	-31.2%
Total assets	**254,496**	**249,183**	**2.1%**

At the end of the period, total assets came to €254 billion, a 2% increase from the end of the previous year, when the total was €249 billion.

Overall, the increase can mainly be attributed to growth in the balance of loans to customers and banks, which came to nearly €96 billion at the end of June, up 4% compared with the end of 2010. This performance was the result of both the volume of new lending during the period and the start of repayment on loans granted in past years (with regard to loans granted to public entities), as discussed further on.

Cash and cash equivalents (and in particular the balance on the treasury account, equal to €124 billion) increased to over €129 billion (+1% from 2010). The growth was essentially due to the flow of net funding from postal savings for CDP during the period.
Debt securities totalled €6 billion, an increase of 9% from the end of 2010. The rise was mainly due to the purchase of inflation-linked bonds during the period, which was carried out as an operational hedge of inflation-linked postal savings bonds.

In addition, the carrying amount of equity investments came to nearly €19 billion, in line with the balance at the end of 2010. The slight increase was the result of draws on investment funds and other investment vehicles subscribed by CDP.

Assets held for trading and hedging derivatives posted a 16% decline from the end of 2010. This aggregate reports the fair value (if positive) of derivative instruments used for hedging, which includes operational hedges that are not recognised as such for accounting purposes. At 30 June 2011, this balance reflected the decline in fair value of the derivatives hedging liabilities, along with a corresponding decrease in the fair value of the funding being hedged. To a lesser extent, the item also reflected the increase in the fair value of the options acquired to hedge the corresponding option component of the equity-linked notes (indexed bonds and *Premia* bonds).

The total balance of property, plant and equipment and intangible assets came to €202 million, of which €198 million in property, plant and equipment and the remainder in intangible assets. The total declined because the investments made during the period were less than depreciation and amortisation recognised on existing assets. Capital expenditure during the first half of 2011 (in the amount of about €1.7 million) was essentially in line with the same period of 2010.

Accrued income, prepaid expenses and other non-interest-bearing assets decreased by €121 million from the end of 2010, going from €2,965 million to

€2,843 million. The change was attributable to the combined effect of the increase in CDP's receivable for interest accrued on the balances of the treasury account and a decrease in the fair value of loans hedged for financial risks using derivative instruments, which, as discussed below, is matched by a decrease in the negative fair value of the related hedge derivatives.

Finally, other assets, in the amount of €570 million, declined by 31% from the end of 2010 due to a decrease in the balance at 30 June 2011 of current and deferred tax assets. This aggregate includes payments on account for withholding on interest on postal passbooks and other sundry assets.

DEVELOPMENTS IN LOANS TO CUSTOMERS AND BANKS

As at 30 June 2011, loans to customers and banks totalled €95,825 million, an increase of 4% from the €91,954 million recorded at the end of 2010. The greatest contribution continues to come from the Public Entities unit, although there has also been an increase compared with the end of 2010 in the relative weight of loans attributable to the other business units, notably the Facilitated Credit and Economic Support unit (related especially to SME lending) and, to a lesser extent, the Financing unit.

Stock of loans to customers and banks

(millions of euros)

	30/06/2011	31/12/2010	% change
Public Entities	85,513	84,669	1.0%
Facilitated Credit and Economic Support	5,964	3,860	54.5%
Financing	4,341	3,419	27.0%
Public Interest Lending	7	7	-3.7%
Other loans	(0)	(1)	-57.2%
Total loans to customers and banks	**95,825**	**91,954**	**4.2%**

The overall balance of commitments to disburse funds and guarantees came to €13,358 million, an increase of 2% from €13,079 million at the end of 2010. This performance was due to the increase in the stock of the Public Entities unit, essentially attributable to new agreements for the period exceeding disbursements and to the start of repayment on loans granted previously. This was only partially offset by the decline in balance for the units where new agreements were smaller than disbursements (i.e. the Facilitated Credit and Economic Support unit and the Financing unit).

Commitments to disburse funds and guarantees

(millions of euros)

	30/06/2011	31/12/2010	% change
Public Entities	9,137	6,993	30.7%
Facilitated Credit and Economic Support	1,290	2,869	-55.0%
Financing	1,270	1,557	-18.4%
Public Interest Lending	1,660	1,660	0.0%
Total commitments to disburse funds and guarantees	**13,358**	**13,079**	**2.1%**

3.1.2 LIABILITIES AND EQUITY

The liabilities and equity of CDP at 30 June 2011 can be grouped into the following aggregates:

Reclassified balance sheet

(millions of euros)

	30/06/2011	31/12/2010	% change
LIABILITIES AND EQUITY			
Funding	237,464	230,832	2.9%
- of which: postal funding	*211,971*	*207,324*	*2.2%*
- of which: funding from banks	*7,713*	*7,122*	*8.3%*
- of which: funding from customers	*9,716*	*9,121*	*6.5%*
- of which: funding from bonds	*8,064*	*7,265*	*11.0%*
Liabilities held for trading and hedging derivatives	1,629	2,180	-25.3%
Accrued expenses, deferred income and other non-interest-bearing liabilities	380	730	-47.9%
Other liabilities	1,055	1,229	-14.2%
Provisions for contingencies, taxes and staff severance pay	231	487	-52.6%
Equity	13,738	13,726	0.1%
Total liabilities and equity	**254,496**	**249,183**	**2.1%**

Total funding at 30 June 2011 came to more than €237 billion (+3% from the end of 2010). Within this aggregate, postal funding continued to grow (+2% about from the end of 2010) due to the positive flow of net funding for CDP during the period, with the stock, which comprises passbook savings accounts and postal savings bonds, rising to nearly €212 billion.

Also contributing to the balance of funding, albeit to a lesser extent, were: (i) funding from banks, which went from €7,122 million at the end of 2010 to €7,713 million at 30 June 2011, the rise in which is attributable to new draws on the EIB lines of financing, partially offset by the decline in interbank funding under the Ordinary Account and in deposits paid in conjunction with Credit Support Annexes; (ii) funding from customers, related to the portion of specific-purpose loans in repayment as at 30 June 2011 and not yet disbursed, which amounted to €9.7 billion, an increase compared with the end of 2010; and (iii) funding from bonds, which increased by 11% from €7.3 billion at the end of 2010 to over €8 billion at 30 June 2011 due to net funding through EMTN issues (up €800 million from the end of 2010).

Liabilities held for trading and hedging derivatives posted a decrease from the end of 2010 of about €550 million, going from €2,180 million to €1,629 million. The aggregate includes the fair value (if negative) of derivative instruments used for hedging, including operational hedges that are not recognised as such for accounting purposes. The change is the result of the decline in the fair value of the option component to be separated from the indexed bonds and *Premia* bonds and the decrease in the fair value of the derivative instruments hedging loans, as already noted in relation to the corresponding change in non-interest-bearing assets.

Accrued expenses, deferred income and other non-interest-bearing liabilities amounted to €380 million at 30 June 2011, a decline of about €350 million compared with the end of 2010 as a result of the decline in the fair value of the funding being hedged, lower accruals on bond funding and lower amounts due to customers to be settled.

The balance of other liabilities came to €1,055 million at 30 June 2011, down €174 million from the end of 2010 due mainly to the changes in a number of liabilities related to postal savings.

Provisions for contingencies, taxes and staff severance pay amounted to €231 million at 30 June 2011, a decline of €256 million from the end of 2010, due essentially to the payment of taxes related to the previous year.

Finally, equity came to nearly €14 billion at 30 June 2011, in line with the end of 2010, as net income for the period was offset by the dividends paid to CDP shareholders on 2010 earnings.

3.1.3 Balance sheet ratios

Main indicators (reclassified data)

	2011*	2010*
Loans to customers and banks/Total assets	37.7%	36.9%
Loans to customers and banks/Postal funding	45.2%	44.4%
Equity investments and shares/Equity	1.36x	1.36x
Gross bad debts and substandard loans/Gross loans to customers and banks	0.105%	0.104%
Net bad debts and substandard loans/Net loans to customers and banks	0.041%	0.037%
Net writedowns/Net loans to customers and banks	0.001%	0.004%

* Annualised figures where material

The growth in lending to customers and banks in the first half of 2011 outpaced the increase in postal savings, increasing the ratio of loans to customers and banks to both postal funding and to total assets.

The ratio of equity investments and securities to the company's total equity is in line with the figures at the end of 2010, as the equity investments held by CDP and equity were stable.

Finally, writedowns related to the deterioration in the credit quality of counterparties were virtually zero and concerned cases that were essentially unrelated to CDP’s core lending activities.

3.2 Reclassified income statement

3.2.1 Financial performance

The following analysis of CDP’s performance is based on an income statement that has been reclassified on the basis of operational criteria, and specifically:

Reclassified income data

(millions of euros)

	30/06/2011	30/06/2010	% change
Net interest income	**1,064**	**769**	**38.4%**
Dividends	609	724	-15.9%
Net commission income	(765)	(334)	129.0%
Other net revenues	(12)	23	n/s
Gross income	**896**	**1,182**	**-24.2%**
Net writedowns	(1)	-	n/s
Overheads	(40)	(37)	8.2%
of which: administrative expenses	*(36)*	*(33)*	*10.8%*
Operating income	**859**	**1,150**	**-25.3%**
Net income	**715**	**991**	**-27.8%**

CDP performed well overall in the first half of 2011, although the results are not comparable with those posted in the first half of the previous year. This is attributable to the fact that pending negotiation of the new agreement with Poste Italiane for the postal savings placement and management services, fees accrued were calculated on the basis of the terms of the preliminary agreements between the parties, which change the basis of payment for Poste's services, with the consequent recognition in the income statement of the entire fee in the year in which it accrues. These new arrangements mean that costs that under the previous system had been amortized over a number of years are now expensed entirely.

Net interest income came to €1,064 million, an increase of 38% over the same period of 2010 as a result of a rise of about 20 basis points in the spread between lending and funding rates, which went from the 0.8% of 2010 to 1% in 2011, and, to a lesser extent, the increase in volumes.

The rise in net interest income was more than offset by other factors, mainly the aforementioned increase in commission expense on postal savings, as well as to a decline in dividends received (-16%) due to the change in CDP's portfolio of equity investments following the share exchange with the MEF at the end of 2010.
Other factors include the negative contribution of other net revenues, which had benefited from a number of penalties on the early repayment of loans in the first half of 2010, as well as a slight worsening of the performance of trading and hedging activities.

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

Breakdown of overheads

(thousands of euros)

	30/06/2011	30/06/2010	% change
Staff costs	**21,674**	**19,643**	**10.3%**
Other administrative expenses	**14,469**	**12,989**	**11.4%**
Professional and financial services	1,905	2,644	-28.0%
IT expenses	4,912	4,307	14.1%
General services	3,440	3,020	13.9%
Advertising and marketing expenses	591	683	-13.5%
- of which for mandatory advertising	*303*	*278*	*9.0%*
Information resources and databases	891	788	13.1%
Utilities, taxes and other expenses	2,539	1,422	78.5%
Corporate bodies expenses	191	125	53.2%
Total administrative expenses	**36,144**	**32,633**	**10.8%**
- of which rebilled to third parties	***292***	***189***	***54.3%***
Net adjustments of non-current assets	4,008	4,477	-10.5%
Total	**40,151**	**37,109**	**8.2%**

Staff costs in the first half of 2011 came to €22 million, an increase of 10% compared with the same period of 2010. The increase was mainly the result of higher costs due to a rise in the number of employees as part of the plan to expand skills under the new Business Plan and, to a lesser extent, greater costs for employee services and non-recurring expenses incurred for termination indemnities owed to the previous Chief Executive Officer since he was not reappointed.

Other administrative expenses, in the amount of over €14 million, increased by 11% compared with the same period of 2010 (net of expenses rebilled to third parties). The change essentially reflects the increase in costs related to the outsourcing of CDP’s technology infrastructure, which was completed at the end of 2010, and the start of new technology projects approved under the 2011-2013 Business Plan, which were only partially offset by lower costs incurred for professional services. The latter were significant in the first half of 2010 due to work to restructure internal processes and revise procedures for managing CDP's technology infrastructure.

Taking residual items and taxes into account, net income for the first half of 2011 amounted to €715 million. As noted previously, the decline compared with the same period of 2010 is attributable to the new agreement with Poste Italiane. Excluding this factor, net income for the period would have been essentially unchanged, as the increase in net interest income would have been offset by the decline in dividends and the increase in the tax liability, taking account of the rise in the IRAP rate from 4.97% to 5.57% (Decree Law 98 of 6 July 2011).

CDP's performance can also be analysed based on the contribution of each business unit to the main margins, and specifically:

Reclassified income statement by business unit

(millions of euros)

	Public Entities	Facilitated Credit and Economic Support	Financing	Public Interest Lending	Corporate Centre	Total CDP
Net interest income	181	8	14	0.0	860	1,064
Gross income	183	8	21	1.5	682	896
Operating income 1st half 2011	**180**	**7**	**19**	**1.3**	651	**859**
Operating income 1st half 2010	***186***	***2***	***15***	***1.2***	***945***	***1,150***

As in the first half of 2010, the greatest contribution came from the Public Entities unit, which accounted for 17% of net interest income and 21% of total operating income. The Facilitated Credit and Economic Support unit and the Financing unit continue to make a limited contribution, but this is gradually growing in absolute terms compared with previous periods. The contribution of the Public Interest Lending unit to income is negligible. Finally, the Corporate Centre unites the components of earnings attributable to equity investments, treasury operations and funding activities, as well as costs related to governance functions and other revenues and expenses not otherwise allocable. In the first half of 2011, the aggregate fell markedly compared with the same period of 2010, as the increase in net interest income was more than offset by the increase in commission expense and the decline in dividends.

3.2.2 PERFORMANCE INDICATORS

Main indicators (reclassified data)

	2011*	2010*
Net interest income/Gross income	118.8%	65.0%
Net commissions/Gross income	-85.4%	-28.3%
Other revenues/Gross income	66.6%	63.2%
Commission expense/Postal funding	0.7%	0.3%
Spread interest-bearing assets - liabilities	1.0%	0.8%
Cost/income ratio	4.5%	3.1%
Cost/income ratio (including commission expense on postal funding)	48.8%	24.8%
Net income / Opening equity (ROE)	10.4%	16.3%
Net income / Average equity (ROAE)	10.4%	17.1%

* Annualised figures where material

Analysing these indicators, we see significant growth in net interest income's contribution to CDP's revenues compared with the first half of 2010, due to the aforementioned increase in the spread between lending and funding from about 80 basis points to around 100 basis points as a result of the trend in market rates, which impacted assets and liabilities differently.

As mentioned, the growth in net interest income was offset by the other changes in gross income, i.e. in the increase in net commission expense and the decline in dividend revenues.

Compared with the first half of 2010, there was also a slight drop in operating efficiency ratios, such as the cost-to-income ratio, due to the decline in revenues and the increase in overheads, but the figure nonetheless remains below 5%. For the reasons discussed above, postal savings management fees have also increased.

Finally, all of the above is also reflected in the change in return on equity (ROE), which declined from 16% in 2010 to 10% at the end of the first half of this year.

3.3 RECONCILIATION OF THE RECLASSIFIED FINANCIAL STATEMENTS

The following is a reconciliation between the financial statements required under Bank of Italy circular no. 262/2005, as amended, and the statements that have been reclassified on the basis of operational criteria.

These reclassifications mainly concerned:

- the allocation of interest-bearing amounts into separate aggregates from the non-interest-bearing items;
- the revision of the portfolios for IAS/IFRS purposes, reclassifying them into uniform aggregates by both product and area of business.

Balance sheet - Assets

		ASSETS - Reclassified schedules							
Millions of euros	1st half 2011	Cash and cash equivalents and interbank deposits	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-	Other assets
ASSETS									
10. Cash and cash equivalents	125,572	124,144						1,427	
20. Financial assets held for trading	865					865			
40. Financial assets available for sale	2,538			2,423	101			15	
50. Financial assets held to maturity	3,282			3,170				112	
60. Loans to banks	10,976	5,241	5,721					14	
70. Loans to customers	91,750	-4	90,104	373				1,276	
80. Hedging derivatives	159					159			
100. Equity investments	18,583				18,583				
110. Property, plant and equipment	198						198		
120. Intangible assets	4						4		
130. Tax assets	210								210
150. Other assets	360								360
Total assets	**254,496**	**129,382**	**95,825**	**5,967**	**18,683**	**1,024**	**202**	**2,843**	**570**

Balance sheet - Liabilities and equity

Millions of euros	1st half 2011	Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest-	Other liabilities	Provisions for contingencies, taxes and staff severance pay	Equity
		LIABILITIES AND EQUITY - Reclassified schedules					
LIABILITIES AND EQUITY							
10. Due to banks	7,756	7,692		65			
20. Due to customers	104,595	104,484		111			
30. Securities issued	125,493	125,288		204			
40. Financial liabilities held for trading	747		747				
60. Hedging derivatives	821		821				
70. Adjustment of financial liabilities hedged generically	61		61				
80. Tax liabilities	227					227	
100. Other liabilities	1,055				1,055		
110. Staff severance pay	1					1	
120. Provisions	3					3	
130. Valuation reserves	1,246						1,246
160. Reserves	8,276						8,276
180. Share capital	3,500						3,500
200. Net income (loss) for the period	715						715
Total liabilities and equity	**254,496**	**237,464**	**1,629**	**380**	**1,055**	**231**	**13,738**

4. OPERATING PERFORMANCE

4.1 FINANCING ACTIVITIES AND FINANCIAL SERVICES

4.1.1 PERFORMANCE OF THE LOAN PORTFOLIO – PUBLIC ENTITIES

FINANCING OF PUBLIC ENTITIES AND PUBLIC-LAW BODIES

The Public Entities unit is responsible for lending to public entities and public-law bodies, using standardised products, offered in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination.

The following table reports the financial highlights related to the reclassified balance sheet and income statement, together with a number of key indicators.

