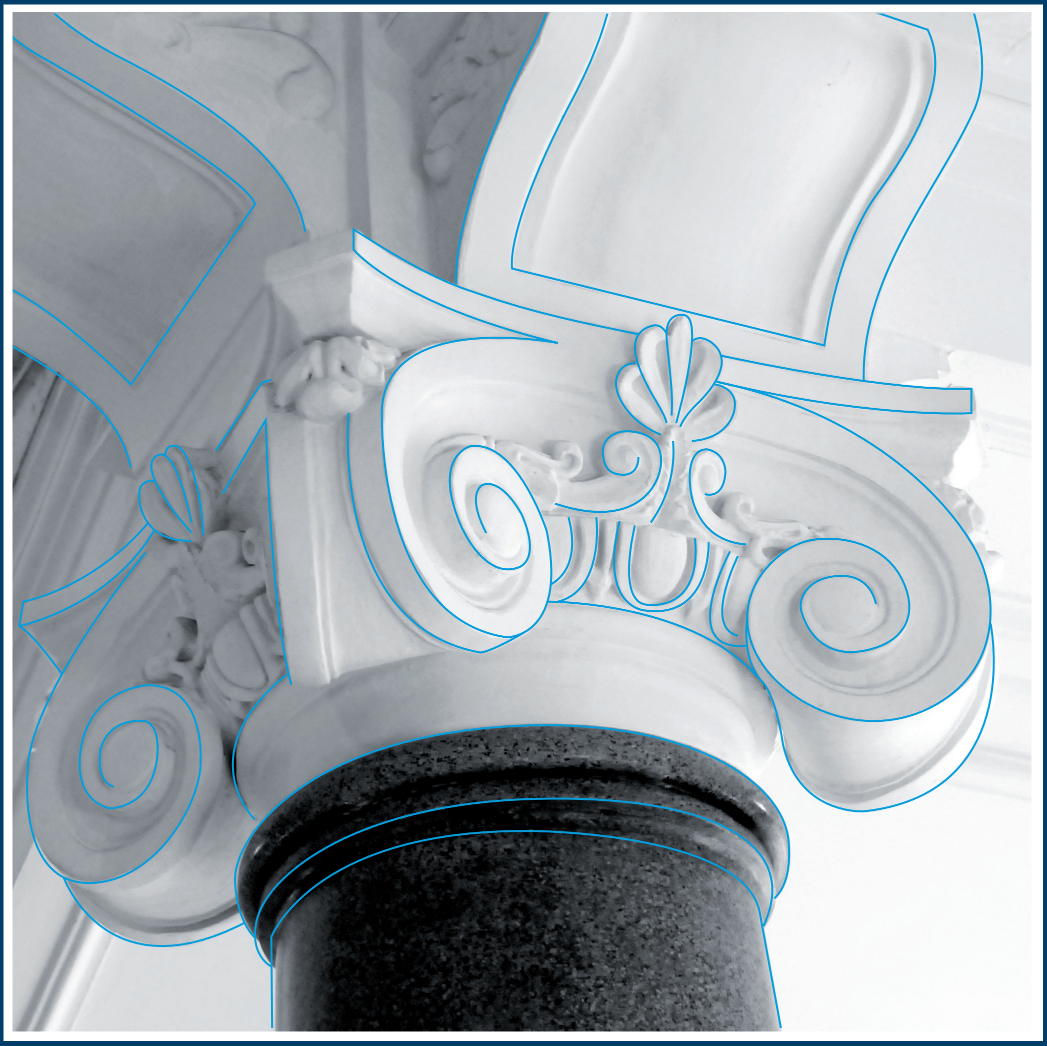
Cassa depositi e prestiti



CDP Spa
Report and Financial Statements
at 31 december 2010

cdp S.p.A.

Cassa depositi e prestiti

Cassa depositi e prestiti

Financial Statements

at 31 December 2010

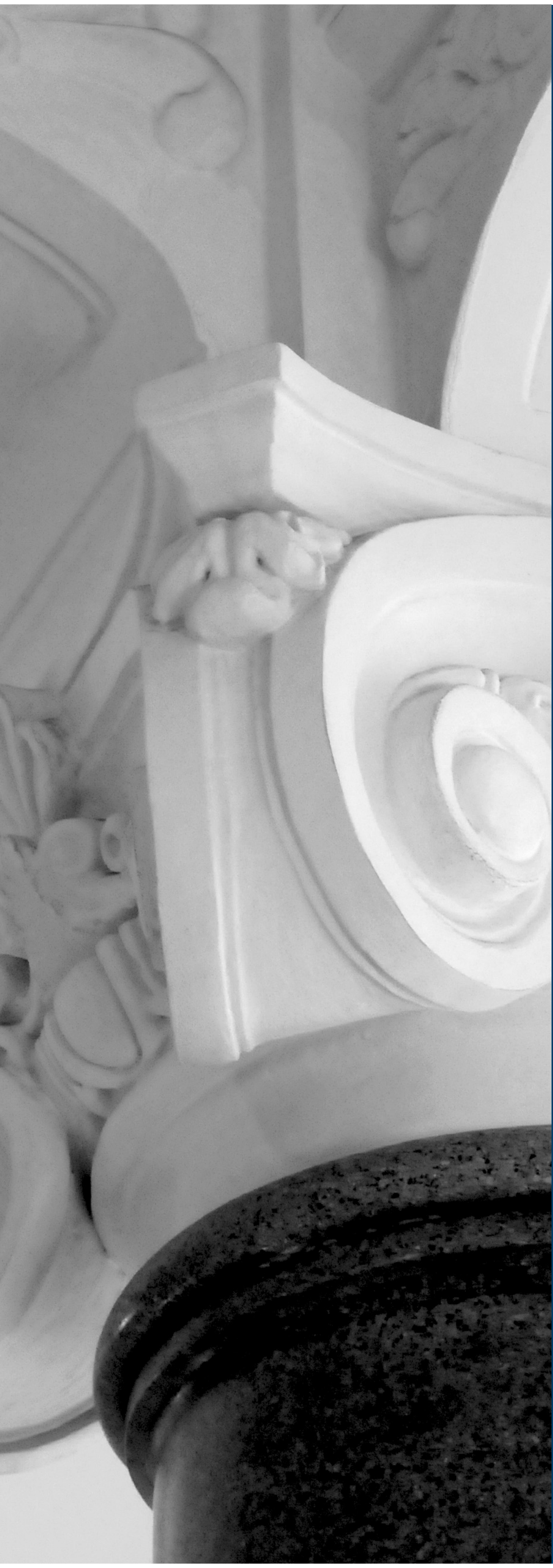
Registered office: Rome - via Goito, 4

Entered in Company Register of Rome at no. 80199230584
Registered with Chamber of Commerce of Rome at no. REA 1053767

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

Tax code 80199230584 – VAT registration no. 07756511007

Contents



CDP S.p.A.

Financial Statements
at 31 December 2010

Administrative and control bodies

Board of Directors (in office at 31 December 2010)

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 326/2003)

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 31 December 2010)

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

KPMG S.p.A.

CDP S.p.A.

Financial Statements
at 31 December 2010

Report on operations

CONTENTS OF THE REPORT ON OPERATIONS

CDP S.p.A.

Financial Statements

at 31 December 2010

Financial highlights

Main indicators

Highlights

(millions of euros)

	2010	2009
RECLASSIFIED BALANCE SHEET DATA		
Total assets	249,183	227,054
Cash and cash equivalents and interbank deposits	127,891	118,380
Loans to customers and banks	91,953	85,178
Equity investments and shares	18,652	18,271
Postal funding	207,324	190,785
Other direct funding	16,386	17,396
Equity	13,726	12,170
RECLASSIFIED PERFORMANCE DATA		
Net interest income	1,659	1,994
Gross income	2,297	2,162
Operating income	2,219	2,091
Net income	2,743	1,725

New lending

(millions of euros)

	Total 2010	Total 2009
Loans to public entities	5,784	6,125
Enterprises and public-private partnerships to develop infrastructure	1,569	2,914
- of which: for projects promoted by public entities	*668*	*1,000*
- of which: to companies for works used to deliver public services	*901*	*1,914*
Enterprises	4,286	2,411
Total new lending	**11,640**	**11,450**

Main indicators

(units; percentages)

	2010	2009
PERFORMANCE RATIOS		
Spread on interest-bearing assets - liabilities	0.8%	1.1%
Cost/income ratio	3.7%	3.7%
ROE	22.5%	17.7%
CREDIT RISK RATIOS		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.104%	0.186%
Net writedowns/Net loans to customers and banks	0.004%	0.001%
RATING		
Standard & Poor's	A+	
Fitch Ratings	AA-	
Moody's	Aa2	
OPERATING STRUCTURE		
Average no. of employees	424	411

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.

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 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) 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 demand funds and by means of fund-raising exclusively from institutional investors.

As to more recent regulatory changes, in January 2010 the shareholders amended the articles of association to take account of the new opportunities offered by the 2010 Finance Act (Law 191/2009). The amendments allow CDP to participate in investment funds whose purpose coincides with those of CDP, such as the new "Fondo Italiano di Investimento per le PMI".

In March 2011, the shareholders further amended the articles of association to reflect changes made to 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 close of the financial year. CDP S.p.A. has elected this option for the approval of its 2010 financial statements, since its listed subsidiary Terna S.p.A. has also exercised this option. However, the company is still required to publish the financial statements approved by the Board of Directors within 120 days of the close 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.

1.2 Company bodies and organisation

At their ordinary meeting on 28 April 2010, the shareholders appointed the new Board of Directors for 2010-2012, with the directors to remain in office until approval of the financial statements for the year ending 31 December 2012. During the same meeting, the new members of the Board of Auditors were also appointed.

For matters concerning the administration of the Separate Account, the ordinary members of the Board of Directors are supplemented by the Director General of the Treasury and the State Accountant General, who may, in turn, appoint their own delegates. During the year, three more members were added as appointed with a decree of the Ministry for the Economy and Finance (MEF) to represent the regions, provinces and municipalities.

In May, the Board of Directors appointed a new Chief Executive Officer and granted the Chairman and new CEO their respective powers.

Finally, as regards the organisational structure in general, in June the Board of Directors, acting on a proposal of the CEO, appointed a new General Manager and approved initial changes to the CDP organisation.

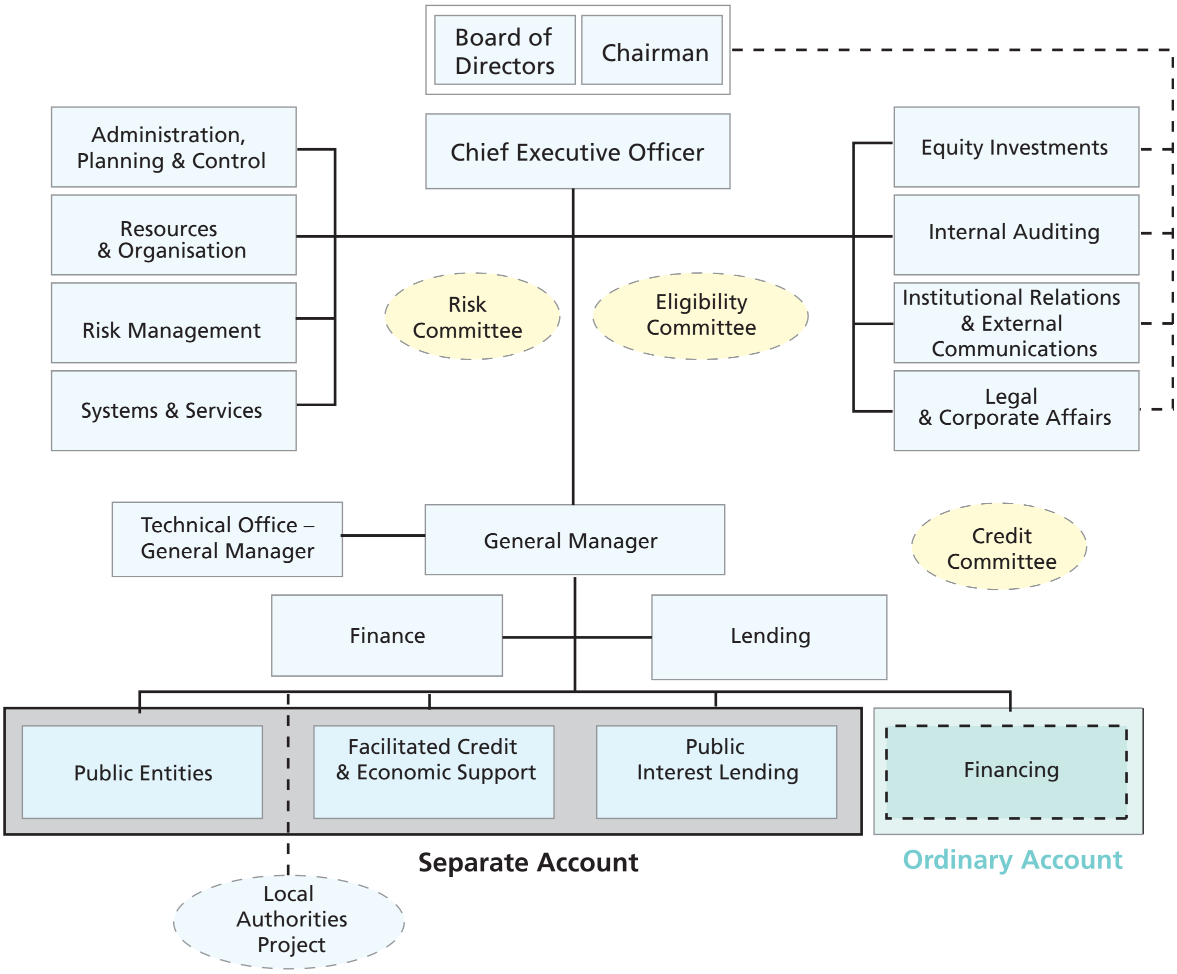
1.3 First-level organisation chart

Based on the organisational structure in effect as of April 2011, the following functions report to the CEO: Administration, Planning and Control; Resources and Organisation; Risk Management; and Systems and Services.

The following functions also report directly to the CEO, as well as functionally to the Chairman of the Board of Directors: Equity Investments; Internal Auditing; Institutional Relations and External Communications; and Legal and Corporate Affairs.

Finally, the General Manager reports to the CEO and is in charge of managing the following business areas: Public Entities; Facilitated Credit and Economic Support; Public Interest Lending; Financing; as well as management of the Local Authorities Project. The following business support areas also report to the General Manager: Technical Office – General Manager; and Lending and Finance.

Accordingly, the company's organisation chart as at 20 April 2011 is as follows.



In 2010, a Risk Committee was also created to complete this structure. The committee is responsible for setting policy and managing risk and for supporting the CEO in assessing especially significant operational risks. It joins the existing Eligibility and Credit Committees. The former issues mandatory opinions concerning the eligibility of CDP lending transactions pursuant to the law and the articles of association, while the latter issues mandatory opinions regarding the feasibility of lending transactions in terms of creditworthiness and financial sustainability.

1.4 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 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 regrouped. 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 the 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 31 December 2010, 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.

The contribution of the Separate Account and the Ordinary Account to CDP S.p.A.'s performance is detailed in the Annexes to the financial statements.

2. The market

2.1 The macroeconomic situation

The pace of the global economic recovery was virtually stable throughout 2010 (real GDP expanded by 5%), supported by rising private consumption, especially in emerging countries, and partially by the stimulus measures that continued to be applied during the year[1]. Nevertheless, the revival appears to be moving "at two speeds", with emerging economies growing at more than double the rate of the advanced economies (7% and 3%, respectively). In 2010, the United States saw its economy expand by 2.8%, the euro area by 1.8% and Japan by 4.3%, while the emerging countries posted even greater gains (China +10.3%, India +9.7%, Brazil +7.5%).