Public Entities - Highlights

(millions of euros; %)

	2011	2010
BALANCE SHEET (balances at 30 June 2011 and 31 December 2010)		
Loans to customers and banks	85,513	84,669
Amounts to disburse on loans in repayment	9,683	9,086
Commitments to disburse funds	9,137	6,993
RECLASSIFIED INCOME STATEMENT (accruing in 1st Half of 2011 and 2010)		
Net interest income	181	188
Gross income	183	189
Operating income	180	186
INDICATORS		
Credit risk ratios (balances at 30 June 2011 and 31 December 2010)		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.083%	0.080%
Net writedowns/Net loans to customers and banks	(0.0001%)	0.002%
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread interest-bearing assets - liabilities	0.4%	0.5%
Cost/income ratio	1.9%	2.2%

As at 30 June 2011, loans to customers and banks totalled €85,513 million, including adjustments for IAS/IFRS purposes, an increase of 1% over the end of 2010 (€84,669 million). This change can be attributed to the start of repayment periods for loans granted related to disbursements of loans without a pre-repayment grace period, which more than offset the amount of debt repaid during the period.

Including commitments to disburse funds, and excluding IAS/IFRS adjustments, the total stock came to €93,343 million, a 3% increase from the end of 2010

(€90,339 million). The change can be attributed to new lending, which contributed to increasing the total stock, more than offsetting repayments.

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

(millions of euros)

	30/06/2011	31/12/2010	% change
Local authorities	46,790	45,519	2.8%
Regions and autonomous provinces	23,635	24,049	-1.7%
Other public entities and public-law bodies.	13,781	13,779	0.0%
Total amounts disbursed or in repayment	**84,206**	**83,347**	**1.0%**
IAS/IFRS adjustments	1,308	1,322	-1.1%
Total loans to customers and banks	**85,513**	**84,669**	**1.0%**
Total amounts disbursed or in repayment	**84,206**	**83,347**	**1.0%**
Commitments to disburse funds	9,137	6,993	30.7%
Total loans (including commitments)	**93,343**	**90,339**	**3.3%**

Loan amounts to be disbursed, including commitments, posted a significant increase, rising 17% from €16,079 million at 31 December 2010 to €18,820 million at 30 June 2011, as the volume of loans granted was more than double the amount of disbursements, as discussed below.

Public Entities - Stock of amounts to disburse

(millions of euros)

	30/06/2011	31/12/2010	% change
Amounts to disburse on loans in repayment	9,683	9,086	6.6%
Commitments to disburse funds	9,137	6,993	30.7%
Total amounts to disburse (including commitments)	**18,820**	**16,079**	**17.0%**

New lending expanded during the first half of 2011 compared with a year earlier, going from €368 million in the first half of 2010 to €1,813 million for the first six months of 2011. More specifically, there was a significant volume of new loans granted in the first half of 2011 (totalling €1,481 million) in respect of tenders for the granting of loans with costs borne by the state, aimed mainly at the construction of roads and transportation. Including the non-recurring loan granted to finance the past debt of the City of Rome in the amount of €3 billion, total financing granted to public entities comes to €4,813 million.

Public Entities - Flow of new loans by type of beneficiary

(millions of euros)

	1st half 2011	1st half 2010	% change
Major local authorities	45	85	-46.8%
Other local authorities	185	178	4.0%
Total local authorities	**230**	**263**	**-12.4%**
Regions	-	-	n/s
Non-territorial public entities	91	75	21.3%
Total	**321**	**338**	**-4.9%**
Loans with repayment charged to state	1,492	31	n/s
Grand total	**1,813**	**368**	**392.4%**
City of Rome debt management authority	3,000	-	n/s
Total Public Entities	**4,813**	**368**	**n/s**

Loan disbursements totalled €2,028 million, broadly in line with the same period of 2010 (-5%) and with a similar breakdown by type of borrower.

Public Entities - Flow of disbursements by type of beneficiary

(millions of euros)

Product	1st half 2011	1st half 2010	% change
Major local authorities	665	581	14.6%
Other local authorities	809	840	-3.6%
Total local authorities	**1,475**	**1,420**	**3.8%**
Regions	9	3	159.9%
Non-territorial public entities	118	144	-17.7%
Total	**1,602**	**1,567**	**2.2%**
Loans with repayment charged to state	426	562	-24.1%
Grand total	**2,028**	**2,129**	**-4.8%**

Compared with the same period of 2010, the contribution of the Public Entities unit to CDP's performance in the first half of 2011 saw a slight decline in net interest income, which went from €188 million for the first half of 2010 to €181 million for the current year due to a small contraction in the spread between assets and liabilities. This decrease is also seen in gross income (€183 million, down 4% from 2010) as a result of the accrual of a similar amount of commission income 2011 compared with the same period of 2010. Taking overhead costs into account, operating income for the unit came to €180 million, once again making a significant contribution (21%) to CDP's overall operating income.

The spread between interest-bearing assets and liabilities in the first half of 2011 came to 43 basis points, slightly down, as mentioned above, on 2010 (about 47 basis points).

Finally, the cost-to-income ratio came to around 2%, an improvement compared with the first half of 2010, as the negative impact of the decline in revenues was more than offset by the reduction in overhead costs.

The credit quality of the Public Entities unit's loan portfolio showed virtually no problem positions and was essentially stable compared with 2010.

Of particular note among the initiatives promoted during the first half of 2011 was the expansion of the range of services available to customers with access to CDP's Internet platform. More specifically, in addition to the traditional channel, local authorities can also submit loan applications via the Web using the *"Domanda online"* application service and monitor the approval and disbursement process using *"Informazione online"*. This is the first step in a digitalization project that will soon enable CDP customers to carry out all operations online, thereby significantly reducing both the response time for loan applications and the margin for error in submitting the application itself.

Of note among customer-related initiatives is a new project for the municipalities affected by the earthquake of 6 April 2009, in accordance with Article 1(2) of Decree Law 39/2009, the region of Abruzzo, the province of L'Aquila, and the other public entities and public-law bodies located in the areas affected. Given the operating difficulties of these entities, CDP has granted an additional deferral of payment of the loans for up to two years.

DEVELOPMENT OF AUTHORITIES' REAL ESTATE PORTFOLIOS

During the first half of 2011, CDP continued to support local authorities find new instruments designed to raise financial resources without resorting to new debt. This was pursued by introducing programmes to develop and/or sell real estate assets that are not used by the authorities themselves.

Therefore, as in the past, CDP assisted local authorities with the technical, financial, administrative and procedural aspects of setting up and managing the projects. The form of CDP's assistance is set out in special protocols of understanding and aims to establish cooperative relationships with local authorities in order to identify the instruments best suited to developing their portfolios.

More specifically, work has been completed regarding the protocol of understanding signed in 2010 with the City of Catania for the development of that municipality's real estate portfolio. Under the agreement, CDP and the City of Catania have established a joint working group to assist and support the City in selecting approaches to leveraging its assets. Once this working group completed its work, CDP prepared a feasibility study setting out the various strategy options available for developing this real estate based on the data gathered regarding the properties specified by the city.

In January 2011, a protocol of understanding was signed with the Province of Rome for the development of its real estate portfolio. Under the protocol, CDP and the Province would create a joint working group composed of representatives of the Province and CDP that will assist the Province in all stages of the process to leverage its property portfolio. In particular, the process would be divided into two stages: the goal of the first stage is to conduct a feasibility study of the options available, while the goal of the second is to implement those options selected. If the second stage were to involve setting up a real estate fund, CDP will assist officials in implementing the project. The working group is currently working on the first stage, which includes an in-depth analysis and due diligence regarding the characteristics of the real estate identified by the Province in order to determine the most appropriate solution for developing the portfolio.

4.1.2 Performance of the loan portfolio – Facilitated Credit and Economic Support

The Facilitated Credit and Economic Support unit is responsible for managing subsidised credit instruments established by specific legislation and economic support instruments developed by CDP.

More specifically, subsidised loans primarily draw on CDP resources with state subsidised interest (the Revolving Fund to support enterprises and research investment), while also taking advantage, to a residual extent, of direct central government funding (Territorial Agreements and Area Contracts, Low Environmental Impact Vehicles Fund). For economic support, since 2009 the funds available to banks have been activated for loans to SMEs and for the reconstruction of the areas hit by the earthquake in Abruzzo.

Another initiative regards financing the international expansion of Italian businesses through the “Export Bank” system, which is intended to provide financing for the international expansion of Italian businesses, with financial support from CDP, SACE guarantees and the full involvement of banks in arranging loans for Italian exporters, as described in greater detail below.

The main aggregates of the balance sheet and income statement reclassified on an operational basis, are summarised in the following table together with a number of indicators.

Faciliated Credit and Economic Support - Highlights

(millions of euros; %)

	2011	2010
BALANCE SHEET (balances at 30 June 2011 and 31 December 2010)		
Loans to customers and banks	5,964	3,860
Amounts to disburse	33	35
Commitments to disburse funds	1,290	2,869
RECLASSIFIED INCOME STATEMENT (accruing in 1st Half of 2011 and 2010)		
Net interest income	8.1	3.2
Gross income	8.2	3.2
Operating income	7.1	2.2
INDICATORS		
Credit risk ratios (balances at 30 June 2011 and 31 December 2010)		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.319%	0.378%
Net writedowns/Net loans to customers and banks	(0.000%)	(0.002%)
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread interest-bearing assets - liabilities	0.3%	0.3%
Cost/income ratio	13.2%	31.9%

Regarding the loan portfolio of the unit, the stock of loans to customers and banks at 30 June 2011 came to €5,964 million, up significantly (+54%) from the end of 2010 thanks to disbursements during the period under the new mechanisms to support the economy.
More specifically, the stock of SME loans came to €4,553 million (+77% over 2010), while the stock of loans for earthquake reconstruction in Abruzzo totalled €600 million (+21% over 2010). For the Revolving Fund to support enterprises and research investment (FRI), the amount disbursed as at 30 June 2011 came to €743 million (+3% over 2010).

Including commitments to disburse funds and excluding IAS/IFRS adjustments, the total grew by about 8% compared with the end of 2010.

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

(millions of euros)

Product	30/06/2011	31/12/2010	% change
SME loans	4,553	2,575	76.8%
FRI loans	743	719	3.3%
Abruzzo earthquake reconstruction loans	600	494	21.4%
Intermodal systems loans (article 38.6, Law 166/02)	71	74	-3.8%
Total amounts disbursed or in repayment	**5,967**	**3,863**	**54.5%**
IAS/IFRS adjustments	(3)	(3)	0.0%
Total loans to customers and banks	**5,964**	**3,860**	**54.5%**
Total amounts disbursed or in repayment	**5,967**	**3,863**	**54.5%**
Commitments to disburse funds	1,290	2,869	-55.0%
Total loans (including commitments)	**7,257**	**6,732**	**7.8%**

More specifically, amounts to be disbursed, including commitments, declined significantly compared with the end of 2010 (-54%) thanks to new disbursements during the period and to the reduction in undisbursed loans, which exceeded total new lending for the period. As a result, the aggregate went from €2,904 million at the end of 2010 to €1,324 million at 30 June 2011.

Facilitated Credit and Economic Support - Stock of amounts to disburse

(millions of euros)

	30/06/2011	31/12/2010	% change
Amounts to disburse *	33	35	-4.7%
Commitments to disburse funds	1,290	2,869	-55.0%
Total amounts to disburse (including commitments)	**1,324**	**2,904**	**-54.4%**

* State funds managed by CDP

The total volume of resources mobilised during the year for loans granted through the economic support mechanisms amounted to €1,301 million, of which €1,033 million related to loans to small and medium-sized enterprises and €146 million for loans for reconstruction in the areas affected by the Abruzzo earthquake. In addition, €59 million was channelled through the FRI and €63 million through disbursements of central government funds.

The decline was due to effect of the high volume of business in the first half of 2010 regarding loans to SMEs in conjunction with the start of the second agreement between CDP and banks. More specifically, during the first half of 2010, significant recourse was made to CDP financing for SMEs following both the introduction of a longer repayment period (7 years) than under the first agreement, which was attractive to banks, and to the substantial funds made available, which banks had only a short time window to access.
The third agreement is now also in effect, in addition to the second. As well as establishing the allotment criteria for the €1 billion in funds earmarked for

financing with the new 10-year repayment plan and financed with the residual balances not lent out under the second agreement (tranche A), the new accord also provides for a more stable resource pool, funded with appropriations under the various agreements that are not fully used for lending at the various other maturities.
During the first half of 2011, banks continued using the SME resources under the second agreement, which is being gradually depleted, and began taking out new loans under the third agreement in order to be able to access the stable resource pool mentioned above.

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

(millions of euros)

Product	1st half 2011	1st half 2010	% change
FRI loans	59	71	-16.1%
SME support loans	1,033	2,848	-63.7%
Abruzzo earthquake reconstruction loans	146	294	-50.4%
State funds managed by CDP	63	76	-16.3%
Total	**1,301**	**3,288**	**-60.4%**

During the first half of 2011, disbursements came to €2,404 million, an increase of nearly 40% compared with the same period of 2010, mainly in respect of loans to SMEs (90% of the total).

Facilitated Credit and Economic Support - Flow of disbursements by product

(millions of euros)

Product	1st half 2011	1st half 2010	% change
FRI loans	58	127	-54.8%
SME support loans	2,168	1,292	67.9%
Abruzzo earthquake reconstruction loans	115	248	-53.7%
State funds managed by CDP	63	76	-16.3%
Total	**2,404**	**1,743**	**37.9%**

Although actual lending has yet to begin, in the first part of the year work continued on preparing for activation of the line of business dedicated to the export-bank system.

More specifically, in April a new agreement was signed that calls for financial support from CDP, SACE guarantees and the full involvement of the banks in arranging financing for Italian exporters. The agreement covers the financing of operations by Italian businesses and their subsidiaries regarding export credit for the supply of goods or services and the international expansion of the businesses themselves. The agreement establishes the procedures for CDP’s involvement (both “direct” and “indirect”) and the role to be played by the banks.

Specifically, CDP will be able to sign funding agreements with interested banks included on a list prepared by the ABI, with the funds to be used to make loans to Italian exporters (indirect involvement). Alternatively, after verifying bank interest, CDP may finance the operations directly. In this case, the loans will have to be of at least €25 million (direct involvement). SACE will provide guarantees in both cases.

With regard to this line of business, in June 2011 CDP signed an agency agreement for a loan of up to €808 million to Carnival Corp Plc for the purchase of two cruise ships from Fincantieri Cantieri Navali S.p.A.

In terms of the contribution of the Facilitated Credit and Economic Support unit to CDP's performance in the first half of 2011, the considerable volume of new loans significantly increased net interest income, which went from €3 million in the first half of 2010 to €8 million in 2011. Operating income grew similarly, from €2 million in 2010 to €7 million in 2011, although it still accounts for a minimal share of CDP's overall operating income.

In addition, the spread between assets and liabilities came to more than 30 basis points, in line with 2010 and underscoring the fact that the strong performance in the period was due almost entirely to the increase in volumes.
Finally, the cost-to-income ratio for the unit was 13%, a sharp improvement over the 32% of 2010, due to the significant rise in the unit's revenues, which more than offset the increase in overheads.

As regards the credit quality of the loan portfolio for the Facilitated Credit and Economic Support unit in 2011, problem loans were essentially unchanged, with all such positions being attributable to the FRI.

4.1.3 Performance of the loan portfolio – Public Interest Lending

The operations of the Public Interest Lending unit concern CDP's direct involvement in public service operations promoted by public-law bodies for which the economic and financial sustainability of the related projects has been verified.

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

Public Interest Lending - Highlights

(millions of euros; %)

	2011	2010
BALANCE SHEET (balances at 30 June 2011 and 31 December 2010)		
Loans to customers and banks	7	7
Commitments to disburse funds and guarantees	1,660	1,660
RECLASSIFIED INCOME STATEMENT(accruing in 1st Half of 2011 and 2010)		
Net interest income	0.0	-
Gross income	1.5	1.5
Operating income	1.3	1.2
INDICATORS		
Credit risk ratios (balances at 30 June 2011 and 31 December 2010)		
Gross bad debts and substandard loans/Gross loans to customers and banks	-	-
Net writedowns/Net loans to customers and banks	-	-
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread interest-bearing assets - liabilities	n/s	-
Cost/income ratio	15.7%	17.7%

The stock of loans at 30 June 2011 came to €7 million, unchanged from the end of 2010. As of the same date, disbursement commitments and guarantees totalled €1,660 million, also unchanged.

Public Interest Lending - Stock of loans to customers and banks

(millions of euros)

	30/06/2011	31/12/2010	% change
Project finance	-	-	n/s
Loans with repayment charged to state	7	7	-3.7%
Total loans to customers and banks	**7**	**7**	**-3.7%**
Total amounts disbursed or in repayment	**7**	**7**	**-3.7%**
Commitments to disburse funds and guarantees	1,660	1,660	0.0%
Total loans (including commitments)	**1,667**	**1,667**	**0.0%**

In June, the Board of Directors authorized a loan in the amount of up to €765 million to Società di Progetto Brebemi S.p.A.. The loan, which comes in addition to those that have already been approved for Satap S.p.A. and Autostrade per l'Italia S.p.A. and other financing for public interest projects, is intended to finance the construction of the motorway connecting Brescia, Bergamo and Milan. The project is a part of the country's major national interest infrastructure, as initially governed by the Framework Infrastructure Act.
The unit's contribution to overall CDP performance remains minor at just €1.3 million in operating income. This was essentially generated by commission income on the operations in its portfolio, partially offset by overheads for the period.

4.1.4 PERFORMANCE OF THE LOAN PORTFOLIO – FINANCING

The operations of the Financing unit regard the financing, with funding not guaranteed by the central government or through EIB funding, on a project or corporate finance basis, of investments in works, plant, infrastructure and networks to be used to deliver public services or in reclamation projects (water sector, generation, transmission and distribution of electricity, including from renewable resources, local multi-utilities, natural gas transport and distribution, rail transport and related infrastructure, and local public transport).

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

Financing - Highlights

(millions of euros; %)

	2011	2010
BALANCE SHEET (balances at 30 June 2011 and 31 December 2010)		
Loans to customers and banks	4,341	3,419
Commitments to disburse funds and guarantees (off-balance-sheet)	1,270	1,557
RECLASSIFIED INCOME STATEMENT (accruing in 1st Half of 2011 and 2010)		
Net interest income	14	13
Gross income	21	16
Operating income	19	15
INDICATORS		
Credit risk ratios (balances at 30 June 2011 and 31 December 2010)		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.194%	0.320%
Net writedowns/Net loans to customers and banks	0.033%	-
Performance ratios (annualised, where material, on the basis of accruals for 1st half)		
Spread interest-bearing assets - liabilities	0.7%	0.7%
Cost/income ratio	2.9%	3.2%

As at 30 June 2011, the stock of loans disbursed totalled €4,341 million, including IAS/IFRS adjustments, an increase of about 27% over the stock at the end of 2010 (€3,419 million).

Including disbursement commitments and excluding IAS/IFRS adjustments, the total comes to €5,574 million, for a 13% increase over 2010 (€4,934 million).

Financing - Stock of loans to customers and banks

(millions of euros)

	30/06/2011	31/12/2010	% change
Project finance	289	255	13.0%
Corporate finance	3,965	3,072	29.1%
Securities	50	50	0.0%
Total amounts disbursed or in repayment	**4,304**	**3,378**	**27.4%**
IAS/IFRS adjustments	38	42	-9.3%
Total loans to customers and banks	**4,341**	**3,419**	**27.0%**
Total amounts disbursed or in repayment	**4,304**	**3,378**	**27.4%**
Commitments to disburse funds and guarantees	1,270	1,557	-18.4%
Total loans (including commitments)	**5,574**	**4,934**	**13.0%**

During the first half of 2011, new loans totalling €732 million were agreed, an increase of 75% over the same period of 2010 (€419 million). The new lending concerned new corporate investments by enterprises in the high-speed/high-capacity rail transport segment, motorway works, and local multi-utility projects, in addition to new project financing initiatives in the areas of public works and motorways.

Financing - Flow of new loan agreements

(millions of euros)

	1st half 2011	1st half 2010	% change
Project finance	182	52	249.1%
Corporate finance	550	367	50.0%
Total	**732**	**419**	**74.8%**

Disbursements for the first half of 2011 in respect of new loans and those from previous years, totalled €1,016 million, a marked increase compared with the same period of 2010, with corporate finance operations expanding strongly.

Financing - Flow of new disbursements

(millions of euros)

	1st half 2011	1st half 2010	% change
Project finance	52	54	-2.7%
Corporate finance	963	363	165.4%
Total	**1,016**	**417**	**143.7%**

The Financing unit's contribution to CDP's performance for the first half of 2011 has also increased. In particular, net interest income rose from €13 million in the first half of 2010 to €14 million in the same period of 2011, an increase attributable to the growth in volumes with a stable spread between lending rates and funding costs. Taking commission income and overhead costs for the period

into account, operating income came to €19 million (€15 million for the same period of 2010), which, although remaining a minor portion of overall CDP operating income, confirms the growth trend seen in recent years.
The unit’s cost-to-income ratio came to 3%, down from 2010 due to the higher revenues noted above, which offset the slight increase in overhead costs.

Finally, there were no writedowns related to impairment of the Financing unit's loan portfolio.

4.2 TREASURY AND FUNDING ACTIVITIES

4.2.1 TREASURY MANAGEMENT AND SHORT-TERM FUNDING

With regard to the investment of financial resources, provided below are the aggregates related to cash and cash equivalents, along with an indication of the alternative forms of investing financial resources, such as debt securities not related to customer financing activities.

Stock of investments of financial resources

(millions of euros)

	30/06/2011	31/12/2010	% change
Cash and cash equivalents and interbank deposits (assets)	129,382	127,891	1.2%
- Treasury current account, other liquidity and deposits - Separate Account	*124,144*	*122,536*	*1.3%*
- Reserve requirement	*4,048*	*4,063*	*-0.4%*
- Deposits (assets) - Ordinary Account	*360*	*89*	*305.1%*
- Deposits (assets) on Credit Support Annex transactions	*830*	*1,204*	*-31.0%*
Debt securities	5,967	5,464	9.2%
- Separate Account	*5,052*	*4,772*	*5.9%*
- Ordinary Account	*915*	*693*	*32.1%*
Total	**135,348**	**133,356**	**1.5%**

Stock of short-term funding from banks

(millions of euros)

	30/06/2011	31/12/2010	% change
Deposits and repurchase agreements - Separate Account	4,442	4,375	1.5%
Deposits and repurchase agreements - Ordinary Account	523	709	-26.3%
Deposits (liabilities) on Credit Support Annex transactions	589	720	-18.2%
Total	**5,554**	**5,803**	**-4.3%**
Net interbank position - Ordinary Account	-163	-620	-73.7%
Net deposits on Credit Support Annex transactions	241	484	-50.1%

As at 30 June 2011, the balance of the current account at the Central State Treasury, where CDP funding through the Separate Account is deposited, came to €124 billion, an increase of 1% over the same figure for 2010 (€122.5 billion). The change was mainly due to developments in funding from postal savings products, which was positive for CDP for the first half of the year.

The reserve requirement, to which CDP has been subject since 2006, came to €4,048 million at 30 June 2011, essentially in line with the €4,063 million at the end of 2010. The liabilities of CDP S.p.A. that are subject to the reserve requirement have a maturity of less than two years, excluding liabilities to credit institutions subject to the ECB’s reserve requirement. The management of the reserve requirement and its remuneration is designed to ensure the internal accounting separation of the Separate Account and the Ordinary Account.

Regarding the deposits in respect of transactions supported by Credit Support Annexes (CSA), which were established under guarantee agreements to limit the counterparty risk associated with transactions in derivative instruments, at 30 June 2011 there was a net creditor balance of €241 million, down from that at the end of 2010 (€484 million). The change is attributable to the change in the fair value of the derivative instruments associated with these deposits. CSA deposits are also managed in a manner that ensures the accounting separation between the two Accounts.

For treasury management operations under the Ordinary Account, CDP uses money market instruments such as short-term funding and repurchase agreements in order to optimise the timing of medium and long-term funding. In order to invest any excess liquidity at short term, CDP also uses government securities in addition to deposits. The net money market position at 30 June 2011 came to a negative €163 million, compared with a net negative €620 million at the end of 2010. This was mainly attributable to the liquidity generated by repurchase agreements that finance short-term government securities through to maturity. The liquidity position of the Ordinary Account is positive on the whole, given that these liabilities are backed by investments in highly liquid securities in the amount of €915 million.

As concerns the Separate Account, during the first half of 2011 a portion of available liquidity (in the amount of about €300 million) was invested in inflation-linked bonds for the operational hedging the inflation-linked component of postal savings bonds. The stock of this form of investment at 30 June came to €1,759 million, in addition to existing investments in other government securities in the amount of €3,068 million and in other securities in the amount of €224 million. Part of these securities are refinanced on the market using repurchase agreements in order to finance the reserve requirement and totals €4,442 million, compared with €4,375 million at the end of 2010.

4.2.2 DEVELOPMENTS IN MEDIUM AND LONG-TERM FUNDING

With regard to funding under the Separate Account other than postal savings, no new issues were made as part of the covered bond programme in the first half of 2011. Redemption of these bonds is secured by assets and rights in the segregated asset pool established pursuant to Article 5.18 of Decree Law 269/2003; these and the debt covered by the assets are shown separately in the CDP S.p.A. financial statements.

In June, Moody's placed CDP's covered bond programme under review for potential downgrading (from the current Aaa). The decision came in the wake of the same move taken by the agency for the rating on Republic of Italy debt on 17 June and the rating of CDP on 23 June.

As regards funding not backed by state guarantee, which falls under the Ordinary Account, new issues in the first half of 2011 under the Euro Medium-Term Notes (EMTN) programme had a total nominal value of €1,150 million, with the characteristics shown in the table below.

Flow of medium/long-term funding

(millions of euros)

EMTN programme	Date of issue/funding	Nominal value	Financial terms
Issue (maturity date 16-Feb-2021)	16 February 2011	100	CMS10Y
Issue (maturity date 14-Sep-2016)	14 June 2011	750	4.25% fixed rate
Issue (maturity date 18-Jun-2019)	27 June 2011	300	4.75% fixed rate
Total		**1,150**	

Also during the year, securities that had reached maturity were redeemed in the amount of €100 million, in addition to the €250 million related to securities that were extinguished when counterparties exercised their put options, bringing net funding for the period to €800 million.

During the first half of the year, CDP requested and obtained two new disbursements credit facilities granted by the EIB for a total of €850 million, the characteristics of which are reported in the table below.

Flow of medium/long-term funding

(millions of euros)

EIB credit facility	Date of issue/funding	Nominal value	Financial terms
Draw (maturity date 2-Feb-2019)	8 April 2011	500	6m Euribor + 0.181%
Draw (maturity date 19-Dec-2034)	6 June 2011	350	6m Euribor + 0.444%
Total		**850**	

Both the funds raised through EMTN issues and the funding related to EIB financing continue to be used for infrastructure financing under the Ordinary Account.

4.2.3 Developments in postal savings

At 30 June 2011, the total stock of postal savings, including passbook savings accounts and savings bonds pertaining to CDP S.p.A., came to €211,971 million, compared with €207,324 million at the end of 2010, an increase of more than 2%.

More specifically, the carrying amount of postal passbook savings accounts fell to €94,667 million, while postal savings bonds, which are measured at amortised cost, reached €117,305 million (-3% and +7%, respectively, compared with the previous year).

Stock of postal savings

(millions of euros)

	30/06/2011	31/12/2010	% change
Postal passbook savings accounts	94,667	97,656	-3.1%
Postal savings bonds	117,305	109,667	7.0%
Total	**211,971**	**207,324**	**2.2%**

The increase in postal savings came from the overall net new funding recorded by CDP (€2,562 million), although this was a decline (-35%) compared with the same period of 2010. This downward trend is attributable to the difficult market conditions engendered by the challenging economic environment and the decline in the disposable income of households.

More specifically, net funding from passbooks was a negative €3,330 million, unlike the first half of 2010 when net funding was a positive €1,638 million.

Passbook savings accounts

(*millions of euros*)

	Net funding 1st half 2011	Net funding 1st half 2010	% change
Registered passbook accounts	-3,264	1,666	n/s
Bearer passbook accounts	-66	-27	141.4%
Total	**-3,330**	**1,638**	**n/s**

Gross subscriptions of postal savings bonds in the first half of 2011 came to €14,613 million (+23% over 2010), with the greatest contribution coming from 18-month savings bonds (45% of the total) and ordinary bonds (33% of the total), while other products provided a minor contribution.

Net funding with CDP bonds came to a positive €5,893 million, more than doubling the figure for the same period of 2010 (€2,302 million). For MEF bonds, on the other hand, redemptions came to €7,233 million, compared with €4,492 million for the same period of 2010. These figures show that the rate of conversion of redeemed bonds (CDP+MEF) into new CDP subscriptions has increased from the first half of 2010, given that the increase in redemptions has largely translated into an increase in subscriptions.

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

(*millions of euros*)

	CDP subscriptions	CDP redemptions	MEF redemptions	Net funding 1st half 2011	Net funding 1st half 2010	% change
Ordinary bonds	4,858	4,455	2,439	-2,036	-175	n/s
Fixed-term bonds	0.3 *	78	4,794	-4,871	-2,292	112.5%
Indexed bonds	515	494	-	22	291	-92.6%
Premia bonds	1,291	450	-	841	936	-10.1%
Inflation indexed bonds	1,017	1,168	-	-151	1,518	n/s
Bonds for minors	362	61	-	300	292	2.8%
18-month bonds	6,569	2,015	-	4,555	-2,760	n/s
Total	**14,613**	**8,720**	**7,233**	**-1,340**	**-2,190**	**-38.8%**

* The figure regards recovery of amounts from old subscriptions of postal bonds

Total net funding from postal savings bonds (CDP+MEF) for the first half of 2011 was negative at €1,340 million, an improvement over the same period of 2010 when this aggregate came to a negative €2,190 million.

If we also consider passbooks, which nevertheless contracted significantly, net funding for CDP came to a positive €2,562 million (-35% from 2010). Overall net funding from postal savings products, on the other hand, came to a negative €4,670 million, a decline on the negative €552 million posted in 2010.

Total net postal savings funding (CDP+MEF)

(millions of euros)

	Net funding 1st half 2011	Net funding 1st half 2010	% change
Postal savings bonds	**-1,340**	**-2,190**	**-38.8%**
- of which: pertaining to CDP	*5,893*	*2,302*	*156.0%*
- of which: pertaining to MEF	*-7,233*	*-4,492*	*61.0%*
Passbook savings accounts	-3,330	1,638	n/s
CDP net funding	2,562	3,940	-35.0%
MEF net funding	-7,233	-4,492	61.0%
Total	**-4,670**	**-552**	**n/s**

4.3 EQUITY INVESTMENTS

At 30 June 2011, equity investments and shares totalled €18,683 million, essentially in line with 31 December 2010. The balance consists of the value of the portfolio of equity investments in companies, equal to €18,567 million, and of investment funds and other investment vehicles, which totalled €117 million.

4.3.1 EQUITY INVESTMENTS IN COMPANIES

There were no changes in the carrying amount of the portfolio of equity investments in companies during the period.

Equity investments

(thousands of euros)

	31/12/2010		Change		30/06/2011	
	% holding	Carrying amount	from inv./disinv. (*)	from measurement	% holding	Carrying amount
A. Listed companies						
1. Eni S.p.A.	26.37%	17,240,440	-	-	26.37%	17,240,440
2. Terna S.p.A.	29.93%	1,315,200	-	-	29.85%	1,315,200
B. Unlisted companies						
1. Sinloc S.p.A.	11.85%	5,507	-	-	11.85%	5,507
2. F2i SGR S.p.A.	15.99%	1,675	-	-	15.99%	1,675
3. Istituto per il Credito Sportivo	21.62%	2,066	-	-	21.62%	2,066
4. CDP Investimenti SGR S.p.A.	70.00%	1,400	-	-	70.00%	1,400
5. Europrogetti & Finanza S.p.A. in liquidazione	31.80%	-	-	-	31.80%	-
6. Fondo Italiano d'Investimento SGR S.p.A.	14.29%	500	-	-	12.50%	500
Total		**18,566,788**	**-**	**-**		**18,566,788**

(*) Increase/decrease in equity investment.

The current portfolio of equity investments held by CDP S.p.A. can be classified for the purposes of the separate financial statements as follows:

- the investments in Terna S.p.A. and CDP Investimenti SGR S.p.A. are classified as investments in subsidiaries and carried at purchase cost, net of writedowns;
- the investments in Eni S.p.A., Galaxy S.àr.l. and Europrogetti & Finanza S.p.A. in liquidation are classified as investments in associates and are therefore carried at purchase cost, net of writedowns;
- the investments in Sinloc S.p.A., Inframed Infrastructure SAS à capital variable, Istituto di Credito Sportivo, F2i SGR S.p.A., 2020 European Fund for Energy Climate Change and Infrastructure SICAV-FIS SA and Fondo Italiano d'Investimento SGR S.p.A. do not constitute investments in subsidiaries or associates. These investments therefore continue to be classified as available-for-sale financial assets and are measured at fair value, with changes taken to a specific equity reserve.

As concerns the separation of organisation and accounting, shareholdings in the CDP S.p.A. portfolio as of 30 June 2011, regardless of their classification for financial reporting purposes, fall within the scope of the Separate Account, with the exception of the shares held in CDP Investimenti SGR S.p.A., F2i SGR S.p.A. and Fondo Italiano d'Investimento SGR S.p.A., which fall under the Ordinary Account.

Dividends accruing during the first half of 2011 came to €609 million. This amount is mainly attributable to the investments held in Eni S.p.A. (€528 million) and Terna S.p.A. (€78 million). Total dividends declined by about €115 million compared with the same period of 2010 (€724 million), due mainly to the change in the CDP's portfolio of equity investments following the share exchange completed at the end of 2010 with the MEF.

In addition, in June 2011, CDP signed a binding agreement with Eni for the acquisition of 89% of the share capital, to which 94% of the financial rights attach, of Trans Austria Gasleitung GmbH ("TAG"). TAG is the exclusive operator for the transport of gas in the Austrian segment of the gas pipeline linking Russia to Italy through Ukraine, Slovakia and Austria, for a distance of more than 1,000 km.

This transaction formed part of the undertakings given to the European Commission on 29 September 2010 and is conditional upon receiving the approval of the Commission and, subsequently, the antitrust authorities. The closing of the transaction is expected to take place in August or September, following completion of the authorisation procedures.

4.3.2 INVESTMENT FUNDS AND OTHER INVESTMENT VEHICLES

At 30 June 2011, the portfolio of investment funds and other investment vehicles totalled €117 million, an increase of about €31 million (+37%) from 31 December 2010.

Investment funds and investment vehicles

(thousands of euros)

	Sector	31/12/2010		Change		30/06/2011	
		% holding / number of units	Carrying amount	from inv./disinv.	from measurement	% holding / number of units	Carrying amount
A. Investment vehicles							
1. Galaxy S.àr.L. SICAR		40.00%	25,569	-	-	40.00%	25,569
2. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa (Marguerite Fund)		14.08%	1,200	250	-	14.08%	1,450
3. Inframed Infrastructure société par actions simplifiée à capital variable (Inframed Fund)		40.62%	4,823	-	-	40.62%	4,823
B. Investment funds							
1. Fondo PPP Italia	Infrastructure and PPP projects	350	6,025	559	(110)	350	6,474
2. Fondo Abitare Sociale 1	Social housing	98	5,137	-	(247)	98	4,890
3. F2i - Fondi Italiani per le Infrastrutture	Infrastructure						
- A units		150	37,148	17,584	5,099	150	59,830
- C units		16	204	95	28	16	327
4. Fondo Investimenti per l'Abitare	Social housing		3,883	4,401	(4,050)	2,000	4,235
5. Fondo Italiano d'Investimento	SMEs and export finance	1,000	1,250	9,783	(1,986)	1,000	9,047
Total			**85,239**	**32,672**	**- 1,266**		**116,646**

During the period, the portfolio changed as a result of the draw-downs requested by the Marguerite Fund, F2i - Fondo Italiano per le Infrastrutture, PPP Italia, Fondo Investimenti per l'Abitare and Fondo Italiano d'Investimento, in relation to their own investment activities.