The IMF recently drew attention to the rising prices of raw materials, which increased considerably in 2010. More specifically, the price of oil reflected the upward pressure of world demand and the recent political and social upheaval in a number of oil-producing countries in North Africa and the Middle East, a situation expected to persist in 2011, fostering adverse shocks on the supply side. Another threat comes from the rise in food prices due to extraordinary seasonal and climatic factors, in addition to growing demand.

In this environment, while inflation has been relatively moderate over the short term due to uncertainty concerning the global economic recovery and the monetary policies of the major central banks, which remain accommodating, it could accelerate in response to the prices of oil and other raw materials and a more robust expansion of the world economy.

The deterioration in the public finances of all the advanced economies adds another element of weakness to the global picture, with persistent deficits that are significantly worsening the levels of debt of the major countries, which have already been severely burdened by special measures connected with bail-out and economic stimulus plans. Furthermore, there continues to be concern about the labour market due to the low level of capacity use, which has inhibited investment in durable goods.
As to Italy, GDP grew by 1.3% in 2010[2], although this was below the European average. The growth in the Italian economy was spurred by a robust resurgence in exports, curbed, however, by weak domestic demand and limited growth in industrial production.

1 See *World Economic Outlook Update*, IMF, 25 January 2011.
2 See *Pil e indebitamento AP*, ISTAT, March 2011.

Despite the recovery, the labour market has remained stagnant, with employment continuing the decline that began in 2009 (which was particularly steep in the industrial sector), although a few positive signals are beginning to emerge, such as a reduction in recourse to extraordinary Wage Supplementation and that under waivers.

In this context, inflation is showing signs of resurgence, although it remains under control overall, reaching just 1.9% in 2010, broadly in line with the rest of the euro area.

In the banking sector, while there was a slight reduction in funding at end-2010 due to lower deposits by residents, the volume of lending to the private sector rose, driven by a higher demand from enterprises in response to the recovery in economic activity. However, as emphasised by several sources (the Bank Lending Survey and ISAE), the lending terms are still quite restrictive, especially for SMEs and the manufacturing sector. Finally, the ratio of new bad debts to loans, equal to 2%, remains high, although it is in line with the 2009 figure.

2.2 The financial market and rates

Conditions in the international financial markets are continuing to show signs of improvement, despite the considerable strains in the markets for government securities in Europe. The euro-area official rates have remained stable (1% the policy rate, 1.75% the rate on the marginal lending facility and 0.25% the overnight deposit facility rate) in view of the inflationary signals, not yet a cause for concern, observed by the European Central Bank. In the United States, the main interest rates have remained in line with those registered over the preceding months (a discount rate of 0.75% and a federal funds rate target of between 0% and 0.25%), confirming the accommodating stance of the Federal Reserve. The yields on government securities in all the major advanced economies rose steadily over the last few months of 2010, having factored in market expectations about the positive outlook for economic growth and developments in inflation. Extreme tensions were experienced in European sovereign debt markets in response to the crises in several countries (Ireland, Greece, Portugal and Spain), with spreads against the rates on German bunds reaching their highest levels since the introduction of the single currency.

As to Italy, despite the high volatility in the securities markets, spreads have remained under control and have not compromised auction outcomes. After rising in the first few months of 2010, CDS quotes (which reflect credit risk as perceived by investors) were essentially stable (on average 217 basis points) over the rest of the year. The increase in the overall risk for the euro area, the deterioration in the fiscal and financial position of many Member States (confirmed by the decline in the credit ratings issued by many rating agencies) and the heightened speculation in the securities issued by "peripheral countries" spurred the reform of governance in Europe, which in the coming years could bolster the euro area's credibility, with the creation of new intervention mechanisms such as the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM).

Growing instability in North Africa and the Middle East would seem to have fostered a strengthening in the US dollar against the other major currencies, in particular the euro and the yen. The euro has also been weighed down by uncertainties surrounding sovereign debt levels: at the end of 2010, the US dollar had appreciated by about 7% compared with its value at the start of the year.

The stock markets continue to experience a recovery marked by substantial volatility. Especially in the United States, the main indices have returned to their pre-crisis levels, buoyed by strong corporate earnings, generating large gains for investors. In Europe, the rebound was more contained, since investors are still concerned about the uncertainty of the recovery and, above all, the stability of the financial markets.

2.3 Public finances

The recourse to discretionary measures to rescue the banking and financial system, the impact of automatic stabilisers activated in response to developments in the economic cycle and the decline in tax revenues due to the sharp slowdown in economic activity have all contributed to the deterioration in the public finances of all the advanced economies, with an increase in both budget deficits and the ratio of public debt to GDP. In Italy, the general government borrowing requirement improved slightly in 2010 (from -5.4% to -4.6% of GDP).

According to ISTAT data, the improvement is the result of the progress achieved in the primary balance, which is now virtually in balance (-0.1%) as a result of the essential stability of interest expense.

Total general government debt rose from 116% to 119% of GDP over the 2009-2010 period. Although substantial, the rise is still smaller than that reported by other major European countries and by the United States, confirming the good performance of public finance parameters during the most acute stages of the crisis.

Analysing the debt of regional and local governments and loans to central government departments, which represent CDP's target market, the stock of loans disbursed to regional and local governments at 31 December was equal to € 78 billion, an increase of 1.5% from the end of 2009 (€ 77 billion). At the same date, the stock of securities issued by regional and local governments was more than € 27 billion, a decline of more than 4% from the end of 2009 (€ 29 billion).

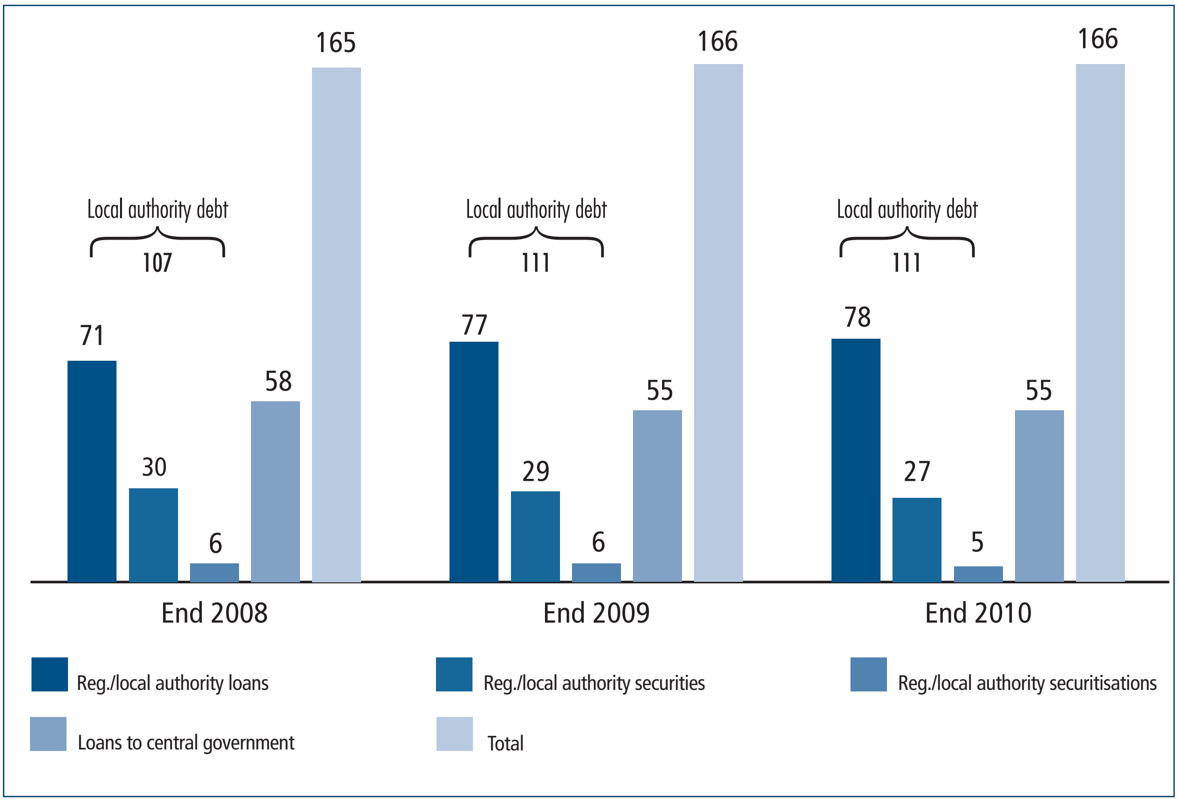
The total debt of regional and local governments therefore amounted to € 111 billion, including securitisation transactions recognised as debt (€ 5 billion), in addition to loans and securities issued.

The largest share was accounted for by local governments (provinces and municipalities), which accounted for about 52% of the total (€ 58 billion), followed by the regions, which accounted for 38% (€ 42 billion), with other entities accounting for 10% (€ 11 billion).

Therefore, regional and local governments posted a 0.4% decrease (equal to € 403 million) in total debt compared with the end of 2009, due to the decline (of over 4%) in securities, only partially offset by the rise (up 1.5%) in loans, which make up 71% of the total debt. A breakdown by type of entity reveals an increase in the contribution of local governments (€ 520 million), more than offset by the decline posted by other entities (€ 525 million) and by regional governments (€ 397 million).

Loans with costs borne by the central government amounted to about € 55 billion at the end of 2010, an increase of 0.1% over the end of 2009.

Stock of regional and local authority debts and loans to central government *(€ billions)*



Source: Bank of Italy - Supplementi al Bollettino Statistico

2.4 Infrastructure and public-interest loans

The leading sources of financing for public works in Italy fall under the Framework Infrastructure Act, the Infrastructure Fund and the Under-utilised Areas Fund (UAF), in addition to European Community resources through the Structural Funds. On the other hand, at the planning level, the most important instruments used in the infrastructure sector are the Strategic Infrastructures Programme (Framework Infrastructure Act), the national 2007-2013 "Networks and Mobility" Programme and the 2007-2013 regional plans of the Structural Funds and the UAF.

The Strategic Infrastructures Programme[3] (SIP) is funded mainly by the Infrastructures Fund, the UAF and the Framework Infrastructure Act. The Programme's total value at April 2010 came to € 358 billion[4], for a total of 348 projects, of which 182 have already been approved by CIPE (Interministerial Economic Planning Committee – € 131 billion, or 37% of the Programme). Of these 182 works, 71 are still in the planning process, while 38 projects are under way for a total of over € 31 billion. The contract-award process has been completed for 16 projects (worth about € 28 billion), while 28 works, worth around € 7 billion, have been completed. The remaining 29 projects are going through the tender process, are being implemented or have been suspended. The SIP mainly provides funding for road projects, railways, rapid mass transport and waterworks, which represent 85.5% of the total cost of the projects approved by CIPE. However, compared with other works, the state of progress reflects the fact that the process is more complex and so there is considerably more delay. A geographical breakdown of these works shows that 41% are in northern Italian regions, 43% in the South and 14% in central Italy, with 2% involving more than one area. This is also reflected in the distribution of the funding: the North receives over € 71 billion (about 54% of total funding), the South gets just under € 39 billion (30%) and the Centre around € 20 billion (16%).

A major part of the resources for infrastructure is allocated to programmes financed through the Structural Funds and the Fund for Under-utilised Areas[5]. These programmes provide a total of € 42.3 billion for investments in infrastructure (€ 35.6 billion in the South and € 6.7 billion in Central and Northern Italy)[6], but they are not currently at a particularly advanced stage.
These accumulated delays in disbursing resources are due, in particular, to the closure of the previous Structural Funds programming period (2000-2006), which prompted regional governments to focus their efforts on programmes falling under the previous programming mechanism until mid-2009, and the replanning of national UAF resources, a move that has generated uncertainty regarding the financing available to implement policies in favour of under-utilised areas. This uncertainty caused regional governments to postpone decisions on the use of Structural Funds so that they could

3 See *Quinto Rapporto sull'attuazione della Legge Obiettivo*, Chamber of Deputies, July 2010.
4 The cost refers to the entire programme monitored at April 2009, with the supplemental costs reported in the 2010-2013 Economic and Financial Planning Document (EFPD) and new funding requests from the regions.
5 See *Osservatorio Congiunturale sull'Industria delle Costruzioni*, ANCE Cresme, November 2010.
6 ANCE estimates based on *Osservatorio Congiunturale sull'Industria delle Costruzioni*, November 2010.

possibly amend the content of certain measures using the flexibility given them under European regulations. A further difficulty is posed by the incorporation of changes made to the administrative financial control procedures for programmes. Finally, although in June 2010 the European Union introduced a degree of flexibility in managing these funds, certain programmes already risk having to return the resources to Brussels. The poor progress made in these programmes is partly the result of the freeze on national co-financing under the domestic Stability Pact, which could force the return of € 9.6 billion in European funding (ERDF) during the 2011-2015 cycle.

There has been a great deal of fluctuation in the public works market in recent years, with rapidly succeeding periods of growth and contraction. Expenditure in 2009 matched that for 2008 (around € 30 billion), while in the first five months of 2010, the market fell once again, contracting by about 5%[7]. The number of tenders held fell steadily between 2002 and 2009 (-47.5%), with an additional decline of 2.7% in the first five months of 2010 compared with the same period of 2009. The developments in the first five months of the year did not have an effect on the change that has been occurring in the public works sector since 2002, when the Strategic Works Programme took effect, which has involved a considerable increase in expenditure (spending levels have stabilised around € 30 billion in recent years) and a constant decline in the number of tenders held between 2003 and 2009. This transformation has brought about a substantial rise in the average value of tenders, from € 716 thousand in 2002 to € 1.8 million in 2009, and a gradual widening of the gap between small- and large-scale works, to the advantage of the latter. In 2009, resources were concentrated in a small number of major infrastructure projects, while the number of medium- and small-scale projects continued to fall. However, since public resources can only provide a portion of funding for the construction of major public infrastructures, that latter will increasingly depend on the use of public-private partnerships (PPPs). PPPs have taken on a growing role in the public works market: the number of such initiatives doubled during the year, accounting for 10% of works tendered and almost one-third of the resources available.

7 Source: Cresme Europa Servizi based on tender and contract award data.

RESULTS OF CASSA DEPOSITI E PRESTITI

3. Performance and financial position

The following is an analysis of the accounts as at 31 December 2010. In order to facilitate 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 2010, new lending to customers and banks, amounted to about € 11.6 billion, a slight increase over 2009 (+2%), although there was a different mix of areas of business. While lending to companies through instruments to support the economy performed strongly (thanks in particular to the availability of the new SME lending instrument), other types of lending decreased, with the sharpest contraction coming in financing for infrastructure and other public works, while that in lending to public entities was less severe.

New lending

(millions of euros)

Business lines	2010	2009	% change
Public entities	5,784	6,125	-5.6%
Enterprises and public-private partnerships to develop infrastructure	1,569	2,914	-46.1%
- of which: for projects promoted by public entities	*668*	*1,000*	*-33.2%*
- of which: to companies for works used to deliver public services	*901*	*1,914*	*-52.9%*
Enterprises	4,286	2,411	77.7%
Total lending to customers and banks	**11,640**	**11,450**	**1.7%**
Equity investments and funds *	18	33	-46.2%
Total lending by business line	**11,657**	**11,483**	**1.5%**

* Does not include non-recurring changes, namely the share exchange with the MEF in 2010 and the subscription/purchase of additional holdings in Enel and STMicroelectronics Holding in 2009

More specifically, new lending in 2010 was mainly in the form of direct lending to public entities (€ 5.8 billion, or 50% of the total) and lending to enterprises through instruments to support the economy (€ 4.3 billion, 37% of the total), especially through the resources for SMEs. In addition, financing for companies and public-private partnerships to develop infrastructure projects came to about € 1.6 billion (13% of the total).

A breakdown of new CDP lending by sector for 2010 shows that a considerable amount of resources went to investments in transportation networks and local public services (over € 5 billion, or 46% of the total). Loans to SMEs and export finance (almost € 4 billion, or 31% of the total) and financing for public building and social housing projects (over € 2 billion, or 18% of the total) also accounted for significant shares.