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

- the investment in Galaxy S.àr.l. has been classified as an investment in associates and is therefore carried at purchase cost, net of writedowns;
- the investments in 2020 European Fund for Energy Climate Change and Infrastructure SICAV-FIS SA and in Inframed Infrastructure SAS à capital variable do not constitute investments in subsidiaries or associates. These

investments therefore continue to be classified as available-for-sale financial assets and are measured at fair value, with changes taken to a specific equity reserve;

- the investment funds have been classified as available-for-sale financial assets and are measured at fair value, with changes taken to a specific equity reserve.

For the purposes of the separation of organisation and accounting, the stake held in Galaxy S.àr.l. and investments in investment funds and private equity funds, except for holdings in Fondo Investimenti per l'Abitare and Fondo Italiano d'Investimento, come under the Ordinary Account and are therefore wholly financed by funding raised under that account.

The investments held in the other corporate investment vehicles and the aforementioned funds come under the Separate Account.

4.4 RISK MANAGEMENT

4.4.1 RISK MONITORING

The guidelines governing CDP's risk management policies are set out in the Risk Management Rules approved by the Board of Directors, while the associated policy documentation adopted at the end of last year establishes the rules and limits governing the assumption of risk by CDP. The risk management policies and measurement approaches are defined by the Board of Directors acting on a proposal of the Chief Executive Officer.

In compliance with the measure of the Bank of Italy of 10 March 2011, in June 2011 CDP established a Money Laundering department, which reports directly to the Risk Management officer, who is also the head of the Money Laundering function.

4.4.1.1 Credit risk

The volume of problem positions remains limited with respect to the overall stock of loans.

The Separate Account is primarily exposed to the State and local authorities. Nevertheless, an increasing role is being played by exposures to banking groups operating in Italy (in relation to programmes in support of SMEs and for the

reconstruction of Abruzzo) and to private-sector parties involved in public interest projects promoted by public entities. The Ordinary Account grants corporate and project financing for initiatives concerning the delivery of public services.
The principles followed by CDP in its lending activities are set out in the Lending Rules – approved by the Board of Directors – which also govern the lending process and the roles of the units involved.

In the operations of the Separate Account, CDP adopts a scoring model to classify local authorities into uniform risk categories. This enables us to identify cases in which a more extensive assessment of the borrower's creditworthiness is necessary. 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. CDP also calculates the economic capital associated with the entire loan portfolio, with the sole exception of positions with pure state risk only.

CDP's credit exposures under the Separate Account are largely accounted for by specific-purpose loans secured by delegation of payment. Financing under the Ordinary Account and the Separate Account of non-public borrowers may be secured by security interests in property or unsecured guarantees and the loan agreements may provide for covenants.

As regards project finance initiatives in particular, CDP has recently adopted a tool for the qualitative assessment of creditworthiness produced by Standard & Poor's Risk Solutions.

Work also continued on the development and roll-out of a data warehouse for the automated loading of the portfolio model, which provides greater flexibility in representing credit exposures in the pre-processing of input extracted from legacy systems.

4.4.1.2 Counterparty risk associated with derivative transactions

In its derivatives transactions, CDP operates solely with highly rated financial institutions and monitors its current and potential net exposure to them on an ongoing basis. In order to mitigate counterparty risk, CDP uses contracts that provide for the netting of exposures and the exchange of collateral.

No new Credit Support Annexes were agreed during the period. CDP currently uses this mitigation technique with virtually all counterparties in derivative transactions, in most cases with calculation and settlement on a fortnightly basis.

4.4.1.3 Interest rate and inflation risk

As part of its business, CDP is significantly exposed to the various forms of interest rate risk: repricing risk, yield curve risk, basis risk and option risk. More specifically, with a loan portfolio primarily composed of fixed-rate assets, a considerable proportion of CDP's funding is raised through ordinary fixed-rate bonds with an early redemption option. Another type of postal bond is indexed to consumer prices, whereas a negligible portion of lending is so indexed.

CDP’s basic approach to managing interest rate risk is an “economic value perspective” approach, which involves representing long-term profitability as a discounted sequence of all future margins. In particular, CDP assesses the reaction of all account items to small changes (sensitivity analysis) and major shocks (stress testing) to the risk factors. Integrating the probability of possible scenarios into the analysis gives a distribution of the value of the account items, which is associated with a metric representing the economic capital necessary for the risks involved in terms of VaR with a time horizon of one year. For operational purposes (including for the banking book), CDP mainly uses VaR at a 99% confidence level and a time horizon of ten business days.

CDP also uses a proprietary dynamic ALM (DALM) system. The system enables the company to simulate, under various market scenarios, developments in the exposure to risk and net interest income over the long-term horizon of the Business Plan.

In order to reduce interest rate and inflation risk, fair value and cash flow hedging strategies are employed. For the Ordinary Account, risk is immunised at the origination stage using interest rate swaps (IRS) and, for assets, the hedging may regard a homogeneous aggregate of loans. The Separate Account adopts a different hedging approach, due to the very large volumes of liabilities incorporating the early redemption option. In addition, CDP introduced cash flow hedging of inflation risk for postal bonds indexed to the consumer price index for blue-collar and office-worker households using zero coupon inflation swaps. In most of the transactions to hedge the inflation risk, CDP nevertheless retains the basis risk in respect of any differences between European and Italian inflation.

The first half of 2011, and especially its final months, was characterised by strains associated with the risk of default by a number of so-called peripheral euro-area countries on their sovereign debt and the associated risk of contagion. The credit spreads of the peripheral countries did in fact increase substantially from the levels registered in previous years. These developments also impacted (albeit to a lesser extent) the securities issued by the Italian state, with a consequent widening of the 10-year BTP-Bund spread. This circumstance, along with the persistence of the effects of the economic crisis on the quality of assets and the uncertainty regarding the future application of the new Basel 3 rules, caused the credit spreads of banks to widen as well.

CDP's overall exposure to interest rates (PV01) was about +€10 million, broadly unchanged on the end of the previous year. The figure was down from the +€17 million reported at the end of the first half of 2010.

Sensitivity to inflation, mainly regarding issues of postal savings bonds indexed to the consumer price index for blue-collar and office-worker households, was about -€3.8 million, slightly down on the end of 2010.

The interest rate VaR (entirely associated with the banking book exposure) increased during the first part of the period, reaching levels similar to those seen at the start of December 2010. In the second part of the period, however, it diminished and stabilised at around +€450 million (VaR at a 10 business day time horizon and a 99% confidence interval, calculated using a filtered historical simulation).

The number of overshoots found during backtesting was statistically in line with the confidence interval adopted (99%) over both the one and two-year time horizons.

4.4.1.4 Equity risk

CDP's exposure to equity risk is largely attributable to the special nature of its banking book, which contains large strategic equity investments in listed companies. Following the share exchange with the MEF last year, investments in listed companies were limited to shares in Eni S.p.A. and Terna S.p.A.. Investments in units of investment funds and certain forms of funding indexed to equity indices make a smaller contribution to equity risk.

Equity investments, especially for the Separate Account, are managed from a long-term perspective, in line with their strategic nature and the overall business model of CDP.

In the first half of 2011 the stock prices of Eni and Terna were relatively stable, changing by -0.2% and +1.5%, respectively.

Equity risk is quantified internally in terms of VaR with a one-year time horizon, supplemented by stress tests on an at least half-yearly basis.

For funding operations exposed to equity risk, such as indexed postal savings bonds, CDP uses derivatives to establish operational hedges of the options written with purchased options.

4.4.1.5 Exchange rate risk

Exchange rate risk is the risk that changes in exchange rates might have a negative impact on the profitability or economic value of CDP. The activities that can expose CDP to exchange rate risk are the issue of bonds (EMTN and covered bonds) denominated in foreign currencies, lending denominated in foreign currencies, holding equity investments whose value may be exposed to changes in exchange rates and, finally, exposures to defaulted counterparties in derivatives transactions in which the reference currency is not the euro. The only significant current exposure to exchange rate risk is that associated with the issue of bonds in foreign currencies. No new issues of such bonds were carried out in the first half of 2011.

In general, CDP undertakes transactions with a potential exposure to exchange rate risk only if that risk has been hedged appropriately. In the case of foreign-currency issues, the exposure is hedged using cross currency swaps, which ensure that CDP's cash flows are equivalent to an issue in euros.

4.4.1.6 Liquidity risk

Liquidity risk is commonly divided into asset liquidity risk (when it is not possible to sell assets without causing their market value to fall significantly) and funding liquidity risk (when it is not possible to obtain the funds to discharge one's obligations finance on less than onerous terms).

In order to counter liquidity risk, CDP has established a number of constantly monitored mechanisms, of which one of the most important is maintaining a large liquidity buffer for the Separate Account, which is subject to a limit set by the Board of Directors. For the Ordinary Account, limits (again approved by the Board of Directors) have been established on the maturity structure of assets and liabilities.

4.4.1.7 Operational risks

Operational risk is the risk of incurring losses as a result of the inadequacy or malfunction of procedures, human resources and internal systems or as a consequent of external events.

In 2010 an Eligibility Committee was established to address risks associated with regulatory compliance. The Committee is a collegial body that issues opinions on transactions, new initiatives and new products. As to the latter, the Eligibility Committee issues opinions concerning eligibility from the standpoint of statutory compliance, financial and operational feasibility, administrative and accounting aspects and in terms of risk.

4.4.2 LEGAL DISPUTES

As regards pending litigation, it should be noted that the total number of disputes remained insignificant in absolute terms. The potential liabilities that might be generated by disputes with customers and employees are also quite insignificant.

With regard to Separate Account customers, at 30 June 2011, 51 suits were pending with a total estimated liability of no more than €17 thousand. There are no situations that concern serial disputes that could suggest the presence of critical issues in procedures or compliance with related laws and regulations.

There are currently no pending disputes in relation to the Ordinary Account and, therefore, no potential liabilities for CDP.

As regards labour disputes not related to customer operations, at 30 June 2011, 36 lawsuits were pending, for which the total estimated liability does not exceed €1.7 million.

4.5 HUMAN RESOURCE MANAGEMENT

At 30 June 2011, CDP had 473 employees: 42 executives, 163 middle managers and 268 office staff. Compared with 31 December, the workforce expanded by 39 employees.

During the first half of the year, the workforce was expanded with the hiring of personnel with management and specialist skills and young graduates, mainly with degrees in economic fields.

Training activities during the period focused mainly on updating technical and specialist skills, training/information on the new compliance model adopted pursuant to Legislative Decree 231 and cross-disciplinary training, with a special focus on information technology and language skills.

5. OUTLOOK FOR THE FULL YEAR

On the basis of the information available at the close of the first half of 2011 for the various lines of business, we expect the proportion of lending to enterprises and PPPs for infrastructure projects to increase as compared with the volume of direct lending to public entities, based in part on the fact that public entities face greater constraints in taking on debt under public finance rules.

On the balance-sheet side we expect there to be strong growth in lending to customers and banks in 2011, associated with a further increase in liquidity, despite the forecast for slower growth in net postal funding.

We expect to see signs of a reversal in the downward trend in net interest income seen in recent years, thanks to an increase in the spread on lending and funding. However, as noted, performance will also be influenced by the effects of the new fee structure for commissions paid to Poste Italiane for its postal savings administrative and placement services.

The primary risks and uncertainties affecting results regard the possibility that the market prices of equity investments held by CDP may decline, making it necessary to recognise writedowns and possibly engendering volatility in the dividends distributed by the investee companies in 2011. Moreover, in a context of rising interest rates, there is risk of an increase in early redemptions of postal savings bonds and replacement with newly issued bonds, a development that could raise funding costs.

Rome, 27 July 2011

The Chairman
Franco Bassanini

REPORT OF THE INDEPENDENT AUDITORS

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

To the Shareholders of
Cassa Depositi e Prestiti SpA

1 We have reviewed the condensed separate interim financial statements of Cassa Depositi e Prestiti SpA as of 30 June 2011, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The Directors of Cassa Depositi e Prestiti SpA are responsible for the preparation of the condensed separate interim financial statements in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Listed Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed separate interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned condensed interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed separate interim financial statements.

The amounts of the separate financial statements of the prior year and the condensed separate interim financial statements of the prior year presented for comparative purposes were examined and subject to the review of other auditors; reference should be therefore made to their reports dated 28 April 2011 and dated 4 August 2010, respectively.

PricewaterhouseCoopers SpA

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3 Based on our review, nothing has come to our attention that causes us to believe that the condensed separate interim financial statements of Cassa Depositi e Prestiti SpA as of 30 June 2011 have not been prepared, in all material respects, in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union.

Rome, 4 August 2011

PricewaterhouseCoopers SpA

Signed by

Lorenzo Pini Prato
(Partner)

"This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers".

2 of 2

CERTIFICATION pursuant to Article 154-bis of Legislative Decree 58/98

Certification of the condensed separate interim financial statements at 30 June 2011 pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended

1. The undersigned Giovanni Gorno Tempini, in his capacity as Chief Executive Officer, and Andrea Novelli, in his capacity as the manager responsible for the preparation of the financial reports of Cassa depositi e prestiti S.p.A., hereby certify, taking account of the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

- the appropriateness with respect to the characteristics of the company and
- the effective adoption

of the administrative and accounting procedures for the preparation of the condensed separate interim financial statements for the period (1 January – 30 June 2011).

2. In this regard:
2.1 the assessment of the appropriateness of the administrative and accounting procedures followed in preparing the condensed separate interim financial statements at 30 June 2011 was based on a process developed by Cassa depositi e prestiti S.p.A. in line with the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at the international level;
2.2 in the first half of 2011 the manager responsible for the preparation of the financial reports of Cassa depositi e prestiti S.p.A. assessed the adequacy and effective adoption of existing administrative and accounting procedures, with reference to the internal control system for financial reporting. Work also continued on the updating of information technology procedures, which requires further activities for its completion.

3. In addition, we certify that:
3.1 the condensed separate interim financial statements:
a) have been prepared in compliance with the international accounting standards adopted in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
b) correspond to the information in the books and other accounting records;
c) provide a true and fair representation of the performance and financial position of the issuer;
3.2 the interim report on operations contains a reliable analysis of references to significant events in the first six months of the year and their impact on the condensed separate interim financial statements, together with a description of the main risks and uncertainties to be faced in the remaining six months of the year.

Rome, 4 August 2011

Chief Executive Officer	Manager responsible for the preparation of the financial reports
/signature/Giovanni Gorno Tempini	*/signature/Andrea Novelli*

CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2011

FORM AND CONTENT OF THE CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2011

The condensed separate interim financial statements at 30 June 2011 have been prepared in conformity with the applicable regulations and are composed of:

- **BALANCE SHEET;**
- **INCOME STATEMENT;**
- **STATEMENT OF COMPREHENSIVE INCOME;**
- **STATEMENT OF CHANGES IN EQUITY;**
- **STATEMENT OF CASH FLOWS;**
- **NOTES TO THE FINANCIAL STATEMENTS.**

A list of the equity investments of CDP S.p.A. is contained in the annex to the notes to the financial statements.

FINANCIAL STATEMENTS

AT 30 JUNE 2011

Balance sheet

Income statement

Statement of comprehensive income

Statement of changes in equity

Statement of cash flows

(euros)

BALANCE SHEET

	Assets	30/06/2011	31/12/2010
10.	Cash and cash equivalents	125,571,620,660	123,751,211,374
20.	Financial assets held for trading	865,194,383	856,437,924
40.	Financial assets available for sale	2,538,189,205	2,288,246,249
50.	Financial assets held to maturity	3,282,082,780	2,947,379,832
60.	Loans to banks	10,975,619,543	9,027,453,938
70.	Loans to customers	91,749,812,463	90,329,680,588
	of which securing covered bonds	*13,546,097,632*	*14,052,248,752*
80.	Hedging derivatives	158,592,246	366,749,734
100.	Equity investments	18,582,609,235	18,582,609,235
110.	Property, plant and equipment	198,370,973	199,812,563
120.	Intangible assets	4,101,433	4,974,253
130.	Tax assets	210,296,133	461,119,068
	a) current	173,740,009	422,947,633
	b) deferred	36,556,124	38,171,435
150.	Other assets	359,607,379	367,749,013
	Total assets	**254,496,096,433**	**249,183,423,771**

(euros)

BALANCE SHEET

	Liabilities and equity	30/06/2011	31/12/2010
10.	Due to banks	7,756,437,991	7,241,187,323
20.	Due to customers	104,595,329,502	106,988,550,234
	of which amounts to be disbursed on loans securing covered bonds	*797,426,545*	*871,850,140*
30.	Securities issued	125,492,673,810	117,331,735,359
	of which covered bonds	*5,216,155,226*	*5,378,891,922*
40.	Financial liabilities held for trading	746,671,164	940,033,707
60.	Hedging derivatives	820,768,400	1,175,798,607
70.	Adjustment of financial liabilities hedged generically (+/-)	61,084,239	63,682,829
80.	Tax liabilities	226,723,234	476,744,233
	a) current	140,106,125	398,520,161
	b) deferred	86,617,109	78,224,072
100.	Other liabilities	1,054,636,603	1,229,127,701
110.	Staff severance pay	718,519	705,198
120.	Provisions	3,426,302	9,378,237
	b) other provisions	3,426,302	9,378,237
130.	Valuation reserves	1,246,024,213	1,250,136,787
160.	Reserves	8,276,343,556	6,233,823,643
180.	Share capital	3,500,000,000	3,500,000,000
200.	Net income (loss) for the period (+/-)	715,258,900	2,742,519,913
	Total liabilities and equity	**254,496,096,433**	**249,183,423,771**

(euros)

INCOME STATEMENT

		30/06/2011	30/06/2010
10.	Interest income and similar revenues	3,604,259,359	3,127,723,484
20.	Interest expense and similar charges	(2,540,543,275)	(2,358,997,331)
30.	**Net interest income**	**1,063,716,084**	**768,726,153**
40.	Commission income	10,414,327	5,950,077
50.	Commission expense	(775,289,588)	(339,969,440)
60.	**Net commission income**	**(764,875,261)**	**(334,019,363)**
70.	Dividends and similar revenues	608,731,635	723,952,260
80.	Net gain (loss) on trading activities	(13,057,061)	(7,859,930)
90.	Net gain (loss) on hedging activities	(2,661,299)	(204,340)
100.	Gains (losses) on disposal or repurchase of:	3,790,284	31,245,685
	a) loans	3,789,463	30,224,932
	b) financial assets available for sale	237	1,020,753
	c) financial assets held to maturity	584	-
120.	**Gross income**	**895,644,382**	**1,181,840,465**
130.	Net impairment adjustments of:	(1,320,438)	123,738
	a) loans	(1,320,438)	123,738
140.	**Financial income (expense), net**	**894,323,944**	**1,181,964,203**
150.	Administrative expenses:	(36,344,202)	(32,812,930)
	a) staff costs	(21,661,792)	(19,494,252)
	b) other administrative expenses	(14,682,410)	(13,318,678)
160.	Net provisions	(132,741)	(53,123)
170.	Net adjustments of property, plant and equipment	(2,896,144)	(3,176,207)
180.	Net adjustments of intangible assets	(1,111,741)	(1,300,701)
190.	Other operating income (costs)	779,953	435,696
200.	**Operating costs**	**(39,704,875)**	**(36,907,265)**
210.	Gains (losses) on equity investments	-	40,433,838
250.	**Income (loss) before tax from continuing operations**	**854,619,069**	**1,185,490,776**
260.	Income tax for the period on continuing operations	(139,360,169)	(194,591,931)
270.	**Income (loss) after tax on continuing operations**	**715,258,900**	**990,898,845**
290.	**Net income (loss) for the period**	**715,258,900**	**990,898,845**

(euros)

STATEMENT OF COMPREHENSIVE INCOME

		30/06/2011	30/06/2010
10.	**Net income (loss) for the period**	**715,258,900**	**990,898,845**
	Other comprehensive income net of taxes		
20.	Financial assets available for sale	(8,975,468)	(1,846,301,644)
60.	Cash flow hedges	4,862,894	(7,281,434)
110.	**Total other comprehensive income net of taxes**	**(4,112,574)**	**(1,853,583,078)**
120.	**Comprehensive income (items 10+110)**	**711,146,326**	**(862,684,233)**

STATEMENT OF CHANGES IN EQUITY

(euros)

				Allocation of net income for previous year		Changes for the period								
							Equity transactions							
	Balance at 31.12.10	Changes in opening balance	Balance at 1.1.11	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income at 30.06.11	Equity at 30.06.11
Share capital:														
a) ordinary shares	2,450,000,000		2,450,000,000											2,450,000,000
b) preference shares	1,050,000,000		1,050,000,000											1,050,000,000
Share premium reserve														
Reserves:														
a) income	6,233,823,643		6,233,823,643	2,042,519,913										8,276,343,556
b) other														
Valuation reserves:														
a) available for sale	1,088,305,993		1,088,305,993										(8,975,468)	1,079,330,525
b) cash flow hedges	(5,741,208)		(5,741,208)										4,862,894	(878,314)
c) other reserves														
- revaluation of property	167,572,002		167,572,002											167,572,002
Equity instruments														
Treasury shares														
Net income (loss) for the period	2,742,519,913		2,742,519,913	(2,042,519,913)	(700,000,000)								715,258,900	715,258,900
Equity	**13,726,480,343**		**13,726,480,343**	**-**	**(700,000,000)**								**711,146,326**	**13,737,626,669**

STATEMENT OF CHANGES IN EQUITY

(euros)

	Balance at 31.12.09	Changes in opening balance	Balance at 1.1.10	Allocation of net income for previous year: Reserves	Allocation of net income for previous year: Dividends and other allocations	Changes for the period: Changes in reserves	Changes for the period: Equity transactions: Issue of new shares	Changes for the period: Equity transactions: Purchase of own shares	Changes for the period: Equity transactions: Special dividend distribution	Changes for the period: Equity transactions: Changes in equity instruments	Changes for the period: Equity transactions: Derivatives on own shares	Changes for the period: Equity transactions: Stock options	Changes for the period: Comprehensive income at 30.06.10	Equity at 30.06.10
Share capital:														
a) ordinary shares	2,450,000,000		2,450,000,000											2,450,000,000
b) preference shares	1,050,000,000		1,050,000,000											1,050,000,000
Share premium reserve														
Reserves:														
a) income	4,809,202,993		4,809,202,993	1,424,620,650										6,233,823,643
b) other														
Valuation reserves:														
a) available for sale	1,967,616,130		1,967,616,130										(1,846,301,644)	121,314,486
b) cash flow hedges	1,200,443		1,200,443										(7,281,434)	(6,080,991)
c) other reserves														
- revaluation of property	167,572,002		167,572,002											167,572,002
Equity instruments														
Treasury shares														
Net income (loss) for the period	1,724,620,650		1,724,620,650	(1,424,620,650)	(300,000,000)								990,898,845	990,898,845
Equity	**12,170,212,218**		**12,170,212,218**	**-**	**(300,000,000)**								**(862,684,233)**	**11,007,527,985**

(euros)

STATEMENT OF CASH FLOWS (indirect method)

A. OPERATING ASSETS	30/06/2011	30/06/2010
1. Operations	**881,939,342**	**948,238,694**
- Net income for the period (+/-)	715,258,900	990,898,845
- Gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	13,057,061	7,859,930
- Gains (losses) on hedging activities (-/+)	2,661,299	204,340
- Net impairment adjustments (+/-)	1,320,438	(123,738)
- Net value adjustments to property, plant and equipment and intangible assets (+/-)	4,007,885	4,476,908
- Net provisions and other costs/revenues (+/-)	730,397	560,226
- Unpaid taxes and duties (+)	139,360,169	194,591,931
- Net impairment adjustments of disposal groups held for sale net of tax effect (+/-)	-	-
- Writedowns/writebacks of equity investments (+/-)	-	(40,433,838)
- Other adjustments (+/-)	5,543,193	(209,795,910)
2. Cash generated by/used in financial assets	**(2,982,297,733)**	**(6,100,748,627)**
- Financial assets held for trading	(28,818,789)	(122,897,922)
- Financial assets at fair value	-	-
- Financial assets available for sale	(251,098,352)	(1,360,048,547)
- Loans to banks: on demand	-	-
- Loans to banks: other	(1,613,952,122)	(2,390,455,453)
- Loans to customers	(1,554,625,904)	(2,249,615,709)
- Other assets	466,197,434	22,269,004
3. Cash generated by/used in financial liabilities	**5,285,742,348**	**8,044,309,649**
- Due to banks: on demand	-	-
- Due to banks: - other	511,631,128	1,882,110,397
- Due to customers	(2,732,084,934)	3,115,158,871
- Securities issued	8,336,874,162	3,532,047,106
- Financial liabilities held for trading	(186,357,275)	126,349,711
- Financial liabilities at fair value	-	-
- Other liabilities	(644,320,733)	(611,356,436)
Cash generated by/used in operating activities	**3,185,383,957**	**2,891,799,716**
B. INVESTING ACTIVITIES		
1. Cash generated by	**49,997,956**	**-**
- Sale of equity investments	-	-
- Dividends from equity investments	-	-
- Sale of financial assets held to maturity	49,997,956	-
- Sale of property, plant and equipment	-	-
2. Cash used in	**(368,439,206)**	**(301,873,858)**
- Purchase of equity investments	-	-
- Purchase of financial assets held to maturity	(366,745,730)	(300,136,909)
- Purchase of property, plant and equipment	(1,454,555)	(1,480,065)
- Purchase of intangible assets	(238,921)	(256,884)
Cash generated by/used in investing activities	**(318,441,250)**	**(301,873,858)**
C. FINANCING ACTIVITIES		
- Dividend distribution and other allocations	(700,000,000)	(300,000,000)
Cash generated by/used in financing activities	**(700,000,000)**	**(300,000,000)**
CASH GENERATED/USED DURING THE PERIOD	**2,166,942,707**	**2,289,925,858**

RECONCILIATION

Cash and cash equivalents at beginning of peirod	123,777,777,937	115,132,715,921
Total cash generated/used during the period	2,166,942,707	2,289,925,858
Cash and cash equivalents: effects of changes in exchange rates	-	-
Cash and cash equivalents at end of period	125,944,720,644	117,422,641,779

NOTES TO THE

FINANCIAL STATEMENTS

(CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2011)

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

STRUCTURE AND CONTENT OF THE CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS

The CDP S.p.A. condensed separate interim financial statements have been prepared in accordance with international accounting standards, specifically IAS 34, which establishes the minimum content and preparation rules for interim financial reports.

The financial statements are expressed in euros and include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and these explanatory notes to the financial statements and related annexes, as well as the directors' interim report on operations.

The condensed separate interim financial statements of CDP S.p.A. at 30 June 2011 present a clear, true and fair view of the company's performance and financial position for the period. The figures reported in the statements correspond with the company's accounting records and fully reflect the transactions conducted during the period.

PRESENTATION OF DATA

In accordance with the regulations issued by the Bank of Italy, the financial statements are expressed in euros, whereas the explanatory notes to the financial statements are expressed in thousands of euros.

Accounts with zero balances for both the current and prior period have been excluded. In the income statement, revenues are indicated as positive numbers, while costs are shown as negative numbers (in parentheses).

The figures in the explanatory notes to the financial statements have been rounded to the nearest thousand, and the rounded totals for the various figures are obtained by summing the rounded balances of the items making up such totals.

The cash and cash equivalents reported in the statement of cash flows comprise the balance of item 10 "Cash and cash equivalents" of the balance sheet 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

The financial statements comply with the provisions of Bank of Italy circular no. 262/2005 as updated on 18 November 2009 and, in accordance with IAS 34, contain the following comparative information in addition to the accounting data at 30 June 2011:

- balance sheet at 31 December 2010;
- income statement at 30 June 2010;
- statement of comprehensive income at 30 June 2010;
- statement of changes in equity at 30 June 2010;
- statement of cash flows at 30 June 2010.

CDP SEGREGATED ASSET POOL

CDP holds the covered bond segregated asset pool.

This is not a segregated asset pool as defined by the Italian Civil Code, but rather a separation related to certain CDP assets (loans to local authorities) for which CDP has established guarantees/liens on the cash flows for the holders of the covered bonds issued, which enables the bond itself to have a higher rating that that of the issuer.

The separation concerns the flows related to the portfolio of loans that constitute the collateral of the related bond issue.

The assets are in the accounts with an "of which" indication in the financial statements.

AUDITING OF THE FINANCIAL STATEMENTS

The CDP condensed separate interim financial statements have undergone a limited audit by PricewaterhouseCoopers S.p.A. in execution of the shareholder resolution of 25 May 2011, which engaged this firm to audit the financial statements and accounts for the period 2011-2019.

ANNEXES

In order to enhance disclosure, list of equity investments is annexed to this report.

ACCOUNTING POLICIES

GENERAL INFORMATION

SECTION 1 – DECLARATION OF CONFORMITY WITH THE INTERNATIONAL ACCOUNTING STANDARDS

These financial statements have been prepared in accordance with the International Financial Reporting Standards and International Accounting Standards (IFRSs/IASs) issued by the IASB (and related IFRIC and SIC interpretations) endorsed by the European Commission as of 30 June 2011. More specifically, the condensed separate interim financial statements have been prepared in compliance with the provisions of IAS 34 governing interim financial reporting. As permitted under this standard, CDP has elected to prepare a condensed report in place of the full reporting envisaged for the annual financial statements.
The schedules have been prepared in compliance with the Bank of Italy circular of 22 December 2005 as updated on 18 November 2009.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The financial statements have been prepared in accordance with the IFRSs issued by the IASB (including the SIC and IFRIC interpretations) endorsed by the European Commission pursuant to Regulation (EC) 1606 of 19 July 2002.

For the purposes of interpretation and to provide support in applying these standards, the following documents have also been considered, although they have not been endorsed by the European Commission:

- the *Framework for the Preparation and Presentation of Financial Statements* (issued by the International Accounting Standards Board in 2001).
- *Implementation Guidance, Basis for Conclusions*, IFRIC interpretations, and any other documentation prepared by the IASB or IFRIC to supplement the IFRSs.

- Interpretation documents concerning the application of the IFRSs in Italy, prepared by the *Organismo Italiano di Contabilità* (Italian Accounting Board; OIC) and by the Italian Banking Association (ABI).

Where the information required by the IFRSs and the regulations of the Bank of Italy is deemed to be inadequate in presenting the company's financial standing in a true and fair manner, the explanatory notes to the financial statements also include supplemental information for such purpose.

The interim financial statements have been prepared on an accruals and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.
Pursuant to the provisions of joint Bank of Italy/Consob/Isvap document no. 2 of 6 February 2009 and document no. 4 of 4 March 2010 concerning disclosures on business continuity and in compliance with the requirements on the same issue contained in IAS 1 Revised, CDP has conducted an assessment of the Company's ability to continue to operate as a going concern, considering all available information over a medium-term time horizon.
Based on an analysis of the information and the results achieved in previous years, CDP feels that it is appropriate to prepare its financial statements on a going-concern basis.

No assets have been offset with liabilities, nor revenues with costs, unless expressly required or allowed by the regulations issued by the Bank of Italy or by an accounting standard or a related interpretation.

SECTION 3 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

During the period between the reporting date for the financial statements and their approval by the Board of Directors, no events occurred that would require supplemental disclosure.

SECTION 4 – OTHER ISSUES

FIRST-TIME ADOPTION/RECENTLY ADOPTED ACCOUNTING STANDARDS

"Revised IAS 24 - Related party disclosures", issued in November 2009: the standard allows companies that are subsidiaries or under the joint control or significant influence of a government agency to adopt special related-party disclosure rules allowing summary disclosure of transactions with the government agency and with other companies controlled by or under the significant influence of the government agency. The new version of IAS 24 also amends the definition of related parties for the purposes of disclosure in the notes to the financial statements. The revised IAS 24 will apply retrospectively as from periods beginning on or after 1 January 2011.

THE MAIN FINANCIAL STATEMENT AGGREGATES

The accounting policies governing the classification, recognition, measurement and derecognition of assets and liabilities and the recognition of revenues and costs used in preparing the half-year financial statements are the same as those adopted in preparing the annual financial statements.

The following pages provide a description of the accounting principles adopted in preparing the condensed separate interim financial statements.

1 – FINANCIAL ASSETS HELD FOR TRADING

"Financial assets held for trading" (item 20) includes all financial assets, regardless of type (debt securities, equity, loans, derivatives, etc.), allocated to the trading portfolio and held for the purpose of generating profits over the short term as a result of changes in the price of such instruments, as well as the derivative contracts operationally connected with financial liabilities measured at fair value (under the fair value option) and derivatives with a positive value, including those resulting from the separation of embedded derivatives, that are not deemed to be effective for hedging purposes.
Financial assets held for trading meet the following prerequisites:

a) they are purchased with the intention of being sold in the short term;
b) they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
c) they are derivatives (with the exception of derivatives that are designated as effective hedging instruments).

Such financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or income. Where the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is carried out at the subscription date for derivative contracts and on the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.

Financial assets held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.
The financial instruments are measured subsequently at fair value based on the official prices as of the balance sheet date if they are listed on active markets. For financial instruments, including equity, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models, and values registered in recent similar transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and adjusted in the event of losses in value.
If the fair value of a financial asset becomes negative, it is recognised as a financial liability held for trading.
Financial assets held for trading are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset 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 the fair value measurement of the trading portfolio are shown under “Net gain (loss) on trading activities” (item 80). The income components are recognised following the results of the measurement of the financial assets held for trading.

2 – FINANCIAL ASSETS AVAILABLE FOR SALE

Available-for-sale financial assets (item 40) are non-derivative financial assets (debt securities, equity, etc.) that are classified as being available for sale and not as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised on the contract date for all financial assets, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is carried out at the settlement date and on the disbursement date in the case of loans.
The financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or gains. In cases in which the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss.
Investments in equity instruments that are not listed on an active market and for which it is not possible to measure fair value reliably, as well as derivatives connected to such instruments and/or that must be settled with the delivery of such instruments, are measured at cost.
Unrealised gains or losses on available-for-sale securities are recorded in a specific equity reserve, net of tax effects, until the investment is sold or written down.
Subsequent measurement is done at fair value based on the official prices as of the balance sheet date if the financial instruments are listed on active markets. For financial instruments, including equity, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.
Available-for-sale financial assets are subject to impairment tests to determine whether there is objective evidence of impairment. Where the decline in the fair value of an available-for-sale security with respect to its initial cost value is significant or prolonged, an impairment is recognised through profit or loss regardless of other valuation considerations. Whether the decrease in fair value is “significant” or ”prolonged” is assessed separately using appropriate thresholds. Where an available-for-sale security is impaired, the cumulative, unrealised change in value recorded in the equity reserve is recognised in the income statement under “Net impairment adjustments of financial assets available for sale” (item 130.b). The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of an available-for-sale financial asset exceeds its recoverable amount. The amount of this loss is measured using specific valuation techniques and models for equity securities.

Any writebacks of investments in equity instruments are not recognised in the income statement but in an equity reserve, while any writebacks of investments in debt instruments go through the income statement.
The value of the instrument after the writeback shall in any event not exceed the amortised cost that the instrument would have had in the absence of the prior adjustments.
Dividends on equity instruments that are available for sale are recognised as income when the right to receive payment is established.
In addition to the recognition of impairment losses, the cumulative gains or losses in the equity reserve are, as mentioned above, recognised in the income statement at the time of the sale of the asset. Accordingly, in the event of the disposal of an investment in available-for-sale securities, the related cumulative, unrealised change in value recorded in equity is recognised in the income statement as “Gains (losses) on the disposal or repurchase of financial assets available for sale” (item 100.b).
If the purchase of an additional equity stake in an entity in which the company already holds shares that are classified under available-for-sale financial assets should lead to the reclassification of the assets under "Equity investments", the shares held are measured as at the acquisition date through an equity reserve. The reserve is reported under "Valuation reserves" and is reversed to profit or loss under "Gains (losses) on disposal or repurchase of financial assets available for sale" (item 100.b) in the event of the sale of equity investment or an impairment loss.
Available-for-sale financial assets are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset are retained, the asset remains on the balance sheet even if official title has been transferred.