New lending

(millions of euros)

Sector	2010
Transport networks and local public services *	5,396
SMEs and export finance	3,661
Public building and social housing	2,138
Energy and telecommunications	301
Research and innovation	102
Environment and renewable resources	59
Total lending by sector	**11,657**

* Includes loans granted for major public works and diversified investment programmes to public entities

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 31 December 2010 can be grouped into the following aggregates.

Reclassified balance sheet

(millions of euros)

	31/12/2010	31/12/2009	% change
ASSETS			
Cash and cash equivalents and interbank deposits	127,891	118,380	8.0%
Loans to customers and banks	91,953	85,178	8.0%
Debt securities	5,464	692	n/s
Equity investments and shares	18,652	18,271	2.1%
Assets held for trading and hedging derivatives	1,223	1,200	1.9%
Property, plant and equipment and intangible assets	205	210	-2.7%
Accrued income, prepaid expenses and other non-interest-bearing assets	2,965	2,450	21.0%
Other assets	829	673	23.2%
Total assets	**249,183**	**227,054**	**9.7%**

As at the end of 2010, total assets came to € 249 billion, an increase of almost 10% over the previous year, when the total was € 227 billion.

On the whole, this increase was due mainly to the change in cash and cash equivalents (particularly the balance on the treasury account, equal to € 123 billion), which has almost reached € 128 billion (+8% over 2009). This increase was due mainly to the substantial flow of net funding from postal savings in 2010, as well as the increase in the interbank treasury balance.

The stock of "Loans to customers and banks", which came to € 92 billion, rose substantially compared with the end of 2009 (+8%). The increase was greater in 2010 than in the previous year due to the considerable volume of new loans and the start of repayment of loans granted in past years (with regard to loans granted to public entities), as discussed further on.

"Debt securities" totalled more than € 5 billion, a significant increase from the end of 2009. The growth was mainly due to the subscription of government securities during the year, primarily for the purpose of investing cash.

There was a 2% increase in the carrying amount of equity investments and shares (nearly € 19 billion at the end of the 2010, compared with € 18 billion at the end of 2009). The composition of

CDP's stock portfolio changed during the year, mainly as a result of the exchange of shares with the MEF and, to a lesser extent, to new draws on investment funds in the portfolio.

"Assets held for trading and hedging derivatives" posted a slight increase over 2009 (+2%). 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 31 December 2010, this balance benefited from the increase in the fair value of the derivatives hedging liabilities, along with a corresponding decrease in the fair value of the funding being hedged. The item also reflects the decline 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 non-current assets came to € 205 million, of which € 204 million in property, plant and equipment and the remainder in intangible assets. The total declined because investments made during 2010 were less than depreciation and amortisation recognised on existing assets during the year. Specifically, there was a decline in capital expenditure during the year (in the amount of € 3 million for 2010, compared with € 5 million in 2009), the net result of a reduction in investment for the major renovation of properties owned by CDP and purchases of software licenses during the year.

"Accrued income, prepaid expenses and other non-interest-bearing assets" increased by € 515 million from the end of 2009, going from € 2,450 million to € 2,965 million. This change was attributable to the combined effect of a decline in CDP's receivable for interest accrued on the balances of the treasury account and an increase in the fair value of the loans hedged for financial risk using derivative instruments (which increased from 2009), which, as discussed below, is matched by an increase in the negative fair value of the related hedge derivatives.

Finally, "Other assets", in the amount of € 829 million, include the balance of current and deferred tax assets as well as payments on account for withholding on interest on postal passbooks and other sundry assets.

DEVELOPMENTS IN LOANS TO CUSTOMERS AND BANKS

As at 31 December 2010, "Loans to customers and banks" totalled € 91,953 million, up from € 85,178 million at the end of 2009. The greatest contribution continued to come from the Public Entities unit, although there was also an increase from the previous year in the relative weight of lending for the Facilitated Credit and Economic Support unit, particularly related to SME lending. The contribution of the Financing unit was essentially unchanged.

Stock of loans to customers and banks

(millions of euros)

	31/12/2010	31/12/2009	% change
Public Entities	84,669	80,788	4.8%
Facilitated Credit and Economic Support	3,860	1,054	266.2%
Financing	3,419	3,336	2.5%
Public Interest Lending	7	-	n/s
Other loans	(1)	-	n/s
Total loans to customers and banks	**91,953**	**85,178**	**8.0%**

The overall balance related to commitments to disburse funds and guarantees came to € 13,079 million, down from € 14,023 million at the end of 2009. The reduction was due to the combination of various factors: for the business areas (all with the exception of Public Entities) in which the stock increased, the rise was due to greater loans approved compared with loans disbursed during the period; for those for which the stock declined, the fall was due to the start of repayment on loans granted previously (the Public Entities unit).

Commitments to disburse funds and guarantees

(millions of euros)

	31/12/2010	31/12/2009	% change
Public Entities	6,993	9,026	-22.5%
Facilitated Credit and Economic Support	2,869	2,596	10.6%
Financing	1,557	1,401	11.1%
Public Interest Lending	1,660	1,000	66.0%
Total commitments to disburse funds and guarantees	**13,079**	**14,023**	**-6.7%**

3.1.2 Liabilities and equity

The reclassified liabilities and equity of CDP at 31 December 2010 can be grouped into the following aggregates.

Reclassified balance sheet

(millions of euros)

	31/12/2010	31/12/2009	% change
LIABILITIES AND EQUITY			
Funding	230,832	210,633	9.6%
- of which: postal funding	*207,324*	*190,785*	*8.7%*
- of which: funding from banks	*7,122*	*2,452*	*190.5%*
- of which: funding from customers	*9,121*	*9,191*	*-0.8%*
- of which: funding from bonds	*7,265*	*8,205*	*-11.5%*
Liabilities held for trading and hedging derivatives	2,180	1,675	30.1%
Accrued expenses, deferred income and other non-interest-bearing liabilities	730	770	-5.3%
Other liabilities	1,229	1,254	-2.0%
Provisions, taxes and staff severance pay	487	551	-11.7%
Equity	13,726	12,170	12.8%
Total liabilities and equity	**249,183**	**227,054**	**9.7%**

Total funding as at 31 December 2010 came to almost € 231 billion (+10% from the end of 2009). Within this aggregate, postal funding continued to grow (+9% about from the end of 2009) thanks to the positive flow of net funding for CDP during the period, with the stock, which comprises passbook savings accounts and postal savings bonds, surpassing € 207 billion.

Also contributing to the balance of funding, albeit to a lesser extent, was: (i) funding from banks (which increased from over € 2 billion in 2009 to more than € 7 billion in 2010), the rise in which is mainly attributable to interbank funding and, to a lesser extent, new draws on EIB lines of financing; (ii) funding from customers, related to the portion of specific-purpose loans in repayment as at 31 December 2010 and not yet disbursed, came to around € 9 billion, in line with the figure for 2009; (iii) funding from bonds, down 11% from € 8 billion in 2009 to € 7 billion in 2010, due to redemptions of covered bonds issued (in the amount of € 1 billion), which was only partially offset by net funding through EMTN issues (+€ 52 million from 2009).

"Liabilities held for trading and hedging derivatives" posted an increase of more than € 500 million on the end of 2009, going from € 1,675 million to € 2,180 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 improvement recognised in respect of the fair value of the option component to be unbundled from the indexed bonds and Premia bonds only partially offset the decrease in the fair value of the derivatives 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", amounting to € 730 million at the end of 2010, posted a slight decline from 2009 of about € 40 million due to the reduction in the fair value of the funding being hedged and in certain liabilities to customers to be settled, only partially offset by an increase in exchange rate differences on bond issues.

The balance of "Other liabilities" came to € 1,229 million at the end of 2010, a decrease of € 25 million from the end of 2009. This change was mainly due the lower debt due to Poste Italiane S.p.A. accrued in respect of remuneration of placement services and administrative and accounting services for postal savings for 2010.

"Provisions for contingencies, taxes and staff severance pay" totalled € 487 million at the end of 2010, attributable mainly to provisions for tax, which include payables related to current and deferred taxes for the year. This was less overall than the level at the end of 2009 (€ 551 million).

Finally, "Equity" at the end of 2010 came to almost € 14 billion. The increase over 2009 (+13%) was due to the net effect of net income for the year and a decline in the reserves for financial assets available for sale, which reflect the fair value measurement of equity investments (referring to Enel and Eni in 2009 and just Eni in 2010). As a result of the reclassification of the investment in Eni, from financial assets available for sale to equity investments, the value of this reserve will remain fixed and therefore will no longer fluctuate in reflection of changes in fair value.

3.1.3 Balance sheet ratios

Main indicators (reclassified data)

	2010	2009
Loans to customers and banks/Total assets	36.9%	37.5%
Loans to customers and banks/Postal funding	44.4%	44.6%
Equity investments and shares/Equity	1.36x	1.50x
Gross bad debts and substandard loans/Gross loans to customers and banks	0.104%	0.186%
Net bad debts and substandard loans/Net loans to customers and banks	0.037%	0.042%
Net writedowns/Net loans to customers and banks	0.004%	0.001%

In 2010, the growth in funding from postal savings outpaced the increase in new loans to customers and banks. Therefore, this resulted in an increase in the ratio of the stock of postal savings funding to total loans to customers and banks.

The ratio of equity investments and securities to the company's total equity decreased slightly, since the new investments CDP made during the year were more than offset by the increase in equity.

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.

Reclassified income data

(millions of euros)

	31/12/2010	31/12/2009	% change
Net interest income	**1,659**	**1,994**	**-16.8%**
Dividends	1,135	971	16.8%
Net commissions	(710)	(909)	-21.9%
Other net revenues	213	106	101.0%
- of which: Enel gain	*129*	-	*n/s*
Gross income	**2,297**	**2,162**	**6.2%**
Net writedowns	(4)	(1)	211.1%
Overheads	(86)	(80)	7.2%
- of which: administrative expenses	*(77)*	*(71)*	*8.4%*
Operating income	**2,219**	**2,091**	**6.1%**
Gain on equity investments	948	-	n/s
Net income	**2,743**	**1,725**	**59.0%**

The results achieved in 2010 were, on the whole, positive for CDP, which benefited from the gain on the share exchange carried out with MEF in December 2010, even considering the difficult macroeconomic environment and the negative impact, for both CDP and the entire banking system, of the decline in margins resulting from the low levels to which interest rates fell.

Net interest income, in particular, came to € 1,659 million, a decline of 17% from 2009 due to the narrowing of the margin between lending and funding. As a result of the decline in market interest rates, lending rates fell more rapidly and substantially than the cost of funding, given the all-time lows reached by the rates on postal savings.

The decline in net interest income was more than offset by the increase in dividends (+17%) and the reduction in commission expense on postal savings (-22% in net commission expense), which was due mainly to the new commission framework introduced with the 2010 agreement with Poste Italiane S.p.A.

An additional factor was the positive contribution from other net revenues, which doubled between 2009 and 2010, including the gain on the exchange of Enel shares to the MEF, penalties on the early repayment of loans, the assignment of loans and the improvement in the result on hedging operations. However, these positive effects were only partially mitigated by the deterioration in the net result on trading activities, which had been boosted in 2009 by the change in the net fair value of a number of hedges of postal savings bonds that were then closed between the end of 2009 and early 2010.

Overhead costs comprise staff costs and other administrative expenses, as well as writedowns of non-current assets.

Breakdown of overheads

(thousands of euros)

	31/12/2010	31/12/2009	% change
Staff costs	**46,141**	**45,273**	**1.9%**
Other administrative expenses	**30,618**	**25,560**	**19.8%**
Professional and financial services	6,986	5,909	18.2%
IT expenses	8,647	6,271	37.9%
General services	6,861	6,372	7.7%
Entertainment and marketing expenses	2,232	1,647	35.5%
Information resources and databases	1,184	1,144	3.4%
Utilities, taxes and other expenses	4,367	3,967	10.1%
Corporate bodies expenses	342	251	36.6%
Total administrative expenses	**76,759**	**70,833**	**8.4%**
Net adjustments of non-current assets	8,812	9,012	-2.2%
Total	**85,571**	**79,845**	**7.2%**

Staff costs amounted to € 46 million in 2010, up 2% over 2009.
This change was due to both higher costs as a result of a rise in the average number of CDP employees in 2010 compared with 2009 and to non-recurring expenses incurred in 2010 for termination indemnities owed to the previous Chief Executive Officer since he was not reappointed, only partially offset by lower non-recurring charges recognised in relation to the plan for the voluntary early termination of employment for a number of employees, incurred in 2009.

Other administrative expenses, in the amount of more than € 30 million, rose 20% over 2009. This change was the result of: (i) higher costs for legal, professional and financial services in support of new business projects and for redesigning internal processes and the organisational structure; (ii) expenses connected with the start of the project to outsource the technology infrastructure, (iii) higher costs incurred for promotional activities and event organisation.

Taking into account the gain realised on the exchange of shares of Poste Italiane and STMicroelectronics Holding (worth around € 948 million) with MEF, the other remaining items and taxes, net income for 2010 amounted to € 2,743 million, up 59% over 2009 (€ 1,725 million).

Excluding the non-recurring factors that affected performance positively in 2010, namely the gain on the exchange of shares with the MEF (of around € 1,076 million) and, in 2009, the discharge of the tax liability on tax-deferred reserves in the amount of € 113 million and the measurement of a number of derivatives no longer recognised under hedge accounting in the amount of about € 98 million, which net of tax effects increased net income by € 179 million, net income would have increased by about 8% between the two periods.

Reclassified income data - *pro forma* excluding non-recurring items

(millions of euros)

	31/12/2010	31/12/2009	% change
Net interest income	**1,659**	**2,009**	**-17.4%**
Dividends	1,135	971	16.8%
Net commissions	(710)	(909)	-21.9%
Other net revenues	85	(7)	n/s
Gross income	**2,168**	**2,064**	**5.0%**
Net writedowns	(4)	(1)	211.1%
Overheads	(86)	(80)	7.2%
Operating income	**2,090**	**1,993**	**4.9%**
Net income	**1,666**	**1,545**	**7.8%**

CDP's performance can also be analysed based on the contribution of each business unit to the main margins.

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	373	9	26	-	1,251	1,659
Gross income	376	9	32	3	1,877	2,297
Operating income 2010	**367**	**7**	**31**	**2**	**1,811**	**2,219**
Operating income 2009	***386***	***1***	***22***	***0.1***	***1,682***	***2,091***

As in 2009, the greatest contribution comes from the Public Entities unit, which contributed about 22% of net interest income and more than 17% of total operating income. The contribution of the Facilitated Credit and Economic Support unit and the Financing unit is still limited, although higher, in absolute terms, than the previous year. In 2010, the Public Interest Lending business unit made its first contribution to performance. 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 2010, this aggregate was higher than in 2009, since the decline in the net interest income was more than offset by lower commission expense, higher dividends and the gain on Enel shares following the exchange with the MEF.

3.2.2 Performance indicators

Main indicators (reclassified data)

	2010	2009
Net interest income/Gross income	72.2%	92.2%
Net commissions/Gross income	-30.9%	-42.1%
Other revenues/Gross income	58.7%	49.8%
Commission expense/Postal funding	0.3%	0.5%
Spread interest-bearing assets - liabilities	0.8%	1.1%
Cost/income ratio	3.7%	3.7%
Cost/income ratio (including commission expense on postal funding)	26.8%	32.4%
Net income/Opening equity (ROE)	22.5%	17.7%
Net income/Average equity (ROAE)	21.2%	15.8%

Analysing these indicators, we see a significant drop in the contribution of net interest income to CDP revenues compared with 2009, which is due to the aforementioned contraction in the spread between lending and funding rates, which went from more than 110 basis points in 2009 to around 80 basis points in 2010 due to the trend in market rates, which had an unbalanced impact on assets and liabilities (including funding from postal savings, on which rates are already at an all-time low).