3 – FINANCIAL ASSETS HELD TO MATURITY

Financial assets held to maturity include financial assets other than derivatives with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.
If, following a change in such intention or ability, it is no longer appropriate to continue to classify an investment as held to maturity, it is reclassified under financial assets available for sale.

Held-to-maturity financial assets are initially recognised at fair value, which is normally equal to the price paid or received. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is taken to the income statement.
The value at which such assets are recognised includes incidental costs and revenues attributable to the transaction.
Following initial recognition, financial assets held to maturity are measured at amortised cost and undergo impairment testing. The amortised cost of a financial asset is equal to the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Such assets are derecognised when the contractual rights to the cash flows from the assets expire or when the assets are divested by transferring substantially all the risks and rewards of ownership of the assets.

4 – Loans

The term “loans” refers to a portfolio of financial instruments, including debt securities, that are not listed on an active market and which IAS 39 refers to as “loans and receivables”, for which the company has a right to receive future cash flows.
Loans are initially recognised at the disbursement date or, in the case of debt securities, at the settlement date.
Loans are recognised when the contract is executed, i.e. upon the unconditional acquisition of a right to payment of the amounts agreed, and are initially measured at fair value, which equals the amount disbursed including directly related transaction costs and commissions. Where the net amount disbursed does not equal the loan’s fair value because the interest rate is lower than the market rate or the rate normally applied for similar loans, initial measurement is effected by discounting the future cash flows using an appropriate rate.
The loans made to public entities and public-law bodies under CDP’s Separate Account portfolio have a number of features that distinguish them from loans granted by banks, which normally disburse the entire amount of the loan to its beneficiary at the time the loan is granted or when repayment begins. 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 the entities to which the works have been tendered as the work is performed.

Upon signing the finance agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by CDP earn interest that can be treated as a reimbursement of the interest income earned by customers on the non-disbursed portion. CDP's special-purpose loans normally have an initial grace period, during which, in the absence of disbursements on the loan granted, the loan does not bear interest. With certain exceptions, the loan repayment plan begins as from the year following the execution of the loan contract. CDP's accounting policy for special-purpose loans is to recognise a commitment to disburse the sums granted upon signing the loan agreement and to recognise a receivable (with a consequent reduction in the disbursement commitments) for the entire amount granted only when repayment begins, regardless of the amount actually disbursed.

Any disbursements requested by borrowers during the grace period effectively reduce the commitment and result in a "short-term" receivable for the amount actually disbursed, with this amount accruing interest at the rate agreed upon by contract. The short-term receivable for advances on loans in their grace period is measured at cost in accordance with international accounting standards.

When repayment begins on a loan that has not yet been disbursed, both a payable and a receivable are recognised for the same amount in respect of the party responsible for repaying the loan. In accordance with the IASs/IFRSs, the receivable is measured at amortised cost (which, given the lack of transaction costs on the loans granted and with certain exceptions, equals cost), and the payable is a demand liability that decreases as the amounts are actually disbursed.

Loans granted by CDP to borrowers other than public entities or public-law bodies are treated in a manner analogous to that for loans granted by banks.

The interest on loans and default interest is recognised as interest income and similar revenues on loans to banks and customers and are recognised on an accruals basis.

The carrying amount of loans is subject to periodic testing for impairment that could reduce their expected realisable value. This reduction becomes material when it is deemed probable that the amount due will not be paid in full, based on the original terms of the agreement, or that an equivalent asset will not be received.

Loans classified as bad debts, substandard or restructured are measured individually for positions that exceed a given value threshold. In view of the lack

of time series of loss data on loans, as well as the creditworthiness of CDP's leading borrowers, no general writedowns of the portfolio are recorded.
The measurement of writedowns of loans is based on discounting the expected future cash flows of principal and interest net of collection costs, taking account of any guarantees securing the positions and any advances received. The key to determining the value of the future cash flows is in defining the estimated collections, the related timing, and the discount rate to be applied.
The impairment of problem loans is then written back only when the quality of the loan improves to the point that there is a reasonable certainty of a greater recovery of principal and interest and/or greater receipts have been recorded than the previously recorded carrying amount of the loan. In any event, given the method used to measure impairment losses, as the due dates for credit collection approach with the passing of time, the value of the loan is "written back", given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans.
Recovery of all or a part of previously written down loans is recognised as a reduction to "Net impairment adjustments of loans" (item 130.a).
Loans are derecognised when paid in full, when all of the related risks and rewards have been transferred, or when a loan is deemed to be definitively uncollectible. The amount of the loss is recognised in the income statement net of previously recognised impairment losses.
Loans represented by positions with parties that are not classified under any of the risk categories listed above, but which are more than 180-days past due at the reporting date, also undergo individual impairment testing.
"Loans to customers" include unlisted financial assets in respect of customers (loans, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. This also includes receivables from Italian post offices and variation margins with clearing bodies for derivatives transactions.
"Loans to banks" include unlisted financial assets in respect of banks (current accounts, security deposits, debt securities, operating receivables, etc.) that are allocated to the "loans" portfolio. This also includes the amounts receivable from central banks other than demand deposits (i.e. the reserve requirement).

5 - HEDGING TRANSACTIONS

According to the IASs, hedging instruments are designated derivatives or (limited to the hedging of foreign currency risk) non-derivative financial assets or liabilities the fair value or cash flows of which are expected to offset the changes in fair value or cash flows of a designated position (paragraphs 72-77 and Annex

A, paragraph AG94, of IAS 39). A hedged position is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that (a) exposes the organisation to the risk of a change in fair value or future cash flows and (b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101, of IAS 39). 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, of IAS 39).
When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

1. the relationship between the hedging instrument and the position hedged, including the risk management objectives;
2. the hedging strategy, which must be in line with established risk management policies;
3. the methods to be used in order to verify the effectiveness of the hedge.

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged position.
A hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the hedged position or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.
If the hedge is not effective as described above, the hedging instrument is reclassified under trading instruments, while the hedged item is measured in accordance with the criteria for its category and in the case of cash flow hedges any reserve is reversed to profit or loss. Hedge accounting also ceases in the event the hedging instrument expires, is sold or exercised or where the hedged item expires, is sold or is repaid.
Asset item 80 and liability item 60 report hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the reporting date have either a positive or negative value.

6 - Equity investments

"Equity investments" comprise investments in subsidiaries (IAS 27), in joint ventures (IAS 31), and associates subject to significant influence (IAS 28) other

than financial assets held for trading (item 20) and financial assets at fair value through profit or loss (item 30) in accordance with IAS 28, paragraph 1, and IAS 31, paragraph 1.
Subsidiaries are companies in which CDP holds, either directly or indirectly, more than half of the voting rights for the purpose of appointing directors or, in any event, when CDP exercises the power to determine financial and operating policies. Joint ventures are companies in which control is shared with other parties by contract. Associates are companies in which CDP holds, either directly or indirectly, at least 20% of the voting rights or, independently of the proportion of voting rights, companies over which CDP has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control. Other shareholdings are recognised as financial assets available for sale (item 40) and are treated as described above.
In accordance with IAS 27, paragraph 37, equity investments are initially recognised and subsequently carried at cost at the settlement date, including costs and revenues that are directly attributable to the transaction.
Where there is evidence that the value of an equity investment may be impaired, its recoverable value is determined, taking account of both its market value and the present value of future cash flows. If this value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. This loss is only recognised when the loss in value is significant and persistent. Impairment losses on investments listed on active markets, and unless there are additional, specifically justified reasons, are recognised when the impairment is deemed to be significant or prolonged.
In the absence of market prices or valuation models, the value of the equity investment is prudentially written down by the amount of the loss reported in the financial statements of the investee where the loss is considered to be a reliable indicator of impairment.
Equity investments are derecognised when the contractual rights to the cash flows of the asset terminate or when the financial asset is sold, transferring substantially all risks and rewards connected with it.

7 - PROPERTY, PLANT AND EQUIPMENT

"Property, plant and equipment" includes all non-current tangible assets used in operations governed by IAS 16 and investment property governed by IAS 40. These include assets under finance leases (for the lessee) and operating leases

(for the lessor), as well as leasehold improvement costs. In order to determine whether a contract contains a lease, the provisions of IFRIC 4 are applied.
Property, plant and equipment is recognised at purchase cost including incidental expenses and VAT, increased by revaluations carried out under the provisions of specific laws.
The carrying amount represents the book value of the assets net of depreciation.
The depreciation rates used are felt to reflect the remaining useful economic lives of the assets.
Newly acquired assets are depreciated as from the period in which they enter service.
Land and buildings are treated as separable assets for accounting purposes, even if purchased together. Therefore, with the transition to the IFRSs, CDP separated the value of land from the value of buildings based on appraisals that were previously used in 2005 for the purpose of revaluing company properties that had been recognised in the 2004 financial statements, pursuant to the provisions of the 2006 Finance Act. Land is considered to have an indefinite life and, as such, is not depreciated.
Buildings are depreciated over a 33-year period, which is considered to be the useful life of the buildings themselves.
Assets whose use or nature classifies them as capital equipment are depreciated on a straight line basis over their remaining useful lives.
In the event an asset should suffer a lasting impairment of value, independently of depreciation, it is written down. The original value is restored where the conditions that had prompted the writedown should cease to obtain.
Maintenance and repair costs that do not increase the utility or useful lives of assets are charged directly to profit or loss for the year.
“Assets under construction and advances” are composed of advances or expenses incurred in respect of assets and materials that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company’s production cycle, depreciation is suspended.

8 - INTANGIBLE ASSETS

“Intangible assets” include goodwill and other intangibles governed by IAS 38.
Intangible assets are recognised at purchase or development cost including incidental expenses and are amortised over their estimated useful lives, which, at the end of each year, is subject to impairment testing in order to verify the appropriateness of the estimates.
An intangible asset is only recognised under the following conditions:

(a) CDP can control the future economic benefits generated by the asset;
(b) it is probable that the expected future economic benefits that are attributable to the asset will flow to the company;
(c) the cost of the asset can be measured reliably.
Intangible assets are therefore derecognised when sold or when future economic benefits are no longer expected.
CDP's intangible assets essentially consist of software.
Costs incurred for the purchase and development of software by third parties are amortised, usually on a straight-line basis, over the residual useful lives of the assets, which is no greater than 5 years.
Costs incurred for software development before the year in which the project is completed are capitalised when the development/implementation of the project is likely to be successful and the utility of the product extends over more than one year. In this case, the costs are amortised over a period of no more than 5 years. In the year in which the software is completed, the costs incurred and not yet amortised are imputed to the asset and the cost is amortised over 5 years.
Intangible assets under development and advances include advances or costs incurred for intangible assets that have not yet been completed or are undergoing testing before entering service. Since they have not yet entered the company's production cycle, amortisation is suspended.

9 – CURRENT AND DEFERRED TAXATION

Corporate income tax (IRES) and the regional tax on business activities (IRAP) are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the period and were calculated on the basis of the tax rates currently in force (27.5% for IRES and 5.57% for IRAP).
Deferred tax items regard the recognition of the effects of temporary differences between the valuation of accounting items under tax regulations, which are used to determine taxable income, and that under statutory reporting regulations (which seek to quantify the result for the period).
More specifically, "taxable temporary differences" between statutory and tax values are those that will give rise to taxable amounts in future tax periods, while "deductible temporary differences" are those that will give rise to deductible amounts in the future.
Deferred tax items are recognised in the tax provision where they represent liabilities, i.e. where they are related to items that will become taxable in future tax periods. Where they represent assets, i.e. they are related to items that will

be deductible in future tax periods, they are recognised under "Deferred tax assets" in the balance sheet.
If the deferred tax items regard operations that directly affected equity, they are recognised in equity.

10 - Provisions

"Provisions" (item 120) are recognised solely under following conditions:
(a) there is a present (legal or constructive) obligation resulting from a past event;
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
(c) a reliable estimate can be made of the amount of the obligation.

When the financial impact of the time factor is significant and the dates of payment of the obligation can be estimated reliably, the provision is measured as the present value (discounted at market rates as of the reporting date) of the charges that are expected to be incurred in order to settle the obligation.
CDP has no "provisions for retirement and similar obligations", while "other provisions" includes the provisions for liabilities and contingencies established in observance of international accounting standards, with the exception of writedowns due to the impairment of guarantees issued and credit derivatives treated as such in accordance with IAS 39, which, where applicable, are recognised under "other liabilities". In particular, CDP's provision for contingencies only includes estimates related to pending litigation, which includes allocations for revocatory actions and suits filed by third parties (including employees and former employees).
The provisions are only used when the charges for which they were originally established are incurred. When the outlay to fulfil the obligation is no longer deemed to be probable, the provision is reversed through the income statement.

11 – Debt and securities issued

"Due to banks" (item 10) and "Due to customers" (item 20) include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans) other than financial liabilities held for trading (item 40), financial liabilities at fair value through profit or loss (item 50), and debt securities under item 30 ("Securities issued"). This includes operating payables. In particular, CDP includes in these items the amounts still to be disbursed for loans being repaid (see the description of CDP Separate Account loans under section 4 above).

Securities issued, both listed and unlisted, are measured at amortised cost. The item is reported net of repurchased securities. It also includes securities which, as of the balance sheet date, have matured but have not yet been redeemed. It does not include the portion of the company’s own debt securities issued but not yet placed with third parties.

These are initially measured at fair value including the costs incurred to issue the securities. Subsequent measurement is at amortised cost using the effective interest rate method. The payables are eliminated when they mature or are extinguished.

Securities issued include the postal savings bonds issued by CDP. These bonds 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 may be redeemed at any time prior to the bond’s contractual maturity, with principal and interest paid in accordance with the period for which the bond was held. For financial instruments such as postal savings bonds, IAS 39 calls for the adoption of the amortised cost method and states that the effective interest rate to be used in calculating amortised cost must be equal to the internal rate of return of the estimated (not contractual) cash flows throughout the expected (and not contractual) life of the instrument. Given the aforementioned option of early redemption, the expected life of postal savings bonds is, on average, less than their contractual life. CDP has therefore developed a statistical model for forecasting early redemption of 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 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 savings bonds as the discount rate. It is also necessary to recognise distribution commissions paid to Poste Italiane S.p.A. as transaction costs for bonds issued after the transformation of CDP and before 31 December 2010. These fees are therefore considered along with the other cash flows for the savings bonds for the purpose of determining the effective interest rate.

12 - FINANCIAL LIABILITIES HELD FOR TRADING

This item includes all forms of financial liabilities designated as being held for trading purposes. It does not include the portion of the company's own debt securities issued but not yet placed with third parties.
The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transactions costs or revenues. In cases in which the amount paid differs from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is effected at the signing date for derivative contracts and at the settlement date for debt securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.
Financial liabilities held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.
Subsequent measurement is at fair value. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.
Financial liabilities held for trading are derecognised when the contractual rights in respect of the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial liability are retained, the liability remains on the balance sheet even if official title has been transferred.
The gains and losses on sale or redemption and unrealised gains and losses resulting from the fair value measurement of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80). The income components are recognised following the results of the measurement of the financial liability held for trading.

13 – FOREIGN CURRENCY TRANSACTIONS

Transactions in a foreign currency are initially recognised in euros by translating the amount in the foreign currency into euros at the spot exchange rate prevailing on the date of the transaction.

In preparing the financial statements, assets denominated in a foreign currency are accounted for as follows:

- in the case of monetary instruments, at the spot exchange rate prevailing at the preparation date of the financial statements, recognising exchange rate differences under "Net gain (loss) on trading activities" in the income statement;
- in the case of non-monetary instruments, at cost using the exchange rate for the original transaction;
- in the case of non-monetary instruments measured at fair value, at the spot exchange rate prevailing at the preparation date of the financial statements.

Exchange rate differences in respect of non-monetary items are treated using the same rules for gains and losses on the original instruments.

14 – OTHER INFORMATION

CASH AND CASH EQUIVALENTS (ITEM 10 OF ASSETS)

Liquid assets are recognised at fair value.

Liquidity is composed of cash on hand at the company and the balances on the current account held with the Central State Treasury.

The balance is increased for accrued interest that has not yet been settled on this current account. Interest accrues semi-annually at a floating rate determined (pursuant to the decree of the Minister for the Economy and Finance of 5 December 2003) on the basis of the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index.

STAFF SEVERANCE PAY

This provision covers the entire entitlement accrued by employees at the end of the period, in conformity with the provisions of law (Article 2120 of the Civil Code) and applicable employment contracts. In accordance with IAS 19, the staff severance pay scheme (TFR) is considered a defined-benefit plan and, therefore, is recognised as the present value of the accumulating obligation (both the present value of the expected future payments related to benefits accrued during the current year and the present value of future payments resulting from amounts accrued in previous years).

It should also be noted that the balance of provisions for staff severance pay is minor given that CDP employees maintained their participation the INPDAP pension scheme after the transformation; therefore, contributions are paid to that institution. As such, the amount shown for TFR is related solely to newly hired employees (under the INPS pension scheme) for amounts accrued until 2006, given that the amounts accrued subsequently were not applied to this fund, but to the supplemental pension fund in accordance with the applicable legislation.
Therefore, the effects of the application of IAS 19 are not significant.

INTEREST INCOME AND EXPENSE

Interest income and expense is recognised in the income statement for all instruments based on amortised cost using the effective interest method.
Interest also includes the net positive or negative balance of the differences and margins related to financial derivative contracts associated with effective hedge transactions.

COMMISSIONS

Commissions are recognised in the income statement on an accruals basis. This excludes commissions considered when calculating amortised cost for the purpose of determining the effective interest rate, which are recognised under interest.

DIVIDENDS

Dividends are recognised as income in the period in which they are approved for distribution.