As mentioned, the contraction in net interest income was offset by the increase in gross income, i.e. the decline in the amount of net commission expense accrued and higher revenues from dividends, the early loan repayment penalties, the assignment of loans and the gain on the transfer of Enel shares to the MEF.
We have also seen substantial stability in the indicators of operating efficiency from 2009, such as in the cost/income ratio, as the increase in revenues was offset by an increase in overheads. However, if we also include postal savings management commissions, this ratio declines due to the decrease in commission expense accrued in 2010 compared with 2009.

Finally, for 2010, return on equity (ROE) increased significantly, from around 18% to almost 23%. However, the change in this ratio reflects the considerable increase in net income in 2010 due to the gain on the share exchange with the MEF. Excluding non-recurring items in 2009 and 2010, the ratio would have fallen slightly from 2009.

3.3 Reconciliation of the reclassified financial statements

The following is a reconciliation between the financial statements required under Bank of Italy Circular 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

(millions of euros)

	2010	Assets - Reclassified schedules							
		Cash and cash equivalents	Loans to customers and banks	Debt securities	Equity investments and shares	Assets held for trading and hedging derivatives	Property, plant and equipment and intangible assets	Accrued income, prepaid expenses and other non-interest-bearing assets	Other assets
ASSETS									
10. Cash and cash equivalents	123,751	122,536						1,215	
20. Financial assets held for trading	856					856			
40. Financial assets available for sale	2,288			2,206	69			13	
50. Financial assets held to maturity	2,947			2,876				71	
60. Loans to banks	9,027	5,355	3,652					20	
70. Loans to customers	90,330		88,301	382				1,646	
80. Hedging derivatives	367					367			
100. Equity investments	18,583				18,583				
110. Property, plant and equipment	200						200		
120. Intangible assets	5						5		
130. Tax assets	461								461
150. Other assets	368								368
Total assets	**249,183**	**127,891**	**91,953**	**5,464**	**18,652**	**1,223**	**205**	**2,965**	**829**

Balance sheet - Liabilities and equity

(millions of euros)

	2010	Liabilities and equity - Reclassified schedules: Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest-bearing liabilities	Other liabilities	Provisions, taxes and staff severance pay	Equity
Liabilities and equity							
10. Due to banks	7,241	7,057		184			
20. Due to customers	106,989	106,861		127			
30. Securities issued	117,332	116,913		419			
40. Financial liabilities held for trading	940		940				
60. Hedging derivatives	1,176		1,176				
70. Adjustment of financial liabilities hedged generically	64		64				
80. Tax liabilities	477					477	
100. Other liabilities	1,229				1,229		
110. Staff severance pay	1					1	
120. Provisions	9					9	
130. Valuation reserves	1,250						1,250
160. Reserves	6,234						6,234
180. Share capital	3,500						3,500
200. Net income for the period	2,743						2,743
Total liabilities and equity	**249,183**	**230,832**	**2,180**	**730**	**1,229**	**487**	**13,726**

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 main credit products that the Public Entities unit provides continue to include: ordinary loans and flexible specific-purpose loans for local authorities; loans without a pre-repayment grace period disbursed in one or more instalments for regional governments; real estate and unsecured loans for other non-territorial public entities. The flexible loan has also been revised in 2010 in order to meet borrower's needs more effectively and access to credit through real estate loans, loans secured by financial guarantees and unsecured loans was expanded to include a broader base of non-territorial public entities.

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; %)

	2010	2009
BALANCE SHEET		
Loans to customers and banks	84,669	80,788
Amounts to disburse on loans in repayment	9,086	9,143
Commitments to disburse funds	6,993	9,026
INCOME STATEMENT		
Net interest income	373	393
Gross income	376	396
Operating income	367	386
INDICATORS		
Credit risk ratios		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.080%	0.083%
Net writedowns/Net loans to customers and banks	0.002%	0.001%
Performance ratios		
Spread interest-bearing assets - liabilities	0.5%	0.5%
Cost/income ratio	2.0%	2.5%
MARKET SHARE	**43.7%**	**41.2%**

As at 31 December 2010, loans to customers and banks totalled € 84,669 million, including adjustments for IAS/IFRS purposes, an increase of nearly 5% from the end of 2009 (€ 80,788 million). This change was due to the start of repayment periods on previously granted loans 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 € 90,339 million, for a 2% increase over 2009 (€ 88,617 million). The change can be attributed to new lending, which contributed to increasing the total stock, more than offsetting payments received in 2010.

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

(millions of euros)

	31/12/2010	31/12/2009	% change
Local authorities	45,519	44,219	2.9%
Regions and autonomous provinces	24,049	22,129	8.7%
Other public entities and public-law bodies	13,779	13,243	4.0%
Total amounts disbursed or in repayment	**83,347**	**79,591**	**4.7%**
IAS/IFRS adjustments	1,322	1,197	10.5%
Total loans to customers and banks	**84,669**	**80,788**	**4.8%**
Total amounts disbursed or in repayment	**83,347**	**79,591**	**4.7%**
Commitments to disburse funds	6,993	9,026	-22.5%
Total loans (including commitments)	**90,339**	**88,617**	**1.9%**

At the end of December 2010, CDP's overall market share came to 44%, compared with more than 41% at the end of 2009. The core segment remains the overall debt of local and regional authorities and loans with repayment charged to central government. Market share is measured based on actual amounts disbursed, which, for CDP, is equal to the difference between loans to customers and banks and amounts to be disbursed on loans being repaid. The change in market share confirms the improved performance of CDP compared with the rest of the market in terms of new disbursements.

Loan amounts to be disbursed, including commitments, declined by about 12% compared with the end of 2009 (from € 18,169 million to € 16,079 million), since the amounts disbursed during the year were greater than the amount of new loans granted.

Public Entities - Stock of amounts to disburse

(millions of euros)

	31/12/2010	31/12/2009	% change
Amounts to disburse on loans in repayment	9,086	9,143	-0.6%
Commitments to disburse funds	6,993	9,026	-22.5%
Total amounts to disburse (including commitments)	**16,079**	**18,169**	**-11.5%**

With regard to products, as shown in the table below, almost all of the stock of loans to customers and banks were specific-purpose loans.

Public Entities - Stock of loans to customers and banks by product

(millions of euros)

	31/12/2010	31/12/2009	% change
Specific-purpose loans	82,500	78,671	4.9%
Advances	11	16	-29.4%
Securities	835	904	-7.6%
Total	**83,347**	**79,591**	**4.7%**

In 2010, new lending granted declined with respect to the previous year, going from € 6,125 million to € 5,784 million, a reduction of around 6%. More specifically, while there was a significant increase in loans to regional governments (from € 950 million in 2009 to € 2,335 million in 2010), due to a number of very large loans, there was a decline in loans in other segments, most noticeable for loans with repayment charged to central government (which went from € 1,418 million in 2009 to € 408 million in 2010), less substantial for loans to major local authorities and other territorial entities, which declined from € 3,429 million to € 2,730 million. Loans to non-territorial public entities and public-law bodies remained essentially stable.

Public Entities - Flow of new loans by beneficiary entity

(millions of euros)

	Total 2010	Total 2009	% change
Regions	2,335	950	145.9%
Major local authorities	1,195	1,512	-21.0%
Other territorial entities	1,535	1,916	-19.9%
Non-territorial public entities and public-law bodies	312	328	-5.0%
Total	**5,377**	**4,707**	**14.2%**
Loans with repayment charged to State	408	1,418	-71.2%
Grand total	**5,784**	**6,125**	**-5.6%**

A breakdown of financing by type of project shows that loans were mainly granted for projects with sundry purposes (accounting for 45% of the total for 2010 compared with 36% for 2009, largely comprising loans for large-scale works or differentiated investment programmes), for road and transport projects (19% of the total compared with 22% in 2009), and for social building projects (15% of the total compared with 10% in 2009).

Public Entities - Flow of new loans by purpose

(millions of euros)

	Total 2010	Total 2009	% change
Public and social building	854	617	38.4%
School and university building	429	695	-38.2%
Sports, recreational and lodging facilities	136	221	-38.2%
Healthcare building	105	127	-17.4%
Natural disaster restoration works	38	16	134.0%
Road and transport	1,093	1,347	-18.8%
Water projects	99	38	164.4%
Sanitation projects	75	92	-17.9%
Energy projects	144	105	37.0%
Other public works	160	600	-73.4%
Loans for sundry projects *	2,611	2,210	18.2%
Total investments	**5,745**	**6,067**	**-5.3%**
Recognised off-balance-sheet liabilities and other liabilities	39	58	-32.3%
Total	**5,784**	**6,125**	**-5.6%**

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

A breakdown of new loans granted by product shows that the greatest recourse was made to loans without a pre-repayment grace period (47% of the total, compared with 39% in 2009), mainly the large loans to regional governments mentioned above and, to a lesser extent, for operations charged to central government, which are granted on the basis of public tenders awarded to CDP. In addition, although they amounted for a smaller percentage in 2010 (37% as compared with 47% in 2009), significant use was still made of ordinary specific-purpose loans (both fixed and floating rate), while the contribution from flexible loans (10%) and unsecured and real estate loans (5%), with the latter going solely to non-territorial public entities, remained modest.

Public Entities - Flow of new loans by product

(millions of euros)

	Total 2010	Total 2009	% change
Ordinary loans	2,165	2,897	-25.3%
Flexible loans	576	534	7.8%
Unsecured loans and real estate loans	301	326	-7.6%
Loans without pre-repayment grace period	2,742	2,368	15.8%
of which: loans granted under tender awards	*353*	*1,259*	*-72.0%*
Total	**5,784**	**6,125**	**-5.6%**

In 2010, loan disbursements totalled € 7,760 million, up significantly (+37%) from 2009. This change is explained by the increase in loans disbursed to regional governments (+143%, attributable to loans granted in 2010 involving the immediate disbursement of considerable sums), in addition to loans with repayment charged to central government (+82%) and loans to non-territorial public entities and public-law bodies (+60%), which was only partially offset by the decline in disbursements to other territorial entities (-18%).

Public Entities - Flow of disbursements by type of beneficiary

(millions of euros)

	Total 2010	Total 2009	% change
Regions	2,600	1,069	143.2%
Major local authorities	1,156	1,152	0.4%
Other territorial entities	1,765	2,154	-18.1%
Non-territorial public entities and public-law bodies	523	327	59.9%
Total	**6,044**	**4,702**	**28.6%**
Loans with repayment charged to State	1,716	943	81.9%
Grand total	**7,760**	**5,645**	**37.5%**

In terms of the Public Entities unit's contribution to CDP's performance in 2010, there was a slight decline in net interest income for the unit, which went from € 393 million in 2009 to € 373 million in 2010, due to a slight contraction in the spread between assets and liabilities. This decrease is also seen in gross income (€ 376 million, -5% from 2009), as a result of having received a similar amount of commission income in both 2010 and 2009. Taking account of overheads, the operating income for the unit amounted to € 367 million (€ 386 million in 2009), once again making a significant contribution (17%) to CDP's overall operating income.

The spread between interest-bearing assets and interest-bearing liabilities in 2010 came to 50 basis points, a few basis points lower than the margin reported for 2009. For CDP as a whole, the spread was about 80 basis points for the year.
Finally, the cost/income ratio came to 2%, an improvement over 2009, since the negative impact of lower revenues was more than offset by the reduction in overheads.

The credit quality of the Public Entities unit's loan portfolio showed virtually no problem positions and was essentially stable compared with 2009.

Customer-related initiatives promoted during the second half of 2010 included opportunity to take part in a new loan renegotiation programme (for both loans held by CDP and long-term loans transferred to the MEF when the company was transformed into a joint-stock company), prompted by economic and financial conditions in the market and the clear need for customers to raise funds through active debt management.
In its Circular 1278, CDP specified the characteristics of the portfolio of loans eligible for renegotiation. Specifically, these include fixed-rate ordinary loans in repayment at 1 July 2010 charged to local authorities pertaining to CDP and/or the MEF, the debtor and the beneficiary being the same entity, the amount outstanding at 1 January 2011 being equal to or greater than € 5 thousand, falling due on or after 31 December 2013, that were not restructured in previous such programmes (starting from 2003 inclusive).

As from the effective date of 1 January 2011, renegotiated loans possessed the following primary characteristics: (i) loan term, at the borrower's option, of 10, 15, 20, 25 and 30 years; (ii) repayment period beginning from 1 January 2011; (iii) fixed interest rate, determined for each renegotiated loan based on the term of the loan and on the financial equivalence principle – analogous to previous restructurings – based on market conditions prevailing during the participation period.

A total of 1,531 entities took part in this operation, renegotiating over € 4 billion in outstanding debt, over € 3 billion of which in loans from CDP and around € 1 billion in loans from the MEF.

Other initiatives promoted during 2010 included a new programme for 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 concerned. Given the financial difficulties being experienced by such entities, CDP has granted a restructuring of outstanding debt and the deferment of the initial instalments due.

RATE POLICY

In 2010, the policy for setting interest rates for Separate Account financing continued to follow the line set down in previous years, which was introduced following the transformation of CDP into a joint-stock company and the issuance of the decree of the Ministry for the Economy and Finance of 6 October 2004, based on which the terms applied to the financial products under the Separate Account were adjusted to market conditions rapidly and flexibly, within the scope of the guidelines established for such purpose.

In June and July 2010, two new notices were issued by the Ministry for the Economy and Finance that reset the global annual cost of loans with repayment charged to central government of up to about € 52 million. This represents the maximum rate that CDP can charge on the loans we grant. More specifically, for the same loan maturity bands and parameters, the new notices updated the spreads that can be applied both to fixed-rate and floating-rate loans compared with the levels established in the notice issued at the end of 2009. These changes involved an average increase in maximum interest rates and spreads.

The interest rates and spreads for all products offered by CDP were updated, generally on a weekly basis and, in any event, maintaining the method adopted in the past. This made it possible to ensure consistency among the financial conditions offered for each type of product, while complying with applicable regulations. During the year, CDP also conducted *ad hoc* pricings that were financially equivalent to those for standard loans for the purpose of participating in calls for tender for the assignment of financing with costs borne by the State, taking due account of the various financial structures and the type of borrower.

DEVELOPMENT OF AUTHORITIES' REAL ESTATE PORTFOLIOS

During 2010, CDP continued to support local authorities in finding 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 needed to manage 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, after previous experiences of assisting municipal governments, on 27 May 2010 a protocol of understanding was signed with the City of Catania for the development of its real estate portfolio. Under the protocol, the parties agreed to set up a joint working group to assist and support the City in selecting approaches to leveraging its assets. A study will be conducted to assess the strategic options available, including the use of a real estate investment fund. In the latter case, CDP will assist local officials in implementing the project.

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 of Rome will 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 will 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 involves setting up a real estate fund, CDP will assist local officials in implementing the project.

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 already provided 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 this context, CDP acts as a vehicle of aid and incentives from the public sector to the private sector under duly authorised legislative measures, while also providing broader support to the economy through the banking industry, compatible with a market-oriented approach.

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; %)

	2010	2009
BALANCE SHEET		
Loans to customers and banks	3,860	1,054
Amounts to disburse	35	47
Commitments to disburse funds	2,869	2,596
INCOME STATEMENT		
Net interest income	9.0	3.4
Gross income	9.1	3.6
Operating income	7.3	1.3
INDICATORS		
Credit risk ratios		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.378%	0.269%
Net writedowns/Net loans to customers and banks	(0.002%)	0.010%
Performance ratios		
Spread interest-bearing assets - liabilities	0.3%	0.3%
Cost/income ratio	20.8%	62.8%

Ever since CDP established the instrument to provide support to SMEs, it has signed specific agreements with the Italian Banking Association (ABI) in order to establish the criteria for allocating the available resources (totalling € 8 billion).

In February 2010, CDP signed a second agreement with ABI that establishes the criteria for allocating and using the second tranche of funds available. This new tranche of € 5 billion was increased with the remaining funds of the first € 3 billion tranche as at 28 February 2010.

A third agreement was signed in December 2010. It establishes the criteria for allocating € 1 billion, consisting of the remaining funds under the second agreement. It introduced an additional ten-year maturity in order to expand the use of the instrument by SMEs and to make the instrument more stable by creating a "stable pool" of resources, that will be funded using the remaining resources provided under various agreements.

As regards the loan portfolio of the unit, the stock of loans to customers and banks at the end of 2010 came to € 3,860 million, up significantly from the end of 2009, thanks to the full introduction of the new instruments to support the economy. More specifically, the stock of SME loans came to € 2,575 million, while the stock of loans for earthquake reconstruction in Abruzzo totalled € 494 million. For the Revolving Fund to support enterprises and research investment (FRI), the amount disbursed as at the end of 2010 came to € 719 million.

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

(millions of euros)

	31/12/2010	31/12/2009	% change
SME loans	2,575	414	521.9%
FRI loans	719	556	29.2%
Abruzzo earthquake reconstruction loans	494	6	n/s
Intermodal systems loans (Article 38.6, Law 166/02)	74	79	-6.9%
Total amounts disbursed or in repayment	**3,863**	**1,056**	**265.7%**
IAS/IFRS adjustments	(3)	(2)	34.2%
Total loans to customers and banks	**3,860**	**1,054**	**266.2%**
Total amounts disbursed or in repayment	**3,863**	**1,056**	**265.7%**
Commitments to disburse funds	2,869	2,596	10.6%
Total loans (including commitments)	**6,732**	**3,652**	**84.4%**

There was an increase of about 10% in amounts to be disbursed including commitments (from € 2,643 million in 2009 to € 2,904 million in 2010), attributable to operations involving the products discussed previously.

Facilitated Credit and Economic Support - Stock of amounts to disburse

(millions of euros)

	31/12/2010	31/12/2009	% change
Amounts to disburse*	35	47	-25.8%
Commitments to disburse funds	2,869	2,596	10.6%
Total amounts to disburse (including commitments)	**2,904**	**2,643**	**9.9%**

* State funds managed by CDP

The total volume of resources mobilised during the year for loans granted through the economic support mechanisms amounted to € 4,286 million, of which € 3,528 million related to loans to small- and medium-sized enterprises and € 509 million to loans for reconstruction in the areas affected by the Abruzzo earthquake. In addition, € 102 million was channelled through the FRI and € 147 million through disbursements of central government funds.

The significant increase compared with the previous year is, as already mentioned, attributable to the full implementation of economic support mechanisms, which were not yet available in the first part of 2009.

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

(millions of euros)

	Total 2010	Total 2009	% change
SME support loans	3,528	1,958	80.2%
FRI loans	102	268	-62.1%
Abruzzo earthquake reconstruction loans	509	17	n/s
State funds managed by CDP	147	169	-12.6%
Total	**4,286**	**2,411**	**77.7%**

Of the new lending, a total of € 3,169 million were disbursed during the year, largely in respect of loans to SMEs (over 70% of the total).

Facilitated Credit and Economic Support - Flow of disbursements by product

(millions of euros)

	Total 2010	Total 2009	% change
SME loans	2,308	414	457.2%
FRI loans	219	259	-15.4%
Abruzzo earthquake reconstruction loans	495	6	n/s
State funds managed by CDP	147	169	-12.6%
Total	**3,169**	**848**	**273.9%**

With regard to loans granted to support SMEs, considering the total resources allocated since the launch of this instrument (equal to € 8 billion), the total amount of loans granted amounted to € 4,788 million, of which € 3,761 million to banks and banking groups and € 1,027 million to mutual banks through ICCREA. Of the new lending, a total of € 2,575 million was actually disbursed, of which € 2,085 million to banks and banking groups and € 490 million to mutual banks through ICCREA.

Facilitated Credit and Economic Support - Flow of new loans to SMEs by bank counterparty

(millions of euros)

	Total resources	Loans agreed	% resources used	Loans disbursed	Loans to disburse
Banking groups and banks		3,761		2,085	1,487
Mutual banks through ICCREA		1,027		490	490
Total	**8,000**	**4,788**	**60%**	**2,575**	**1,978**

Regarding facilitated credit instruments, for the FRI, total loans authorised and approved by the relevant ministries came to € 2,643 million as at 31 December 2010, with a stock of € 1,754 million granted (with new lending of € 102 million for 2010). The stock of loans disbursed as at the end of 2010 came to € 719 million, with disbursements for the year totalling € 219 million.

Facilitated Credit and Economic Support - Flow of new FRI loans by subsidy law

(millions of euros)

	Total 2010	Total 2009	% change
Law 488/92 (Artisans)	1	2	-61.7%
Law 488/92 (Tourism, industry and trade)	8	132	-93.7%
Law 46/82 (FIT - PIA Innovation - Industrial districts)	21	12	71.5%
Legislative Decree 297/99 (FAR)	52	45	16.3%
Assistance mechanism no. 110/01 - Land Reorganisation (ISMEA)	19	76	-74.6%
Total	**102**	**268**	**-62.1%**

In terms of the Facilitated Credit and Economic Support unit's contribution to CDP's performance in 2010, the considerable volume of new loans significantly increased net interest income, from € 3 million in 2009 to € 9 million in 2010. Operating income grew similarly, from around € 1 million in 2009 to over € 7 million in 2010, although it still accounts for a residual portion of CDP's total income.
In addition, the spread between assets and liabilities came to 30 basis points, in line with 2009. However this performance is almost solely attributed to higher volumes.
The cost/income ratio for the unit came to around 21%, a sharp improvement over the 63% in 2009, due to the significant increase in the unit's revenues, along with a slight decrease in the related overheads.

Finally, regarding the credit quality of the loan portfolio for the Facilitated Credit and Economic Support, there was a slight increase in bad debts under 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 financing project of general public interest sponsored by public entities or public-law bodies, for which the financial sustainability of the related projects has been verified.

Following is 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; %)

	2010	2009
BALANCE SHEET		
Loans to customers and banks	7	-
Commitments to disburse and guarantees	1,660	1,000
INCOME STATEMENT		
Net interest income	-	-
Gross income	3.0	0.1
Operating income	2.2	0.1
INDICATORS		
Credit risk ratios		
Gross bad debts and substandard loans/Gross loans to customers and banks	-	-
Net writedowns/Net loans to customers and banks	-	-
Performance ratios		
Spread interest-bearing assets - liabilities	0.01%	n/s
Cost/income ratio	27.0%	n/s

This was the first year in which the unit contributed, albeit to a limited extent, to CDP's stock of loans to customers and banks.

At 31 December 2010, the total stock of loans granted came to € 1,667 million, about a 67% increase over 31 December 2009 (€ 1,000 million). This figure also includes disbursement commitments and guarantees.

Public Interest Lending - Stock of loans to customers and banks

(millions of euros)

	31/12/2010	31/12/2009	% change
Infrastructure projects	-	-	n/s
Loans with repayment charged to State	7	-	n/s
Total loans to customers and banks	**7**	**-**	**n/s**
Total amounts disbursed or in repayment	**7**	**-**	**n/s**
Commitments to disburse funds and guarantees	1,660	1,000	66.0%
Total loans (including commitments)	**1,667**	**1,000**	**66.7%**

In the area of financing for infrastructure projects, in 2010, the unit provided financing to Satap S.p.A., a company involved in the construction and management of motorways, in the amount of € 450 million. This transaction joins that carried out at the end of 2009 with Autostrade per l'Italia S.p.A. in the amount of € 1 billion, half of which backed by a SACE guarantee.
As to loans with repayment charged to central government, CDP granted financing to major enterprises for public interest projects involving national security.

Public Interest Lending - Flow of new loan agreements

(millions of euros)

	Total 2010	Total 2009	% change
Infrastructure projects	450	1,000	-55.0%
Loans with repayment charged to State	218	-	n/s
Total	**668**	**1,000**	**-33.2%**

The initial disbursements of these types of loans were made in 2010.

Public Interest Lending - Flow of new disbursements

(millions of euros)

	Total 2010	Total 2009	% change
Infrastructure projects	-	-	n / s
Loans with repayment charged to State	8	-	n / s
Total	**8**	**-**	**n / s**

The unit still made only a limited contribution (€ 2.2 million) to CDP's income, mainly from commissions on transactions in the unit's portfolio partially offset by overheads for the period.

4.1.4 Performance of the loan portfolio - Financing

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 - integrated water services, gas transport and distribution networks, local and national transportation networks, and the production, transport and distribution of energy).

Following is 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; %)

	2010	2009
BALANCE SHEET		
Loans to customers and banks	3,419	3,336
Commitments to disburse and guarantees (off-balance-sheet)	1,557	1,401
INCOME STATEMENT		
Net interest income	26	19
Gross income	32	23
Operating income	31	22
INDICATORS		
Credit risk ratios		
Gross bad debts and substandard loans/Gross loans to customers and banks	0.320%	-
Net writedowns/Net loans to customers and banks	-	-
Performance ratios		
Spread interest-bearing assets - liabilities	0.8%	0.7%
Cost/income ratio	5.9%	8.6%
MARKET SHARE*	**5.7%**	**5.0%**

* The figure for 2010 is updated to May.

At 31 December 2010, the total stock of loans disbursed reached € 3,419 million, including IAS/IFRS adjustments, an increase of 2.5% from the end of 2009 (€ 3,336 million).
At the same date, loans granted came to € 4,934 million, about a 5% increase over 31 December 2009 (€ 4,691 million). This figure also includes disbursement commitments and guarantees.

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Financing - Stock of loans to customers and banks

(millions of euros)

	31/12/2010	31/12/2009	% change
Project finance	255	193	32.2%
Corporate finance	3,072	3,047	0.8%
Securities	50	50	0.0%
Total amounts disbursed or in repayment	**3,378**	**3,290**	**2.7%**
IAS/IFRS adjustments	42	46	-10.1%
Total loans to customers and banks	**3,419**	**3,336**	**2.5%**
Total amounts disbursed or in repayment	**3,378**	**3,290**	**2.7%**
Commitments to disburse and guarantees	1,557	1,401	11.1%
Total loans (including commitments)	**4,934**	**4,691**	**5.2%**

This line of business involves medium- and long-term lending by banks and by CDP to non-financial companies in specific industries (public works, transport equipment, energy projects, transport services, and land, sea and air transport)[8]. At 31 May 2010, CDP's overall market share in this segment reached 5.7%, compared with 5% at the end of 2009, as the company's loan portfolio continues to grow at a more rapid pace than the market average.

During the year, new loans totalling € 901 million were agreed, a decline from the level achieved for 2009 (€ 1,914 million). However, the 2009 figure was mainly accounted for by two very large transactions. The new lending concerned new corporate investments by enterprises in the high-speed/high-capacity rail transport segment and local multi-utilities, in addition to new project finance initiatives for minor amounts in the areas of public works and energy projects.

Financing - Flow of new loan agreements

(millions of euros)

	Total 2010	Total 2009	% change
Project finance	74	17	336.1%
Corporate finance	827	1,897	-56.4%
Total	**901**	**1,914**	**-52.9%**

Disbursements for 2010 in respect of new loans and those from previous years totalled € 752 million (-57% compared with 2009). The greatest increase came in the form of corporate finance, but for lower unit amounts than for the previous year.

Financing - Flow of new disbursements

(millions of euros)

	Total 2010	Total 2009	% change
Project finance	105	104	0.6%
Corporate finance	647	1,640	-60.5%
Total	**752**	**1,744**	**-56.9%**

The Financing unit's contribution to CDP's performance for 2010 improved significantly. More specifically, net interest income rose from € 19 million in 2009 to € 26 million in 2010, an increase of 40%. This positive performance was due to an increase both in volumes and in the spread between lending rates and funding costs (from around 70 basis points in 2009 to around 80 basis points in 2010). Taking commission income and overheads for the period into account, the unit's operating income came to € 31 million (€ 22 million in 2009). While this contribution is still rather limited, it is further evidence of the growth trend seen in recent years.
The cost/income ratio for the unit thereby comes to 6%, down from the 9% of 2009, due to higher revenues and slightly lower overheads.

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

8 See Bank of Italy, Supplemento al Bollettino Statistico.

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)

	31/12/2010	31/12/2009	% change
Cash and cash equivalents and interbank deposits (assets)	127,891	118,380	8.0%
- Treasury current account, other liquidity and deposits - Separate Account	*122,536*	*113,330*	*8.1%*
- Reserve requirement	*4,063*	*3,701*	*9.8%*
- Deposits (assets) - Ordinary Account	*89*	*441*	*-79.9%*
- Deposits (assets) on Credit Support Annex transactions	*1,204*	*908*	*32.6%*
Debt securities	5,464	692	690.2%
- Separate Account	*4,772*	*692*	*590.0%*
- Ordinary Account	*693*	*-*	*n/s*
Total	**133,356**	**119,071**	**12.0%**

Stock of short-term funding from banks

(millions of euros)

	31/12/2010	31/12/2009	% change
Deposits and repurchase agreements - Separate Account	4,375	141	n/s
Deposits and repurchase agreements - Ordinary Account	709	450	57.4%
Deposits (liabilities) on Credit Support Annex transactions	720	625	15.2%
Total	**5,803**	**1,217**	**377.0%**
Net interbank position - Ordinary Account	-620	-10	n/s
Net deposits on Credit Support Annex transactions	484	283	71.1%

At 31 December 2010, the balance on the current account with the Central State Treasury, where CDP funding through the Separate Account is deposited, came to about € 123 billion, an increase of 8% over the same figure for 2009 (about € 113 billion). Most of the change was due to the increase in net funding from postal savings products and the short-term interbank position.

The reserve requirement, to which CDP has been subject since 2006, came to € 4,063 million at 31 December 2010, an increase of 10% over 2009 (about € 3,701 million). Here, too, the increase was due mainly to the significant increase in postal savings. Moreover, 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, there was a net creditor balance of € 484 million at the end of 2010, an increase from the balance posted at the end of 2009 (€ 283 million). This change is attributable both to new agreements signed during the year and to the change in 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. CDP also uses government securities to invest any excess liquidity at short term. The net negative position at 31 December 2010 expanded further to -€ 620 million, compared with -€ 10 million at the end of 2009, consisting mainly of repurchase agreements that finance, with a wide positive margin, short-term government securities through to maturity. CDP invested a total of € 693 million in securities against these liabilities.

For the Separate Account, during 2010, a part of cash holdings was invested in a portfolio of government securities, which posted a net change of more than € 3 billion, as well as existing investments totalling about € 228 million. During the same period, CDP also continued to purchase new inflation-linked bonds to hedge the inflation indexing component of inflation-linked postal savings bonds. At 31 December, the stock of this form of investment came to € 1,474 million. A portion of these securities are financed on the market using repurchase agreements and other short-term funding, which totalled € 4,375 million, compared with € 141 million at the end of 2009. CDP's recognition as an ECB counterparty in Eurosystem financing operations has opened new channels of financing to fund the reserve requirement.

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4.2.2 Developments in medium/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 2010. On 31 July 2010, a total of € 1 billion of a bond issue were redeemed upon maturity. Repayment of the 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.

As regards funding not backed by State guarantee, which falls under the Ordinary Account, new issues in 2010 under the Euro Medium-Term Notes (EMTN) programme had a total nominal value of € 552 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 15-Jan-2015)	15 January 2010	102*	0.93%
Issue (maturity date 31-Mar-2015)	1 April 2010	150	3m Euribor +0.55%
Issue (maturity date 13-Jul-2012)	13 July 2010	150	3m Euribor +1.15%
Issue (maturity date 11-Oct-2017)	11 October 2010	50	3.41%
Issue (maturity date 12-Apr-2012)	12 October 2010	50	3m Euribor +0.60%
Issue (maturity date 28-Oct-2019)	28 October 2010	50	CMS10Y +0.15%
Total		**552**	

* Amount in euros of issue equal to 13 billion yen

Also during the year, securities that had reached maturity were redeemed for € 500 million, bringing total net funding in 2010 to € 52 million.