DISCLOSURES ON FAIR VALUE MEASUREMENT

HIERARCHY OF FAIR VALUE INPUTS

(thousands of euros)

PORTFOLIOS: BREAKDOWN BY LEVEL OF FAIR VALUE INPUTS

	30/06/2011			31/12/2010		
Financial assets/liabilities at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets held for trading		863,857	1,337		855,230	1,208
2. Financial assets at fair value						
3. Financial assets available for sale	2,430,084	7,280	100,825	2,211,558	7,270	69,418
4. Hedging derivatives		157,569	1,023		366,180	570
Total	**2,430,084**	**1,028,706**	**103,185**	**2,211,558**	**1,228,680**	**71,196**
1. Financial liabilities held for trading		15,182	731,489		190,910	749,124
2. Financial liabilities at fair value						
3. Hedging derivatives		814,482	6,286		1,160,616	15,183
Total	-	**829,664**	**737,775**		**1,351,526**	**764,307**

Key
L1 = Level 1
L2 = Level 2
L3 = Level 3

(thousands of euros)

CHANGE FOR THE PERIOD IN FINANCIAL ASSETS AT FAIR VALUE (LEVEL 3)

	FINANCIAL ASSETS			
	held for trading	**at fair value**	**available for sale**	**hedging**
1. Opening balance	**1,208**		**69,418**	**570**
2. Increases	**129**		**37,851**	**453**
2.1 Purchases			32,724	
2.2 Profits taken to:	129		5,127	453
2.2.1 Income statement	129			453
- of which: capital gains	*129*			*453*
2.2.2 Equity	x	x	5,127	
2.3 Transfers from other levels				
2.4 Other increases				
3. Decreases			**6,444**	
3.1 Sales			52	
3.2 Repayments				
3.3 Losses taken to:			6,392	
3.3.1 Income statement				
- of which: capital losses				
3.3.2 Equity	x	x	6,392	
3.4 Transfers to other levels				
3.5 Other decreases				
4. Closing balance	**1,337**		**100,825**	**1,023**

(thousands of euros)

CHANGE FOR THE YEAR IN FINANCIAL LIABILITIES AT FAIR VALUE (LEVEL 3)

	FINANCIAL LIABILITIES		
	held for trading	**at fair value**	**hedging**
1. Opening balance	**749,124**		**15,182**
2. Increases	**14,689**		
2.1 Purchases	2,917		
2.2 Losses taken to:	11,772		
2.2.1 Income statement	11,772		
- of which: capital losses	*11,772*		
2.2.2 Equity	x	x	
2.3 Transfers from other levels			
2.4 Other increases			
3. Decreases	**32,324**		**8,896**
3.1 Sales	1,086		
3.2 Repayments			
3.3 Profits taken to:	31,238		8,896
3.3.1 Income statement	31,238		8,896
- of which: capital gains	*31,238*		*8,896*
3.3.2 Equity	x	x	
3.4 Transfers to other levels			
3.5 Other decreases			
4. Closing balance	**731,489**		**6,286**

INFORMATION ON THE BALANCE SHEET

ASSETS

CASH AND CASH EQUIVALENTS – ITEM 10

The liquid assets of CDP S.p.A. are mainly held with the Bank of Italy on the interest-bearing treasury current account no. 29814 denominated "*Cassa DP SPA-gestione separata*", which holds all liquid balances associated with the operations conducted by CDP in its activities under the Separate Account. At the end of the first half of 2011 the balance on the account was about €124,144 million.

As envisaged by Article 6.1 of the MEF decree of 5 December 2003, the Ministry for the Economy and Finance pays semi-annual interest on account no. 29814 the interest-bearing treasury account at a floating rate equal to the simple arithmetic mean between the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index.

Interest accrued and not yet paid on account no. 29814 amounted to about €1,427 million.

FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

(thousands of euros)

FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

	30/06/2011	31/12/2010
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	865,194	856,438
1.1 trading	865,194	856,438
1.2 associated with fair value option		
1.3 other		
2. Credit derivatives		
2.1 trading		
2.2 associated with fair value option		
2.3 other		
Total B	**865,194**	**856,438**
Total (A+B)	**865,194**	**856,438**

The financial derivatives set out in the table mainly regard options purchased to hedge the embedded option component of bonds indexed to baskets of equities. This option component was separated from the host instrument and was classified among financial liabilities held for trading.

FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

(thousands of euros)

FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY TYPE

	30/06/2011	31/12/2010
1. Debt securities	2,437,364	2,218,828
1.1 Structured securities		
1.2 Other debt securities	2,437,364	2,218,828
2. Equity securities	9,748	9,748
2.1 At fair value		
2.2 At cost	9,748	9,748
3. Units in collective investment undertakings	91,077	59,670
4. Loans		
Total	**2,538,189**	**2,288,246**

The increase in debt securities is attributable to the subscription of government securities during the period as a means of investing liquidity.

FINANCIAL ASSETS HELD TO MATURITY – ITEM 50

The increase in the item is mainly associated with the purchase during the period of inflation-linked government securities in the amount of about €300 million, which were acquired by CDP to operationally hedge the issue of postal savings bonds indexed to inflation.

LOANS TO BANKS – ITEM 60

(thousands of euros)

LOANS TO BANKS: COMPOSITION BY TYPE

	30/06/2011	31/12/2010
A. Claims on central banks	**4,049,010**	**4,059,117**
1. Fixed-term deposits		
2. Reserve requirement	4,049,010	4,059,117
3. Repurchase agreements		
4. Other		
B. Loans to banks	**6,926,610**	**4,968,337**
1. Current accounts and demand deposits	364,182	95,181
2. Fixed-term deposits	830,950	1,203,858
3. Other financing:	5,731,478	3,669,298
3.1 Repurchase agreements		
3.2 Finance leasing		
3.3 Other	5,731,478	3,669,298
4. Debt securities		
4.1 Structured		
4.2 Other debt securities		
Total	**10,975,620**	**9,027,454**

The increase in the balance at 30 June 2011 in loans to banks is mainly attributable to new loans granted to banks within the framework of economic support instruments (loans to SMEs and Abruzzo earthquake reconstruction loans).

LOANS TO CUSTOMERS – ITEM 70

Loans to customers regard lending operations under the Separate Account and Ordinary Account of CDP and include unlisted securities issued by public entities, public-law bodies and other entities subscribed by CDP. The following table provides a breakdown of the positions by technical form.

(thousands of euros)

LOANS TO CUSTOMERS: COMPOSITION BY TYPE

	30/06/2011		31/12/2010	
	Performing	Impaired	Performing	Impaired
1. Current accounts	109		107	
2. Repurchase agreements				
3. Loans	90,326,112	52,084	88,810,506	37,131
4. Credit cards, personal loans and loans repaid by automatic deductions from wages				
5. Finance leasing				
6. Factoring				
7. Other	8,904		109,428	
8. Debt securities	1,362,603		1,372,509	
8.1 Structured				
8.2 Other debt securities	1,362,603		1,372,509	
Total	**91,697,728**	**52,084**	**90,292,550**	**37,131**

Loans also include €13,546 million, highlighted in the balance sheet, pledged as collateral for covered bonds issued by CDP.

Total writedowns of loans amount to €61 million. On the basis of the quality of the borrowers, the guarantees securing the loans and the regular payment of instalments, as well as the experience of the CDP in this area, it was not considered necessary to carry out a collective writedown of the loan portfolio.

(thousands of euros)

ON-BALANCE-SHEET EXPOSURES TO CUSTOMERS: CHANGES IN GROSS IMPAIRED POSITIONS

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Opening gross exposure	**37,294**	**53,594**	**-**	**5,679**
- of which: exposures assigned but not derecognised				
B. Increases	**2,036**	**3,182**		**16,346**
B.1 transfers from performing positions		1,881		16,344
B.2 transfers from other categories of impaired positions	1,302	904		
B.3 other increases	734	397		2
C. Decreases	**(482)**	**(1,903)**		**(2,907)**
C.1 to performing loans		(509)		(1,486)
C.2 writeoffs				
C.3 collections	(482)	(92)		(517)
C.4 assignments				
C.5 transfers to other categories of impaired positions		(1,302)		(904)
C.6 other decreases				
D. Closing gross exposure	**38,848**	**54,873**	**-**	**19,118**
- of which: exposures assigned but not derecognised				

(thousands of euros)

ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN TOTAL ADJUSTMENTS

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Total opening adjustments	**33,564**	**25,176**		
- of which: exposures assigned but not derecognised				
B. Increases	**1,833**	**3**		
B.1 writedowns	1,833	3		
B.2 transfers from other categories of impaired positions				
B.3 other increases				
C. Decreases	**(86)**	**(32)**		
C.1 writebacks from valuations	(86)	(32)		
C.2 writebacks from collection				
C.3 writeoffs				
C.4 transfers to other categories of impaired positions				
C.5 other decreases				
D. Total closing adjustments	**35,311**	**25,147**		
- of which: exposures assigned but not derecognised				

HEDGING DERIVATIVES – ITEM 80

(thousands of euros)

HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE

	30/06/2011	31/12/2010
A. Financial derivatives	**158,592**	**366,750**
1) Fair value	133,737	336,916
2) Cash flow	24,855	29,834
3) Investment in foreign operation		
B. Credit derivatives		-
1) Fair value		
2) Cash flow		
Total	**158,592**	**366,750**

The item reports derivatives transactions carried out to hedge the exposure to changes in fair value and in cash flows.

EQUITY INVESTMENTS – ITEM 100

EQUITY INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE: INFORMATION ON INVESTMENTS

	Registered office	% holding	% of votes
A. Wholly-owned subsidiaries			
1. Terna S.p.A.	Rome	29.85%	29.85%
2. CDP Investimenti SGR S.p.A.	Rome	70.00%	70.00%
B. Joint ventures			
C. Companies under significant influence			
1. Eni S.p.A.	Rome	26.37%	26.37%
2. Galaxy S.àr.L. SICAR	Luxembourg	40.00%	40.00%
3. Europrogetti & Finanza S.p.A. in liquidazione	Rome	31.80%	31.80%

There were no changes in the portfolio of equity investments during the period. The change in CDP's holding in Terna (from 29.93% at the end of 2010 to 29.85% at 30 June 2011) is a consequence of the increase in the subsidiary's capital as a result of share issues carried out in implementation of the stock option plan.

PROPERTY, PLANT AND EQUIPMENT – ITEM 110

Property, plant and equipment includes all of the movable property and real estate of Cassa Depositi e Prestiti, net of depreciation, and at period-end the item break downs as follows:

(thousands of euros)

PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF ASSETS MEASURED AT COST

	30/06/2011	31/12/2010
A. Operating assets		
1.1 owned	**198,371**	**199,813**
a) land	117,406	117,406
b) buildings	66,279	67,388
c) movables	2,858	3,082
d) electrical plant	1,549	1,864
e) other	10,279	10,073
1.2 acquired under finance leases		
a) land		
b) buildings		
c) movables		
d) electrical plant		
e) other		
Total A	**198,371**	**199,813**
B. Investment property		
2.1 owned		
a) land		
b) buildings		
2.2 acquired under finance leases		
a) land		
b) buildings		
Total B	**-**	**-**
Total (A+B)	**198,371**	**199,813**

INTANGIBLE ASSETS – ITEM 120

Intangible assets break down as follows:

(thousands of euros)

INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

	30/06/2011		31/12/2010	
	Definite life	**Indefinite life**	**Definite life**	**Indefinite life**
A.1 Goodwill	x		x	
A.2 Other intangible assets	**4,101**		**4,974**	
A.2.1 Assets carried at cost:	4,101		4,974	
a) internally-generated intangible assets				
b) other assets	4,101		4,974	
A.2.2 Assets carried at fair value:				
a) internally-generated intangible assets				
b) other assets				
Total	**4,101**		**4,974**	

With regard to the disclosures required under international accounting standards, it should be noted that:

- intangible assets were not revalued;
- no intangible assets acquired by way of government grants are held (IAS 38, paragraph 122, letter c);
- no intangible assets are pledged as security for liabilities (IAS 38, paragraph 122, letter d);
- no intangible assets are the object of leasing transactions.

TAX ASSETS AND LIABILITIES – ITEM 130 OF ASSETS AND ITEM 80 OF LIABILITIES

Deferred tax assets: composition and changes

Deferred tax assets arise in respect of taxes calculated on temporary differences in the values reported for tax purposes and those used for financial reporting that will become deductible in periods following the period in which they are recognised. They mainly regard accruals to the provision for risks and the provision for future employee expenses, depreciation/amortisation charges with deferred deductibility, fair value measurement of non-current available-for-sale financial assets and of derivatives hedging cash flows in respect of liabilities (cash flow hedges).

Deferred tax liabilities: composition and changes

Conversely, deferred tax liabilities arise in respect of taxes calculated on temporary differences in the values reported for tax purposes and those used for financial reporting that will fall due in periods following the period in which they are recognised. They regard the fair value measurement of available-for-sale investments in shares and other securities and derivatives hedging cash flows in respect of financial liabilities (cash flow hedges).

LIABILITIES

DUE TO BANKS – ITEM 10

(thousands of euros)

DUE TO BANKS: COMPOSITION BY TYPE

	30/06/2011	31/12/2010
1. Due to central banks	**93,046**	**417,435**
2. Due to banks	**7,663,392**	**6,823,752**
2.1 Current accounts and demand deposits	7,756	236,347
2.2 Fixed-term deposits	560,783	649,634
2.3 Loans	7,094,853	5,933,607
2.3.1 repurchase agreements	4,889,571	4,456,825
2.3.2 other	2,205,282	1,476,782
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.5 Other payables		4,164
Total	**7,756,438**	**7,241,187**

The rise in amounts due to banks during the period is mainly attributable to drawings on credit lines granted by the EIB in the total amount of €850 million.

DUE TO CUSTOMERS – ITEM 20

(thousands of euros)

DUE TO CUSTOMERS: COMPOSITION BY TYPE

	30/06/2011	31/12/2010
1. Current accounts and demand deposits	94,664,209	97,661,375
2. Fixed-term deposits	28,787	70,430
3. Loans		
3.1 repurchase agreements		
3.2 other		
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	9,902,334	9,256,745
Total	**104,595,330**	**106,988,550**

"Current accounts and demand deposits", which contracted compared with the end of 2010, mainly regard the value at 30 June 2011 of postal passbooks issued by CDP.

Other payables mainly regard amounts to be disbursed on loans granted to public entities and public-law bodies.

SECURITIES ISSUED – ITEM 30

(thousands of euros)

SECURITIES ISSUED: COMPOSITION BY TYPE

	30/06/2011	31/12/2010
A. Securities		
1. Bonds	8,268,303	7,683,625
1.1 structured		
1.2 other	8,268,303	7,683,625
2. Other securities	117,224,371	109,648,110
2.1 structured	13,092,727	12,160,002
2.2 other	104,131,644	97,488,108
Total	**125,492,674**	**117,331,735**

The item includes covered bonds, bonds issued under the Euro Medium Term Notes programme and postal savings bonds.

During the period new issues were carried out under the EMTN programme in the total nominal amount of €1,150 million. During the same period, maturing bonds were redeemed in the amount of €100 million and bond repurchases were carried out in the amount of €250 million.

Other structured securities report indexed postal savings bonds and the *Premia* bonds, for which the embedded derivative has been separated from the host contract.

FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

(thousands of euros)

FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

	30/06/2011	31/12/2010
A. On-balance-sheet liabilities		
1. Due to banks		
2. Due to customers		
3. Debt securities		
3.1 Bonds		
3.1.1 Structured		
3.1.2 Other		
3.2 Other securities		
3.2.1 Structured		
3.2.2 Other		
Total A		
B. Derivatives		
1. Financial derivatives	746,671	940,034
1.1 Trading		163,494
1.2 Associated with fair value option		
1.3 Other	746,671	776,540
2. Credit derivatives		
2.1 Trading		
2.2 Associated with fair value option		
2.3 Other		
Total B	**746,671**	**940,034**
Total (A+B)	**746,671**	**940,034**

The item includes the embedded option component of bonds indexed to baskets of shares that was separated from the host contract.

HEDGING DERIVATIVES – ITEM 60

(thousands of euros)

HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE

	30/06/2011	31/12/2010
A. Financial derivatives	**820,768**	**1,175,799**
1) Fair value	814,482	1,160,616
2) Cash flow	6,286	15,183
3) Investment in foreign operation		
B. Credit derivatives		
1) Fair value		
2) Cash flow		
Total	**820,768**	**1,175,799**

PROVISIONS – ITEM 120

Provisions declined by about €6 million, mainly following the use of accruals for staff costs.

EQUITY – ITEMS 130, 160, 180 AND 200

(thousands of euros)

EQUITY: COMPOSITION

	30/06/2011	31/12/2010
1. Share capital	3,500,000	3,500,000
2. Share premium reserve	-	-
3. Reserves	8,276,344	6,233,823
4. (Treasury shares)	-	-
5. Valuation reserves	1,246,024	1,250,137
6. Equity instruments		-
7. Net income (loss) for the period	715,259	2,742,520
Total	**13,737,627**	**13,726,480**

The share capital of €3,500,000,000 is fully paid up and is composed of 245,000,000 ordinary shares and 105,000,000 preference shares with a par value of €10 each.

The par value of the preference shares is reported under "Share capital" along with that of the ordinary shares, taking due account of the intentions expressed by the shareholders in this regard. Under the provisions of CDP's articles of association, preference shares will automatically be converted into ordinary shares as from 1 January 2013, without prejudice to the right of preference shareholders to withdraw from the company.

The increase in “Reserves” is primarily attributable to the terms of the shareholders' resolution on the allocation of net income for the year ended 31 December 2010, under which about €2,043 million was posted to reserves in the first half of 2011.

The item "Valuation reserves" comprises the reserve (equal to €1,134 million net of deferred taxation) in respect of the equity interest in Eni S.p.A., which was generated in the share exchange with the MEF at the end of 2010. Following that transaction, CDP increased its stake in Eni and reclassified the shares from "Financial assets available for sale" to "Equity investments".

The company does not hold treasury shares.

INFORMATION ON THE INCOME STATEMENT

INTEREST – ITEMS 10 AND 20

(thousands of euros)

INTEREST INCOME AND SIMILAR REVENUES: COMPOSITION

	Debt securities	Loans	Other	30/06/2011	30/06/2010
1 Financial assets held for trading				**-**	**-**
2 Financial assets available for sale	31,452			**31,452**	**5,363**
3 Financial assets held to maturity	60,310			**60,310**	**8,818**
4 Loans to banks		63,422	26,205	**89,627**	**33,588**
5 Loans to customers	29,214	1,966,474	0	**1,995,688**	**1,958,100**
6 Financial assets at fair value				**-**	**-**
7 Hedging derivatives	x	x		**-**	**-**
8 Other assets	x	x	1,427,182	**1,427,182**	**1,121,854**
Total	**120,976**	**2,029,896**	**1,453,387**	**3,604,259**	**3,127,723**

The balance at 30 June 2011 mainly regards interest income on loans by CDP, in the amount of about €2,030 million, and on liquidity deposited on current account no. 29814, in the amount of about €1,427 million.