During the year, CDP also requested and obtained a new disbursement on credit facilities granted by the EIB in the amount of € 100 million with a term of 20 years, having the characteristics shown 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 25-May-2030)	25 May 2010	100	6m Euribor +0.33%
Total		**100**	

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.
For the sake of full disclosure, the table below shows CDP's overall position in medium/long-term funding as at 31 December 2010, compared with the end of 2009, by product type.

Stock of medium/long-term funding

(millions of euros)

	31/12/2010	31/12/2009	% change
Medium/long-term funding from banks	**1,305**	**1,205**	**8.3%**
EIB credit facility	1,305	1,205	8.3%
Bond funding	**7,265**	**8,205**	**-11.5%**
Covered bond programme	5,051	6,044	-16.4%
- Securities issued	*5,064*	*6,064*	*-16.5%*
- IAS/IFRS adjustment	*(13)*	*(20)*	*-34.5%*
EMTN programme	2,214	2,161	2.4%
- Securities issued	*2,218*	*2,166*	*2.4%*
- IAS/IFRS adjustment	*(4)*	*(4)*	*-14.8%*
Total medium/long-term funding from banks and bond funding	**8,570**	**9,410**	**-8.9%**

4.2.3 Developments in postal savings

At 31 December 2010, the total stock of postal savings, including passbook savings accounts and savings bonds pertaining to CDP S.p.A., came to € 207,324 million, compared with the € 190,785 million of the end of 2009, for an increase of about 9% year on year.

More specifically, the carrying amount of postal passbook savings accounts reached € 97,656 million, while postal savings bonds, which are measured at amortised cost, came to € 109,667 million (+7% and +10%, respectively, from 31 December 2009).

Stock of postal savings

(millions of euros)

	31/12/2010	31/12/2009	% change
Postal passbook savings accounts	97,656	91,120	7.2%
Postal savings bonds	109,667	99,665	10.0%
Total	**207,324**	**190,785**	**8.7%**

The increase in postal savings came from the net new funding recorded during the year on both passbook savings and savings bonds pertaining to CDP, totalling € 13,888 million plus accrued interest and other sundry items.

During the year, net new funding from passbooks came to € 6,107 million, down from the € 8,380 million in 2009, when, however, extraordinary net funding was registered in the first part of the year. Gross capitalised interest totalled € 588 million, which is subject to 27% withholding tax pursuant to Article 26.2 of Presidential Decree 600/73.
Examining the various types of passbooks offered by CDP S.p.A., registered passbooks, accounting for nearly the entire stock, showed an increase over 2009. Conversely, bearer passbooks made a marginal negative contribution to net funding, with the end-period stock amounting to € 338 million.

Passbook savings accounts

(millions of euros)

	31/12/2009	Net funding	Reclassifications and adjustments	Interest 01/01/2010-31/12/2010	Withholdings	31/12/2010
Registered passbook accounts	90,704	6,185	-	587	-158	97,318
Bearer passbook accounts	416	-78	-	2	-0.4	338
Total	**91,120**	**6,107**	**-**	**588**	**-159**	**97,656**

For registered passbooks, 2010 saw the continuation of the expansion in passbooks for minors (+13%) and in ordinary passbooks (+7%). However, the stock data also reflect reclassifications of about € 112 million due to passbook holders reaching adulthood, with the transformation of their accounts into ordinary passbooks.

Registered passbook accounts - Stock

(millions of euros)

	31/12/2009	Net funding	Reclassifications and adjustments	Interest 01/01/2010-31/12/2010	Withholdings	31/12/2010
Ordinary	87,378	5,995	112	557	-150	93,891
Time deposits	4	-0.1	-	-0.01	-	4
Minors	1,858	339	-112	21	-6	2,100
Judicial	1,464	-148	-	8	-2	1,322
Total	**90,704**	**6,185**	**-**	**587**	**-158**	**97,318**

Bearer passbooks, on the other hand, declined by around 18.5% from their 2009 level.

Bearer passbook accounts - Stock

(millions of euros)

	31/12/2009	Net funding	Reclassifications and adjustments	Interest 01/01/2010-31/12/2010	Withholdings	31/12/2010
Ordinary	415	-78	-	2	- 0.4	338
Time deposits	1	-0.02	-	-	-	1
Total	**416**	**-78**	**-**	**2**	**- 0.4**	**338**

Ordinary registered passbooks continue to make the greatest contribution to net funding. The contribution from passbooks for minors also grew, although there was a drop in net funding as compared with 2009 for both types of passbooks, as mentioned earlier. By contrast, net funding from judicial passbooks was negative, while that from time deposits was minimal.

Registered passbook accounts - Net funding

(millions of euros)

	Deposits	Withdrawals	Net funding 2010	Net funding 2009
Ordinary	81,358	75,363	5,995	8,190
Time deposits	0.01	0.1	- 0.1	- 0.2
Minors	644	305	339	398
Judicial	706	854	-148	-186
Total	**82,709**	**76,523**	**6,185**	**8,402**

Net flows for bearer passbooks were negative, although their contribution was marginal compared with the other passbook types.

Bearer passbook accounts - Net funding

(millions of euros)

	Deposits	Withdrawals	Net funding 2010	Net funding 2009
Ordinary	91	170	-78	-22
Time deposits	-	0.02	- 0.02	-
Total	**91**	**170**	**-78**	**-22**

There was an overall increase of 10% in the stock of postal savings bonds from 2009 thanks to positive net funding in 2010, higher than the figure reported the previous year (going from € 4,205 million in 2009 to € 7,781 million in 2010). The higher level of funding in 2010 was due to the replacement of new CDP bonds in the presence of large redemptions of MEF bonds, the amount of which was higher in 2010. The 2010 stock also includes transaction costs resulting from the application of the

IAS/IFRS, consisting of the distribution commissions for all types of bond and the value of the embedded options separated out of indexed bonds and Premia bonds. The carrying amount at 31 December 2010 reached about € 110 billion.

Postal savings bonds - CDP stock

(millions of euros)

	31/12/2009	Net funding	Withholdings	Transaction costs	Premiums accrued on postal bonds	Accrued for year	31/12/2010
Ordinary bonds	68,226	4,665	-55	-507	-	2,420	74,751
Fixed-term bonds	1,016	-394	-14	-	-	0.4	609
Indexed bonds	5,855	321	-9	-60	-	199	6,306
Premia bonds	4,182	1,727	-1	-190	19	155	5,874
Inflation-indexed bonds	11,599	2,276	-7	-152	-	338	14,055
Bonds for minors	2,024	553	-1	-12	-	86	2,650
18-month bonds	6,761	-1,367	-28	-32	-	88	5,423
Total	**99,665**	**7,781**	**-114**	**-953**	**19**	**3,288**	**109,667**

The total volume of subscriptions for the year came to € 24,652 million, an increase of 14% over the previous year (€ 21,551 million). This growth was due to the aforementioned increase in the amount of redemptions of MEF bonds in 2010, which contribute to the level of new subscriptions for CDP.

Postal savings bonds - CDP net funding

(millions of euros)

	Subscriptions	Redemptions	Net funding 2010	Net funding 2009
Ordinary bonds	10,986	6,320	4,665	2,834
Fixed-term bonds	1*	395	-394	-1,875
Indexed bonds	1,127	806	321	887
Premia bonds	2,401	674	1,727	2,439
Inflation-indexed bonds	4,892	2,616	2,276	2,669
Bonds for minors	652	100	553	576
18-month bonds	4,593	5,960	-1,367	-3,326
Total	**24,652**	**16,872**	**7,781**	**4,205**

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

More specifically, investors continue to show a great deal of interest in inflation-linked bonds (with subscriptions of € 4,892 million and net funding of € 2,276 million) and in the equity-linked products related to the indexed bonds and Premia bonds (with total subscriptions of € 3,528 million and net funding of € 2,048 million). Nonetheless, traditional ordinary bonds continue to be well received, with subscriptions of € 10,986 million and net funding for CDP of € 4,665 million, although overall net funding (CDP+MEF) was a negative € 1,112 million. By contrast, subscriptions of 18-month bonds rose considerably to € 4,593 million, but total net funding was negative at € 1,367 million. Redemptions of bonds held by the MEF totalled more than € 11 billion, a significant increase over 2009 (+60%).

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

(millions of euros)

	CDP net funding	MEF redemptions	Net funding 2010 (CDP+MEF)	Net funding 2009 (CDP+MEF)
Ordinary bonds	4,665	5,778	-1,112	-2,779
Fixed-term bonds	-394	5,491	-5,885	-3,307
Indexed bonds	321		321	887
Premia bonds	1,727		1,727	2,439
Inflation-indexed bonds	2,276		2,276	2,669
Bonds for minors	553		553	576
18-month bonds	-1,367		-1,367	-3,326
Total	**7,781**	**11,269**	**-3,488**	**-2,840**

As a result, net funding from postal savings bonds (CDP+MEF) came to a negative € 3.5 billion, due to the significant volume of redemptions not offset by a corresponding volume of new subscriptions.

If passbooks are also considered, CDP net funding came to a positive € 13,888 million, with overall net funding from postal savings products also being positive at € 2,619 million, still a decrease from 2009 (€ 5,540 million), mainly due to the lower contribution of passbook savings accounts in 2010.

Total net postal savings funding (CDP+MEF)

(millions of euros)

	Net funding 2010 (CDP+MEF)	Net funding 2009 (CDP+MEF)
Postal savings bonds	-3,488	-2,840
- of which: pertaining to CDP	*7,781*	*4,205*
- of which: pertaining to MEF	*-11,269*	*-7,045*
Passbook savings accounts	6,107	8,380
- CDP net funding	*13,888*	*12,585*
- MEF net funding	*-11,269*	*-7,045*
Total	**2,619**	**5,540**

4.2.4 Renewal of the agreement with Poste Italiane S.p.A.

On 10 March 2010, the new agreement between CDP and Poste Italiane S.p.A. governing the remuneration owed Poste Italiane for the placement of and administrative and accounting services for postal savings products for 2010 was signed.

The agreement established the criteria for determining remuneration for the placement and administration of postal savings products and set the net funding objectives that Poste Italiane was to achieve during the year. As concerns placement activity, the criteria adopted in the agreement link remuneration with gross funding on the basis of specified parameters. For accounting and administrative services, on the other hand, remuneration is based on the average daily stock for passbook savings accounts, while the placement commission for savings bonds includes accounting and administration services.

Nonetheless, total remuneration falls within a broader framework linked to the overall performance of net funding. More specifically, a range of compensation has been established which specifies a minimum total commission (to cover the costs incurred by Poste Italiane in providing the service) and a maximum (to safeguard CDP's profitability and financial stability) based on the levels of total net funding achieved by the end of the year. Therefore, the total amount paid to Poste Italiane is equal to the sum of the commissions for the placement of each type of postal savings bond and the management of passbooks, adjusted up or down in relation to the actual level of total net funding for the year.

Compared with the agreement for 2009, another intermediate level of total net funding was introduced, as was a bonus tied to the achievement of certain targets for the composition of gross funding with bonds and a different method for determining the remuneration rate on average levels of passbook savings deposits.

The agreement signed in March 2010 also allowed for the possibility for the parties to renegotiate the terms of the agreement based on the performance and the composition of total net funding for the reference year.

The persistent poor performance of the economy, seen in the loss of confidence in the stock markets and the reduction in household disposable income, had a particularly hard impact on the financial sector, making it difficult to attract savers as early as the first half of 2010. That is why Poste Italiane decided in late June 2010 to trigger the clause for recalculating the remuneration owed through an amended agreement.

Agreement was reached in December 2010, with the reframing of the total net funding target by reducing the number of levels originally envisaged and decreasing the maximum remuneration set for Poste Italiane.

As a result, the total commission expense accrued in relation to postal savings payable to Poste Italiane for 2010 came to € 1,557 million.

The one-year agreement expired at the end of 2010. Therefore, negotiations between the parties began in early 2011 to determine the content of a new multi-year agreement governing the placement of and administrative and accounting services for postal savings products starting from 2011.

4.3 Equity investments

At 31 December 2010, equity investments and shares totalled € 18,652 million. The balance consists of the value of the portfolio of equity investments, equal to € 18,567 million, and of mutual funds and investment vehicles, which totalled € 85 million.

4.3.1 Equity investments

The carrying amount of equity investments at 31 December 2010 rose by € 363 million (+2%) from 31 December 2009.

Equity investments

(thousands of euros)

	31/12/2009		Change		31/12/2010	
	% holding	Carrying amount	From inv./disinv.*	From measurement	% holding	Carrying amount
A. Listed companies						
1. Eni S.p.A.	9.99%	7,125,132	10,706,373	(591,066)	26.37%	17,240,440
2. Enel S.p.A.	17.36%	6,608,047	(6,606,740)	(1,306)	-	-
3. Terna S.p.A.	29.99%	1,315,200	-	-	29.93%	1,315,200
B. Unlisted companies						
1. Poste Italiane S.p.A.	35.00%	2,518,744	(3,288,716)	769,972	-	-
2. STMicroelectronics Holding N.V.	50.00%	625,990	(810,917)	184,927	-	-
3. SINLOC S.p.A.	11.85%	5,507	-	-	11.85%	5,507
4. F2i SGR S.p.A.	14.29%	2,143	(468)	-	15.99%	1,675
5. Istituto per il Credito Sportivo	21.62%	2,066	-	-	21.62%	2,066
6. CDP Investimenti SGR S.p.A.	70.00%	1,400	-	-	70.00%	1,400
7. Europrogetti & Finanza S.p.A. in liquidazione	31.80%	-	-	-	31.80%	-
8. Tunnel di Genova S.p.A.	33.33%	-	-	-	-	-
9. Fondo Italiano d'Investimento SGR S.p.A.		-	500	-	14.29%	500
Total		**18,204,228**	**32**	**362,528**		**18,566,788**

* Increase/Decrease in equity investment

During 2010, the portfolio of CDP S.p.A.'s equity investments changed as follows:

- the share exchange between CDP and the Ministry for the Economy and Finance (more details are provided below) as a result of which CDP acquired 16.38% of Eni S.p.A. from the MEF in exchange for its entire holdings in Enel S.p.A., Poste Italiane S.p.A. and STMicroelectronics Holding N.V.;

- the subscription by CDP of 14.29% of Fondo Italiano d'Investimento SGR S.p.A., established in March 2010 to manage an investment fund for the recapitalisation of Italian small- and medium-sized enterprises;
- the disposal without consideration of the interest previously held in Tunnel di Genova S.p.A. (which had no impact on profit or loss as the investment had already been written down in full) in May 2010;
- the reimbursement by F2i SGR S.p.A. of part of the reserves initially paid in.

Equity investments in subsidiaries and associates are recognised at cost and adjusted for any impairment, while investments classified as available-for-sale assets are carried at fair value. Dividends from equity investments are recognised as revenues in the income statement regardless of classification.

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. and Europrogetti & Finanza S.p.A. in liquidazione are classified as investments in associates and are therefore carried at purchase cost, net of writedowns;
- the investments in SINLOC S.p.A., Istituto per il Credito Sportivo, F2i SGR S.p.A. 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 31 December 2010, 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 2010 came to € 1,135 million. This amount is mainly attributable to the investments held in Enel S.p.A. (€ 408 million), Eni S.p.A. (€ 400 million), Poste Italiane S.p.A. (€ 175 million), and Terna S.p.A. (€ 120 million). Total dividends increased by more than € 163 million (+17%) from 2009 (€ 971 million), due mainly to the net effect of the changes in the equity investment portfolio (with the capital increase of Enel in June 2009 and the increase in the investment held in STMicroelectronics Holding) and changes in dividend distribution policies adopted by the companies in 2010 compared with 2009 (higher dividends paid by Poste Italiane, Terna and STMicroelectronics Holding were partially offset by the lower dividends paid by Enel and Eni).

SHARE EXCHANGE WITH THE MEF

With Measure 14542 of 4 August 2005, the Competition Authority authorised the purchase by CDP of a 29.9% stake in Terna S.p.A. on the condition that CDP comply with specific provisions, including the sale of the equity investment held in Enel by 1 July 2009. The Authority then approved the request for an extension of this deadline to 1 July 2010.