(thousands of euros)

INTEREST EXPENSE AND SIMILAR CHARGES: COMPOSITION

	Payables	Securities	Other	30/06/2011	30/06/2010
1 Due to central banks	2,543	x		**2,543**	
2 Due to banks	40,468	x		**40,468**	**13,527**
3 Due to customers	406,850	x		**406,850**	**355,390**
4 Securities issued	x	1,906,473		**1,906,473**	**1,752,600**
5 Financial liabilities held for trading			23	**23**	**327**
6 Financial liabilities at fair value					
7 Other liabilities and funds	x	x			
8 Hedging derivatives	x	x	184,186	**184,186**	**237,153**
Total	**449,861**	**1,906,473**	**184,209**	**2,540,543**	**2,358,997**

Interest expense on amounts due to customers mainly regards interest on passbook savings accounts, totalling about €341 million, and interest on loans being repaid but not yet disbursed by CDP, equal to about €65 million.

Interest on securities issued regard bond issues for about €113 million and postal savings bonds for about €1,793 million.

The negative differences on hedges amounted to about €184 million.

COMMISSIONS - ITEMS 40 AND 50

During the period, CDP earned commission income on lending operations amounting to about €8.9 million and commission income of €1.5 million under the agreement with the Ministry for the Economy and Finance in respect of assets and liabilities transferred to the MEF pursuant to Article 3 of the ministerial decree of 5 December 2003.

Commission expense mainly regarded the portion, equal to about €775 million, of the fees accruing for the period due to Poste Italiane S.p.A. for its postal savings placement and management services. The increase in the item with respect to the first half of 2010 is attributable to the new contractual arrangements between CDP and Poste Italiane for the period 2011-2013. More specifically, under the new agreement the fee structure for Poste's activities has been modified so that the commissions no longer represent a cost directly attributable to the issue of new postal bonds – and as such incorporated in the initial value of the bond and amortized over the expected residual life of the security itself – but rather as a comprehensive fee for the activities performed as part of the postal saving service, which is recognized entirely in the year in which it accrues. The new fee structure is consistent with the developments in the service provided by Poste Italiane, which now emphasises the overall management of postal savings rather than merely providing placement services.

DIVIDENDS AND SIMILAR REVENUES - ITEM 70

The balance at 30 June 2011 reports dividends authorised in the period in respect of equity investments in Eni S.p.A. (about €528 million), Terna S.p.A. (about €78 million), Istituto per il Credito Sportivo (about €2.4 million), F2i SGR S.p.A. (about €240 thousand) and Sinloc S.p.A. (about €47 thousand).

ADMINISTRATIVE EXPENSES – ITEM 150

Staff costs came to about €21.6 million, up on the first half of 2010 (when they came to about €19.5 million) as a result of an increase in the CDP workforce.
Other administrative expenses totalled some €14.7 million, an increase of 10% on the first half of 2010 due to the outsourcing of technology infrastructure and the launch of the technology projects envisaged in the 2011-2013 Business Plan.

INCOME TAX FOR THE PERIOD ON CONTINUING OPERATIONS – ITEM 260

The composition of income tax for the period and the reconciliation of the theoretical tax liability (IRES and IRAP) and the actual tax liability for the period are reported in the following tables.

(thousands of euros)

INCOME TAX FOR THE PERIOD ON CONTINUING OPERATIONS: COMPOSITION

	30/06/2011	30/06/2010
1. Current taxes (-)	(138,655)	(182,588)
2. Change in current taxes from previous periods (+/-)	1,189	166
3. Reduction of current taxes for the period(+)		
4. Change in deferred tax assets (+/-)	(1,895)	(9,493)
5. Change in deferred tax liabilities (+/-)	1	(2,677)
6. Taxes for the period (-) (-1+/-2+3+/-4+/-5)	(139,360)	(194,592)

(thousands of euros)

RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNISED

Income (loss) before taxes	**855,809**
IRES Theoretical tax liability (27.5% rate)	**235,347**
dividends excluded 95%	(159,019)
non-deductible interest 4%	27,946
non-deductible costs	451
tax-exempt income	(3,291)
IRES Actual tax liability	**101,435**

IRAP tax base	**574,457**
Theoretical tax liability (5.57% rate)	**31,997**
non-deductible interest 4%	5,660
deductible costs from previous periods	(119)
deductible staff costs	(385)
other non-deductible costs	67
IRAP Actual tax liability	**37,220**

OPERATING SEGMENTS

This section of the notes to the financial statements has been drafted in compliance with IFRS 8 - Operating Segments, in force since 1 January 2009 in replacement of IAS 14 - Segment Information.

CDP is organised into four business units through which the company pursues its activities. More specifically:

- direct lending to public entities and real estate services ("Public Entities" business unit);
- financing for projects sponsored by public entities ("Public Interest Lending" business unit);
- financing for works, plant, networks and other infrastructure used to deliver public services or for reclamation projects ("Financing" business unit);
- management of facilitated credit and economic support mechanisms ("Facilitated Credit and Economic Support" business unit).

The above business units are supported by other units that perform support functions for business operations (Technical Office, Lending and Finance) and governance functions (Administration, Planning and Control, Systems and Services, Resources and Organisation, Risk Management, Internal Auditing, Legal and Corporate Affairs, Equity Investments, and Institutional Relations and External Communications). They are grouped within the Corporate Centre.

Public Entities

The Public Entities unit is responsible for lending the public entities and public-law bodies using standardised products, offered in compliance with the principles of accessibility, uniformity in treatment, pre-specification of terms and non-discrimination, in implementation of the statutory mission of the CDP's Separate Account.

The Public Entities unit is also responsible for supporting local authorities in the use of new instruments to raise funds without making recourse to new borrowing. This objective is pursued by leveraging or selling off the property holdings of local authorities that they do not use in their operations.

Public Interest Lending

The Public Interest Lending unit seeks to intervene directly in general public interest projects sponsored by public entities, acting with a long-term vision and verifying the financial sustainability of the projects.

Financing

The operations of the Financing unit regard the financing, on a project or corporate finance basis, of investments in works, plant, infrastructure and networks to be used to deliver public services or in reclamation projects (water sector, generation, transmission and distribution of electricity, including from renewable resources, local multi-utilities, natural gas transport and distribution, rail transport and related infrastructure, and local public transport).

Facilitated Credit and Economic Support

The Facilitated Credit and Economic Support unit is responsible for managing subsidised credit instruments established by specific legislation and economic support instruments developed by CDP.

More specifically, subsidised loans primarily draw on CDP resources (the Revolving Fund to support enterprises and research investment), while also taking advantage, to a residual extent, central government funding (Territorial Agreements and Area Contracts, Low Environmental Impact Vehicles Fund). For economic support in 2009, the funds available to banks were activated for loans to SMEs and for the reconstruction of the areas hit by the earthquake in Abruzzo. In addition to these activities, the unit is also responsible for financing the international expansion of Italian businesses through the "export-bank" system, which envisages financial support from CDP, SACE guarantees and the full involvement of banks in arranging loans for Italian exporters.

Results by operating segment are presented on the basis of the above organisational structure. Consistently with the interim report on operations, the income statement presents reclassified data and is in line with the internal reporting system used by management in its decision-making process.

This presentation makes it possible to determine the contribution of each business unit to the overall performance of CDP.

Construction of the balance sheet by business unit

The balance sheet aggregates were constructed on the basis of the items directly attributable to the individual business units, with which the related revenues and expenses are correlated.

More specifically, the aggregates for “loans to customers and banks” (for amounts disbursed or being repaid) and “cash and cash equivalents” represent the stock of assets related to the specific operating activities of each business unit. The other aggregates of interest-bearing assets or liabilities pertain exclusively to the Corporate Centre. That aggregate includes a structure for the management of equity investments and investment funds held by CDP and a unit dedicated to funding and treasury operations.

Construction of the income statement by business unit

The operating result of the business units was constructed on the basis of the following criteria.

As regards net interest income, the contribution of each business unit is calculated on the basis of internal transfer rates (“ITRs”) differentiated by product and maturity. In determining the ITRs, it is assumed that each lending transaction is funded using a hypothetical market transaction with the same financial characteristics but the opposite sign. This system is based on the CDP's organisational model, which has a specific structure (Finance) devoted to treasury management (the treasury pool) within the Corporate Centre.

For the other aggregates of the income statement, each business unit is allocated any directly attributable revenues and expenses. In addition, a share of indirect costs, initially recognised under the Corporate Centre, is allocated to each business unit on the basis of their actual use of resources or services. The Corporate Centre is allocated the revenues and expenses directly attributable to the units that make up the aggregate, as well as the costs for utilities, taxes and general services that were not allocated to any specific unit.

For more information on developments in the operations of the individual business units, please see the interim report on operations.

Reclassified balance sheet

(thousands of euros)

	Public Entities	Facilitated Credit and Economic Support	Financing	Public Interest Lending	Corporate Centre	Total CDP
Cash and cash equivalents and interbank deposits	-	33,363	-	-	129,348,361	129,381,725
Loans to customers and banks	84,148,136	5,966,502	4,302,254	7,153	1,401,114	95,825,159
Debt securities	-	-	-	-	5,966,515	5,966,515
Equity investments and shares	-	-	-	-	18,683,434	18,683,434
Funding	-	-	-	-	237,463,944	237,463,944
- of which: postal funding	-	-	-	-	*211,971,237*	*211,971,237*
- of which: funding from banks	-	-	-	-	*7,712,617*	*7,712,617*
- of which: funding from customers	-	-	-	-	*9,716,178*	*9,716,178*
- of which: funding from bonds	-	-	-	-	*8,063,912*	*8,063,912*

Reclassified income statement

(thousands of euros)

	Public Entities	Facilitated Credit and Economic Support	Financing	Public Interest Lending	Corporate Centre	Total CDP
Net interest income	181,021	8,104	14,112	3	860,476	1,063,716
Dividends	-	-	-	-	608,732	608,732
Net commission income	1,503	61	7,286	1,540	(775,264)	(764,875)
Other net revenues	-	-	-	-	(11,928)	(11,928)
Gross income	182,523	8,165	21,398	1,543	682,015	895,644
Net writedowns	105	2	(1,427)	-	-	(1,320)
Overheads	(3,386)	(1,081)	(585)	(242)	(34,857)	(40,151)
Operating income	**179,675**	**7,085**	**19,401**	**1,301**	**651,297**	**858,760**

TRANSACTIONS WITH RELATED PARTIES

1. Information on the compensation of directors and management

(thousands of euros)

REMUNERATION OF BOARD OF DIRECTORS AND BOARD OF AUDITORS

	30/06/2011
a) Board of Directors	847
b) Board of Auditors	60
Total	**907**

(thousands of euros)

REMUNERATION OF OTHER KEY MANAGEMENT PERSONNEL

	30/06/2011
(a) short-term benefits	3,058
(b) post-employment benefits	64
(c) other long-term benefits	-
(d) severance benefits	108
(e) share-based payments	-
Total	**3,230**

(thousands of euros)

REMUNERATION PAID TO BOARD OF DIRECTORS AND BOARD OF AUDITORS

Name	Position	Period in office	End of term (*)	Compensation and bonuses
Directors				
Franco Bassanini	Chairman	01/01/11-30/06/11	2012	160
Giovanni Gorno Tempini	Chief Executive Officer	01/01/11-30/06/11	2012	559
Cristian Chizzoli	Director	01/01/11-30/06/11	2012	18
Cristiana Coppola	Director	01/01/11-30/06/11	2012	18
Piero Gastaldo	Director	01/01/11-30/06/11	2012	(***)
Ettore Gotti Tedeschi	Director	01/01/11-30/06/11	2012	18
Vittorio Grilli	Director	01/01/11-30/06/11	2012	(**)
Nunzio Guglielmino	Director	01/01/11-30/06/11	2012	18
Mario Nuzzo	Director	01/01/11-30/06/11	2012	18
Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/03)				
Giovanni De Simone	Director (1)	01/01/11-30/06/11	2012	18
Maria Cannata	Director (2)	01/01/11-30/06/11	2012	(**)
Giuseppe Pericu	Director	01/01/11-30/06/11	2012	18
Romano Colozzi	Director	01/01/11-30/06/11	2012	18
Guido Podestà	Director	01/01/11-30/06/11	2012	18
Board of Auditors				
Angelo Provasoli	Chairman	01/01/11-30/06/11	2012	14
Paolo Fumagalli	Auditor	01/01/11-30/06/11	2012	10
Biagio Mazzotta	Auditor	01/01/11-30/06/11	2012	(**)
Gianfranco Romanelli	Auditor	01/01/11-30/06/11	2012	10
Giuseppe Vincenzo Suppa	Auditor	01/01/11-30/06/11	2012	(**)

(*) Date of Shareholders' Meeting called to approve financial statements for the year.

(**) The remuneration is paid to the Ministry for the Economy and Finance.

(***) The remuneration is paid to the Compagnia di San Paolo.

(1) Delegate of State Accountant General.

(2) Delegate of Director General of the Treasury.

2. Information on transactions with related parties

At 30 June 2011 CDP was involved in the following transactions with the parent, subsidiaries and associates, as well as with Poste Italiane S.p.A., which is controlled by the Ministry for the Economy and Finance, with which CDP undertakes substantial transactions in connection with the management of postal savings.

Transactions with the Ministry for the Economy and Finance

The main transactions conducted with the Ministry for the Economy and Finance regarded the liquidity held on the treasury account and lending transactions.

Specifically, CDP's liquidity is deposited on the interest-bearing account no. 29814 at the State Treasury and earns interest, as envisaged by Article 6.1 of the decree of the Minister for the Economy and Finance of 5 December 2003, at a floating 6-month rate equal to the simple arithmetic mean between the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index.

As regards receivables in respect of loans, about 34% of CDP's portfolio is repaid by the State.

CDP also manages loans and postal savings products owned by the MEF, for which it receives a fee established in a specific contract.

Outstanding transactions and the related financial effects at period-end were as follows:

(thousands of euros)

Transactions with Ministry for the Economy and Finance	30/06/2011
Cash and cash equivalents	125,571,614
Financial assets available for sale	2,229,924
Financial assets held to maturity	3,283,783
Loans to customers	32,161,211
Other assets	4,929
Due to customers	3,043,773
Other liabilities	81
Valuation reserves	75,264
Interest income and similar revenues	2,332,836
Interest expense and similar charges	(20,144)
Commission income	1,500
Commitments for loans to be disbursed	5,631,883

Transactions with subsidiaries

Transactions with Terna S.p.A.

During the period, CDP disbursed a loan of €500 million granted to Terna S.p.A. in 2009.

The transactions outstanding at the end of the period and the related financial effects are as follows:

(thousands of euros)

Transactions with Terna S.p.A.	30/06/2011
Loans to customers	502,885
Interest income and similar revenues	2,885
Commission income	340

Transactions with CDPI SGR S.p.A.

Transactions with the subsidiary CDPI SGR regarded a number of services provided by CDP and CDP personnel seconded to CDPI.

Outstanding transactions and the related financial effects at period-end were as follows:

(thousands of euros)

Transactions with CDPI SGR S.p.A.	**30/06/2011**
Other assets	280
Other liabilities	0
Administrative expenses (reimbursement expenses - seconded personnel)	160
Other operating revenues	98

Transactions with associates

Transactions with Eni S.p.A.

The only transactions outstanding at 30 June 2011 with Eni S.p.A. regarded loans from CDP under the Revolving Fund to support enterprises and investment in research.

The impact of the transactions on the CDP's financial statements is summarised below:

(thousands of euros)

Eni S.p.A.	**30/06/2011**
Loans to customers	763
Interest income and similar revenues	2

Transactions with Europrogetti & Finanza S.p.A. in liquidazione

Transactions outstanding at 30 June 2011 with Europrogetti & Finanza S.p.A. in liquidazione regard a loan, which has been fully written down, of about €1.8 million granted by CDP, of which about €298 thousand had not yet been disbursed.

(thousands of euros)

Europrogetti & Finanza S.p.A. in liquidazione	**30/06/2011**
Loans to customers	-
Commitments for loans to be disbursed	298

Transactions with Poste Italiane S.p.A.

Transactions with Poste Italiane S.p.A. outstanding at 30 June 2011 regard the placement and management service for postal savings products, loans granted by CDP and current account transactions.
The service provided by Poste Italiane is remunerated with an annual fee set in a specific agreement between the parties.
Outstanding transactions and the related financial effects at period-end were as follows:

(thousands of euros)

Transactions with Poste Italiane S.p.A.	**30/06/2011**
Loans to customers	521,681
Other liabilities	775,000
Interest income and similar revenues	9,952
Commission expense	(775,000)

ANNEXES

ANNEX 1

LIST OF EQUITY INVESTMENTS

Annex 1

(thousands of euros)

LIST OF EQUITY INVESTMENTS

Name	Registered office	% holding	Carrying amount
A. Listed companies			
1. Eni S.p.A.	Rome	26.37%	17,240,440
2. Terna S.p.A.	Rome	29.85%	1,315,200
B. Unlisted companies			
1. Galaxy S.àr.L. SICAR	Luxembourg	40.00%	25,569
2. Sinloc S.p.A.	Turin	11.85%	5,507
3. Inframed Infrastructure société par actions simplifiée à capital variable (Inframed Fund)	Paris	40.62%	4,823
4. Istituto per il Credito Sportivo	Rome	21.62%	2,066
5. F2i SGR S.p.A.	Milan	15.99%	1,675
6. CDP Investimenti SGR S.p.A.	Rome	70.00%	1,400
7. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa (Marguerite Fund)	Luxembourg	14.08%	1,450
8. Fondo Italiano d'Investimento SGR S.p.A.	Milan	12.50%	500
9. Europrogetti & Finanza S.p.A. in liquidazione	Rome	31.80%	-