As the deadline approached, CDP, together with the MEF (which, in accordance with Article 5.9 of Decree Law 269/2003, has policy-setting powers over the Separate Account, within the scope of which these equity investments fall), opted not to place the equity investment in Enel on the market, given its strategic value, while also evaluating the possibility of rationalising CDP's current equity investments.

Therefore, on 30 June 2010, the CDP Board of Directors approved the transfer to the Ministry for the Economy and Finance of the equity investments held in Enel (17.36%), Poste Italiane (35%) and STMicroelectronics Holding (50%, indirectly corresponding to 13.77% of STMicroelectronics N.V.). The transfer of shares took place by way of a decree of the Minister for the Economy and Finance, in accordance with Article 5.3 b) of Decree Law 269/2003, issued on 30 November 2010. The ministerial decree indicated the transfer value of the equity investments, calculated based on the unit prices and total prices arrived at using the values given in the appraisal conducted by Deutsche Bank AG (Milan Branch) for the MEF.

CDP engaged Goldman Sachs International to prepare its own fairness opinion on the amount received for the transfer from a performance and financial standpoint.

More specifically, the operation called for the transfer of 655,891,140 ordinary Eni shares from the MEF to CDP, representing 16.38% of the share capital, with a value of about € 10,706 million. As consideration, CDP transferred its entire stakes in the following companies to MEF:

- Enel, corresponding to 17.36% of the share capital, for a total of € 6,607 million, in addition to about € 163 million corresponding to the interim 2010 dividend distributed by Enel for the same shares, plus legal interest arising between the date the dividend was received and the date the share exchange was completed, of around € 116 thousand;
- Poste Italiane, corresponding to 35% of the share capital, for a total of € 3,289 million;
- STMicroelectronics Holding, representing 50% of the share capital, and indirectly corresponding to 13.77% of the share capital of STMicroelectronics, for a total of around € 811 million.

Considering that CDP already held 9.9% of the share capital of Eni, following the transaction, CDP's stake in the company rose to 26.37%.

The exchange was completed in December 2010, resulting in the recognition of around € 1,076 million in gains in CDP's income statement for 2010.

Below are brief descriptions of each of CDP S.p.A.'s subsidiaries and equity investments.

4.3.1.1 Subsidiaries

Terna - Rete Elettrica Nazionale S.p.A. ("Terna")

Terna is responsible for the transmission and dispatching of electricity in Italy over high- and extra-high-voltage networks throughout the country. It is also the primary owner of the country's electricity transmission grid (NTG) as well as the Italian Independent System Operator (ISO) comprising electricity transmission and dispatching operations, and NTG planning and development activities. At the end of 2008, Terna acquired a major portion of high-voltage network from Enel S.p.A., which brought its total electricity line network to around 62,000 kilometres. Terna also provides services related to its skills in the design, construction, operation, and maintenance of high- and extra-high-voltage electricity infrastructure, as well as services related to the development of its own assets in the telecommunications industry.

The company's shares are traded on the Italian Stock Exchange.

CDP Investimenti SGR S.p.A. ("CDPI SGR")

The asset management company CDP Investimenti SGR S.p.A. was established in 2009 in order to boost the social housing sector in Italy through the establishment and management of a real estate fund reserved for institutional investors operating in this sector. CDP S.p.A. holds a 70% shareholding in the company's capital, which amounts to a total of € 2 million. The Associazione delle Fondazioni bancarie e Casse di Risparmio (ACRI), and the Italian Banking Association (ABI) each hold a 15% stake. On 11 January 2010, CDPI SGR received Bank of Italy authorisation to engage in collective asset management, and the company was entered in the register of asset management companies.

4.3.1.2 Other equity investments

Eni S.p.A. ("Eni")

Eni is an integrated group operating in the oil and natural gas, electricity and petrochemical industries, and in engineering and construction, with an excellent skill base and a strong international market position. Eni has a presence in some 77 countries, and has about 78,400 employees. The company's shares are listed on the Italian Stock Exchange and the New York Stock Exchange.
Its primary lines of business are organised into three divisions: i) Exploration & Production, responsible for the exploration, development and extraction of natural gas and oil; ii) Gas & Power, responsible for the supply, regasification, transport, storage, distribution and sale of natural gas (including through the 52.54% interest in SNAM Rete Gas) and the generation and sale of electricity; iii) Refining & Marketing, responsible for refining and selling oil products. Eni also provides engineering and construction services in the oil and gas sector through its 49.2% stake in Saipem, a listed company. Finally, it produces and markets petrochemical products through its wholly-owned subsidiary Polimeri Europa.
In 2010, with group earnings projected to rise sharply, Eni confirmed its growth strategy for the Exploration & Production division by strengthening its presence in high-potential countries such as Venezuela (Junin 5 and Perla) and Iraq (Zubair). In 2010 Eni also entered new high-potential countries such as the Democratic Republic of Congo, Togo and Poland (shale gas concessions). In the Gas & Power area, Eni consolidated its position on the French market and renewed its strategic partnership with Gazprom. It rationalised its portfolio of holdings with the disposal of non-strategic assets.

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

SINLOC, whose shareholders include numerous bank foundations, is a company that was established to support local territorial development initiatives. It also provides financial and legal consulting services to local authorities, banking foundations and other government bodies, with a focus on urban regeneration and socio-economic development projects.

Istituto per il Credito Sportivo ("ICS")

ICS, which was reformed under Presidential Decree 453 of 20 October 2000, is a residual public-law bank in accordance with Article 151 of the 1993 Banking Act. It provides medium- and long-term financing to public and private borrowers for the design and construction of sports facilities. Since 2004, it has also been authorised to provide financing for cultural initiatives.

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

F2i SGR provides asset management services through the promotion, creation, and organisation of closed-end mutual funds specialising in infrastructure. In July 2007, F2i SGR was entered on the register of asset management companies maintained by the Bank of Italy. In 2007, F2i SGR launched the Italian infrastructure fund (Fondo Italiano per le Infrastrutture), the largest fund specialising in infrastructure assets in Italy.

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

On 18 March 2010, Fondo Italiano d'Investimento SGR S.p.A. was established to provide asset management services through the promotion, creation, organisation and management of one or more closed-end mutual funds specialising in supporting enterprise development. It launched the Fondo Italiano di Investimento investment fund in 2010.

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

This company, in which leading banks and financial institutions hold stakes, was established in 1995 pursuant to Decree Law 26/1995 (ratified under Law 95 of 29 March 1995). In view of the company's lack of growth prospects, on 28 January 2009 the Shareholders' Meeting resolved to place EPF into voluntary liquidation pursuant to Article 2484.1 6), of the Italian Civil Code. The liquidation process was pursued with the goal of completing all the subsidised lending related activities as quickly as possible. All the shareholders have offered their help during the liquidation process and agreed to cover the expected closing costs, amounting to € 5.6 million, in proportion to their shareholdings. CDP's share comes to around € 1.8 million.

4.3.2 Investment funds and other investment vehicles

At 31 December 2010, the portfolio of investment funds and other investment vehicles totalled € 85 million, an increase of about € 19 million (+28%) from 31 December 2009.

Investment funds and investment vehicles

(thousands of euros)

	Sector	31/12/2009 % holding/ number of units	31/12/2009 Carrying amount	Change From inv./disinv.	Change From measurement	31/12/2010 % holding/ number of units	31/12/2010 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)		16.67%	500	700	-	14.08%	1,200
3. Inframed Infrastructure société par actions simplifiée à capital variable (Inframed Fund)			-	4,823	-	40.62%	4,823
B. Investment funds							
1. PPP Italia Fund	Infrastructure and PPP projects	350	1,353	4,955	(283)	350	6,025
2. Fondo Abitare Sociale 1	Social housing	98	4,906	-	231	98	5,137
3. F2i - Fondi Italiani per le Infrastrutture	Infrastructure						
- A-class units		150	33,862	1,302	1,984	150	37,148
- C-class units		16	180	13	10	16	204
4. Fondo Investimenti per l'Abitare	Social housing		-	4,483	(600)		3,883
5. Fondo Italiano d'Investimento	SME and export finance		-	1,250	-	1,000	1,250
Total			**66,371**	**17,527**	**1,342**		**85,239**

During 2010, the portfolio changed as a result of the following:

- the performance of the Marguerite Fund, introduced in 2010 by CDP and other public European financial institutions, in order to bolster the fund's role as a catalyst for investment in infrastructures relating to climate change, energy security and European networks;

- the launch in May 2010 of the Inframed Fund, the main objective of which is to finance infrastructure projects in the southern and eastern Mediterranean. The activities of the fund, which is one of the initiatives promoted by the Mediterranean Union, will focus on a diverse range of long-term infrastructure investments in the transportation, energy, and urban development segments. The fund is sponsored by CDP S.p.A. and other European financial institutions (Caisse des Dépôts et Consignations and the European Investment Bank), the Caisse de Dépôt et de Gestion of Morocco and the EFG-Hermes Holding SAE of Egypt. CDP S.p.A. has committed to a maximum investment of € 150 million, out of the fund's expected total of around € 1 billion once the current fund-raising round has been completed;
- draw-downs requested by F2i - Fondi Italiani per le Infrastrutture (F2i), PPP Italia, Fondo Investimenti per l'Abitare and Fondo Italiano d'Investimento in relation to their own investment activities.

CDP S.p.A.'s participation in investment funds as a subscriber is mainly pursued with the goal of promoting:
- investment in physical and social infrastructures at various levels:
  - **local**, in partnership with local authorities and foundations, who have a close understanding of the local area. In this sphere, CDP S.p.A. also promotes public-private partnerships (PPPs);
  - **national**, focusing on major works in collaboration with Italian and foreign institutional investors;
  - **international**, in support of infrastructure projects and networks involving more than one country, not only at the European Union level, cooperating with European institutions and comparable foreign entities (such as CDC, KfW and the EIB).
- the growth and concentration of Italian SMEs;
- investment in the sustainable housing sector.

From an accounting point of view, the funds and investment vehicles may 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.

Below is a brief description of the activities of each of the funds in which CDP S.p.A. holds subscribed units.

Galaxy S.àr.l. SICAR ("Galaxy")

Galaxy, a Luxembourg firm, makes equity or quasi-equity investments in transportation infrastructure, particularly within Italy, Europe and other OECD countries, in a manner typical of a private equity fund. The Galaxy shareholders are Caisse des Dépôts et Consignations ("CDC"), Kreditanstalt für Wiederaufbau ("KfW") and CDP S.p.A. The fund's size was originally € 250 million, of which CDP subscribed € 100 million.

Inframed Infrastructure SAS à capital variable ("Inframed Fund")

On 26 May 2010 CDP S.p.A. and other European financial institutions (the Caisse des Dépôts et Consignations of France and the European Investment Bank, the Caisse de Dépôt et de Gestion of Morocco and the EFG-Hermes Holding SAE of Egypt) launched the "Inframed Infrastructure SAS à capital variable" fund, a variable capital investment vehicle, the main objective of which is to finance infrastructure projects in the southern and eastern Mediterranean. The activities of the fund, which is one of the initiatives promoted by the Mediterranean Union, will focus on a diverse range of long-term infrastructure investments in the transportation, energy, and urban development segments. CDP S.p.A. has committed to a maximum investment of € 150 million, out of the fund's expected total of around € 1 billion once the current fund-raising round has been completed.

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

Together with other European public financial institutions, at the end of 2009 CDP S.p.A. launched the "2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS Sa", a Luxembourg-registered closed-end variable capital investment fund which has been set up to act as a catalyst for investment in infrastructure associated with climate change, energy security and European-wide networks. The fund will undertake equity or quasi-equity investments in companies that own or manage infrastructure in the transportation and energy sectors, with a special focus on renewable energy. CDP S.p.A. has committed to a maximum investment of € 100 million, out of the fund's expected total of around € 1.5 billion once the current fund-raising round has been completed.

F2i - Fondi Italiani per le Infrastrutture ("F2i Fund")

The purpose of the F2i Fund is to invest in infrastructure, particularly in the areas of transportation, gas and energy transport, media and telecommunications, power generation (from renewable sources), and social and local public services. The F2i Fund was authorised by the Bank of Italy in 2007. On completion of fund-raising in early 2009, the fund had total resources of around € 1.85 billion. CDP S.p.A. subscribed A-class units in the F2i Fund corresponding to a financial commitment of € 150 million. As a sponsor of the initiative, CDP S.p.A. also subscribed F2i C-class units corresponding to a financial commitment of € 0.8 million. The fund is currently in its investment phase, which is scheduled to be completed in February 2013 (unless extended by up to a maximum of two years). At 31 December 2010, around € 510 million had been called up.

PPP Italia Fund

PPP Italia is a closed-end fund specialised in public-private partnerships (PPPs). The fund's purpose is to make equity or quasi-equity investments through selected minority stakes in the following sectors: (i) civil construction (schools, hospitals, public office buildings, etc.), (ii) the environment and urban regeneration, (iii) transportation and public utilities, and (iv) power generation projects that use renewable sources. The fund totals € 120 million, of which CDP S.p.A. has subscribed units totalling € 17.5 million. The fund started up operations in 2006 and is currently in the investment stage, which will be completed in December 2012 (unless extended for a further year). At 31 December 2010, the fund had called up around € 49 million.

Fondo Abitare Sociale 1

The Fondo Abitare Sociale 1 is an Italian closed-end ethical real estate fund reserved to accredited investors and managed by Polaris Investment Italia SGR S.p.A. The fund was promoted by the Fondazione Housing Sociale (Social Housing Foundation), formed in 2004 by Cariplo Foundation in partnership with the Lombardy regional government and the Lombardy branch of the National Association of Italian Municipalities. Its objective is to invest mainly in "social housing" in Lombardy; social housing comprises housing and all those services that contribute to solving the housing problem (for families and individuals) with a particular regard to the socially or financially disadvantaged, also in partnership with the third sector and the public sector. Housing will be rented controlled and will primarily be targeted at students, senior citizens, single-income families, immigrants and other socially or financially disadvantaged parties.

The 20-year fund was closed to subscribers and started up operations in 2007. It is currently in the investment stage, which is scheduled to be completed in March 2012. The fund has total assets of € 85 million. As at 31 December 2010, around € 21 million of this total had been called up, corresponding to 25% of the total commitment.

Fondo Investimenti per l'Abitare

The Fondo Investimenti per l'Abitare is a real estate fund reserved to accredited investors, promoted and managed by CDP Investimenti SGR S.p.A., a company operating in the Private Social Housing sector. Its objective is to increase the supply of social housing (governed by the Ministerial Decree of 22 April 2008) in Italy, that is subject to rent control and/or is to be sold at subsidised prices to "socially vulnerable" families (Article 11 of Decree Law 112/2008).

The fund works to support and supplement the social housing policies of the central and local governments. Having been provisionally selected by the Ministry for Infrastructures, the fund has become the single National Fund for the Integrated System of Real Estate Funds under the National Housing Plan.

It operates throughout Italy, mainly serving as a "fund of funds", or by investing in real estate investment funds managed by other asset management companies or by holding stakes in real estate firms through a qualified minority of no more than 40% in order to attract additional third-party investors. The fund is also empowered to made direct investments with up to 10% of its capital.

The fund was formed on 16 July 2010 with the initial partial closing of subscriptions amounting to € 1 billion, fully subscribed by CDP for a 30-year duration. A second partial closing of subscriptions was carried out on 24 September 2010 for € 670 million from major institutional investors. The fund totals € 1.67 billion, of which around € 9 million had been called up at 31 December 2010.
In September 2010, CDP Investimenti SGR authorised the first investment in the Parma Social House fund managed by Polaris Investment Italia for a commitment of € 25 million.

Fondo Italiano d'Investimento

The Fondo Italiano d'Investimento is the result of a project by the Ministry for the Economy and Finance, the Italian Banking Association (ABI), Confindustria, CDP, Intesa Sanpaolo, Unicredit and Banca Monte dei Paschi di Siena to create an instrument for providing financial support to SMEs. The fund offers the following types of investments: a) direct investment in the company's share capital, usually in the form of a minority interest, and may involve coinvestment by other specialised funds; b) support as a fund of funds, by investing in other funds that share the investment policies and objectives of the fund. At 31 December 2010 the fund totalled € 1.2 billion, with about € 9.5 million having been called up.

4.4 Risk monitoring, controls and support activities

4.4.1 Risk monitoring

In 2010, CDP modified the organisational placement of the Risk Management function, in charge of monitoring business risks, which now reports directly to the CEO.

CDP's risk policies are established by the Board of Directors acting on a recommendation of the Chief Executive Officer. The Risk Committee, which took its current form in 2010, is a collegial body that provides technical information and advice to the Chief Executive Officer and provides opinions on issues concerning overall risk policy and management and assessing especially large risks.

In 2010, the Board of Directors approved CDP's new Risk Policy, comprising CDP's Risk Management Rules and related documents.

4.4.1.1 Credit risk

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

In 2010, CDP continued to invest heavily in its ability to assess and manage credit risk, taking action on several fronts: (i) regulatory, organisational and procedural aspects, (ii) tools and processes for measuring creditworthiness, and (iii) monitoring and analysing the loan portfolio.

As regards regulatory and procedural developments, in 2010, the Board of Directors approved the new Lending Rules. The Lending Rules establish the principles to be followed in lending to public-sector borrowers and private or mixed public/private enterprises.

In response to the changes introduced by the Lending Rules, CDP altered certain organisational and procedural aspects of its credit approval process, assigning a fundamental role in this process to the Credit Committee. The Credit Committee is a collegial body that provides technical information and advice to the decision makers (Board of Directors, Chief Executive Officer or General Manager depending on the circumstances) as well as:

- issuing mandatory non-binding opinions on whether lending transactions within the purview of the decision-making bodies meet creditworthiness standards and may proceed;
- issuing opinions concerning the monitoring reports on individual debtors prepared by the Lending unit;
- at the request of the General Manager, giving opinions on lending issues and/or transactions.

With regard to the tools and the process for assessing creditworthiness, the new Risk Management Rules approved by the Board of Directors in 2010 set out the basic requirements to be followed in assigning ratings.

In monitoring and analysing its loan portfolio, since 2006 CDP has used a proprietary model that factors in the impact of diversification and concentration. As to lending to private customers, the new Risk Management Rules assign a central role to risk-adjusted pricing based on the outcomes of its portfolio model.

4.4.1.2 Counterparty risk associated with derivative transactions

Over the year, the number of counterparties involved in Credit Support Annexes expanded with a view to mitigating the risk associated with derivative transactions through the exchange of collateral. Steps were also taken to increase the frequency of calculation and settlement for many of the existing Credit Support Annexes.

The Risk Policy establishes new criteria for selecting counterparties in derivative transactions, making the use of collateral mandatory for new business. Fewer than 1% of the notional amount of past loans do not involve Credit Support Annexes.

4.4.1.3 Interest rate risk

The fact that postal savings bonds can be redeemed upon demand is a major interest-rate option component embedded in CDP liabilities. As a result, interest rate risk is of greater significance and more complex in the case of CDP than for an ordinary bank.

The gradual normalisation of markets was confirmed during the course of 2010, after the severe strains that buffeted, particularly in the second half of 2008. However, this process was interrupted at times, in particular by the growing tensions on the sovereign debts of several EU countries. During the year, we witnessed at least two distinct phases of interest rate developments: the first, lasting until August, saw a sharp drop in interest rates, which fell to historically low levels; in the second phase, there was an almost continuous rise in rates. The swap rates for CDP's most important maturities ended 2010 below the levels reported at the end of 2009.

In this environment, CDP has maintained a positive exposure to the increase in interest rates, based on the position achieved in 2009. The level of this exposure reached its peak when interest rates hit their lowest levels, due to the optional component in CDP liabilities. Overall exposure to interest rates[9] went from +€ 9 million at the end of 2009 to +€ 11.7 million by the end of 2010. Exposure to inflation, mainly regarding issues of postal savings bonds indexed to the consumer price index for blue-collar and office worker households, went from -€ 4.9 million at the end of 2009 to -€ 4 mil-

9 Defined as exposure to an increase of 1 basis point in zero-coupon yields across all maturities.

lion at the end of 2010, broadly unchanged. During the year, the interest rate VaR[10] (entirely associated with the banking book exposure) largely reflected the market, with a considerable growth occurring up until the end of August 2010 (when interest rates hit their lowest levels) and a gradual, steady decline starting from September. At the end of 2010, the VaR returned to a level near to that reported at the end of 2009 (going from +€ 353 million to +€ 392 million). The number of overshoots found during backtesting was statistically in line with the confidence interval adopted (99%) over both the one- and three-year (2008-2010) time horizons.

4.4.1.4 Liquidity risk

CDP's main source of funding is State-backed postal savings funds.

As already noted, in 2010, despite the considerable expansion in lending, the balance on the treasury current account increased further to around € 123 billion (a little less than 50% of total assets).

CDP's fund-raising on the capital market is used to finance lending under the Ordinary Account. Although the conditions of this fund-raising improved substantially compared with the acute stage of the credit crisis, the spreads were relatively high, especially due to the strains on the sovereign debts of certain EU countries.

The new Risk Policy reaffirms the previous practices adopted to manage liquidity risk for the Separate Account, based on maintaining an ample buffer on the treasury current account, and established liquidity limits for the Ordinary Account in order to minimise the maturity mismatch between CDP's assets and liabilities.

10 Value-at-Risk, a metric that takes into account exposure to all risk factors, their volatility and how they interact. CDP calculates VaR over a confidence interval of 99% at a 10-day horizon. This means that CDP's VaR represents a loss of value that would only be exceeded in the least favourable 1% of cases over a 10-day time horizon. VaR calculations adopt a statistical model that uses historic market data to estimate the distribution of future profits and losses.

4.4.1.5 Other material risks

CDP possesses a sizable portfolio of equity investments (listed and unlisted) and investment funds, held solely for investment purposes and not for trading. The new Risk Management Rules establish the criteria for measuring and managing the risks associated with equity investments and investment funds.

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.

For more information on risks and risk-hedging policies, please refer to the notes to the financial statements.

4.4.1.6 Legal disputes

As concerns 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 insignificant.

With regard to the Separate Account, at 31 December 2010, 45 suits were pending with a total estimated liability of no more that € 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 company disputes not related to customer operations, as at 31 December 2010, 34 lawsuits were pending, for which the total estimated liability does not exceed € 1.5 million.

4.4.2 Report on corporate governance and ownership structure: main characteristics of the risk management and internal control system with regard to separate and consolidated-level financial disclosure, pursuant to Article 123-bis.2 b) of the Consolidated Law on Financial Intermediation

4.4.2.1 The internal control system

CDP has developed an internal control system consisting of a set of rules, procedures, and organisational structures designed to ensure compliance with the applicable regulations, in accordance with

corporate strategies and the achievement of targets set by company management.
More specifically, first level controls (line controls) are conducted by operational and administrative units. These controls are built into organisational procedures and are designed to ensure that operations are carried out correctly.
Second level controls (risk management controls) are carried out by separate organisational units and are designed to help establish risk measurement methodologies and verify that the limits set for operational departments are respected, as well as verifying that operational activities and results achieved by production units comply with their allocated risk objectives and performance targets.
Finally, third level controls are performed by the Internal Auditing unit, a permanent, autonomous function that does not report to the heads of the units subject to control. These controls are conducted to verify the functionality of the overall internal control system and the regularity of CDP's operational activities and processes, with the objective of preventing or identifying risks and irregularities. Specifically, the Internal Auditing unit assesses the ability of the overall internal control system to ensure that corporate processes are efficient and effective, safeguard company and investor assets, guarantee the reliability and integrity of accounting and management information, and compliance with internal and external regulations and management guidelines.
Every year the Internal Auditing unit prepares an action plan that it presents to the Board of Directors. It sets out the audits scheduled to analyse risks based on the importance of each process within the overall framework of the activities involved in achieving the business objectives.
The unit reports on its results to the Board of Directors and the Board of Auditors on a quarterly basis. However, critical issues identified during examinations are immediately reported to the relevant company units so that they can implement corrective actions.
Finally, the Internal Auditing unit advises other CDP units on improving internal audit activities and assists the manager responsible for preparing the company financial reports and the Supervisory Body (established pursuant to Legislative Decree 231/2001) in carrying out their work.

4.4.2.2 Systems for managing financial and operational risks

In order to manage the Ordinary Account and Separate Account lending to private borrowers pursuant to Decree Law 185 of 29 November 2008, CDP uses a validated proprietary model to calculate portfolio credit risk, taking account of Separate Account exposures to public entities.
During the year, CDP further consolidated and automated its system for inputting information on its portfolio, particularly for its exposure-at-default model, based on estimated disbursement profiles, thereby making possible to update it more often and ensuring that it is more accurate.
Counterparty risk associated with derivative transactions is monitored on a weekly basis by the Risk Management unit using a proprietary tool.

The Risk Management unit monitors interest rate risk on the structural portfolio on a daily basis, using a proprietary system based on an economic value approach.

CDP also uses a dynamic ALM system (DALM) to generate multi-year simulations of risk exposure and net interest income, using a variety of interest rate scenarios.

In order to monitor the liquidity risk of the Separate Account, Risk Management regularly analyses the volume of liquid assets compared with the volume of demand liabilities and liabilities exposed to the risk of early repayment, verifying compliance with the limits established under the Risk Policy. The addition of a new proprietary tool was completed in 2010 to monitor liquidity risk pertaining to the Ordinary Account. Specifically, the tool:

- generates liquidity gap analyses in order to identify short-, medium- and long-term imbalances;
- calculates the ratio for the limits set in the Risk Policy based on the classification of assets and liabilities as short, medium and long term.

4.4.2.3 Compliance system pursuant to Legislative Decree 231/2001

In January 2006 CDP S.p.A. adopted a compliance system (an "organisation, management and control model" pursuant to Legislative Decree 231/2001). The model identifies the company areas and operations that are most exposed to the risk of criminal activity as defined in the decree, along with the principles, rules and regulations for the control system introduced to supervise "sensitive" operating activities.
Given the importance of regulatory, organisational and business developments during the year, the compliance model was revised in 2010.
The Supervisory Board is tasked with overseeing the operation of and compliance with the model and with updating its content and assisting the competent company bodies in the task of implementing the model correctly and effectively.
CDP's Supervisory Body has three members: an expert in legal affairs, an expert in economic issues, and the head of Internal Auditing, who are appointed by the Chairman of the Board of Directors. The Supervisory Body was first established in 2004 and reappointed in 2007 and in December 2010 at the end of its three-year terms.
The Supervisory Body has drafted its own internal rules and defined the approach to be followed in supervising the model. As noted above, it has been supported by the Internal Auditing unit in ongoing, independent monitoring of the appropriate operation of company processes, as well as oversight of the internal control system as a whole. The Supervisory Body met on five occasions during 2010. The principles of Cassa depositi e prestiti's compliance model can be viewed in the "Chi siamo" section of the corporate website at: *http://www.cassaddpp.it/cdp/Areagenerale/Chisiamo/index.htm.*

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

1) Introduction

Cassa depositi e prestiti S.p.A. is fully aware that financial reporting plays a key role in establishing and maintaining positive relations between the company and its stakeholders. The internal control system, which oversees the company's reporting processes, is set up to ensure that information is reliable, accurate and timely, in compliance with the applicable accounting standards.

The company's control system is structured to comply with the model adopted in the CoSO Report[11], and as such is subdivided into five components (control environment, risk assessment, control activity, information and communication, and monitoring), which function at the organisational unit and/or operating/administrative process level, depending on their characteristics.
In line with the model, the controls are monitored on a periodic basis in order to assess their operational effectiveness and efficiency over time.
The company has adopted the internationally-recognised Control Objectives for Information and related Technology (CObIT) framework to assess and organise its internal control system in the information and communication technology area. The initial phase of system implementation is now complete, following the definition of the maturity model, and the first steps towards implementing the strategies that ensure alignment have been taken. The upgrade process is currently under way.

2) Description of the key characteristics of the existing risk management and internal control system with regard to financial reporting

A risk-based approach has been chosen for the internal control system applied to the financial reporting process, in which the focus is on the key administrative and accounting procedures for CDP financial reporting. In addition to administrative and accounting procedures in the strict sense, business, management, control and support processes with a significant impact on the accounts are also taken into consideration.
The control model is based on an initial company-wide analysis of the control system in order to verify that the environment is, generally speaking, organised to reduce the risk of error or improper conduct with regard to the disclosure of accounting and financial information.
This analysis is undertaken by verifying the presence of appropriate elements, ranging from adequate governance systems to ethical and integrity-based standards of conduct, effective organisational structures, clear assignment of powers and responsibilities, an appropriate risk management policy, disciplinary systems for personnel, and effective codes of conduct.

At process level, the approach consists of an assessment phase to identify specific risks which, if the risk event were to occur, might prevent the rapid and accurate identification, measurement, proces-

11 Committee of Sponsoring Organisations of the Treadway Commission.

sing and representation of corporate events in the accounts. This process involves the development of risk and control association matrices that are used to analyse processes on the basis of their risk profiles and the associated control activities.

The process level analysis is structured as follows:

- an initial phase identifies risks and defines control objectives in order to mitigate those risks;
- a second phase regards identification and evaluation of controls by:
  - identifying the type of control;
  - evaluating the potential effectiveness of the control activity in risk mitigation terms;
  - assessment/presence of control record;
  - formulation of an overall judgment by correlating the control's potential effectiveness and the traceability of the control;
  - identification of key controls;
- the third phase consists of identifying areas of improvement regarding the control:
  - traceability of the control;
  - design of the control.

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

The CDP S.p.A. monitoring phase is structured as follows:

- sampling of items for testing;
- test execution;
- weighting of any anomalies detected, and an associated assessment.

In order to ensure that the system described above functions properly, CDP has established a system for the integrated action of multiple units/functions. The Resources and Organisation unit is responsible for process design and formalisation; the financial reporting manager's function is involved during the risk assessment phase; and the Internal Auditing unit is responsible for the monitoring and assessment phase.

The Board of Directors and the Board of Auditors are briefed on a quarterly basis of Internal Auditing's assessments of the internal control system and the findings of inspections. In compliance with the related internal rules, at every balance sheet date the financial reporting manager reports to the Board of Directors on the outcome of his activities, any shortcomings that may have been detected, and initiatives undertaken to address them.

4.4.2.5 Independent auditors

CDP's financial statements are audited by KPMG S.p.A. During the course of the financial year, the independent auditors are responsible for verifying that the company keeps its accounts properly and that it appropriately records events that occur during the year in the company's accounts. Furthermore, the independent auditors check that the individual and consolidated financial statements are consistent with the records in the accounts and audits conducted, and that these documents comply with applicable regulations. The independent auditors issue an opinion on the individual and consolidated financial statements, and on the half-year interim report. The independent auditors are appointed by the Shareholders' Meeting in ordinary session, acting on a reasoned proposal put forward by the control body.

The current independent auditors were appointed in execution of a resolution of the April 2007 Shareholders' Meeting, which engaged the company to audit the financial statements and accounts for the 2007-2010 period.

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

As of closure of the 2010 financial year, the manager responsible for the preparation of the financial reports (the financial reporting manager) was the head of the Administration, Planning and Control unit.

For more information on the experience requirements and methods for appointing and substituting the financial reporting manager, the provisions of Article 24-bis of CDP S.p.A.'s articles of association are reported below.

Article 24-bis CDP S.p.A. articles of association

1. *Subject to the prior opinion of the Board of Auditors, the Board of Directors appoints the manager responsible for the preparation of the financial reports for a period of time not shorter than the term of office of the Board of Directors and not longer than six financial years to perform the duties assigned to such manager under Article 154-bis of Legislative Decree 58 of 24 February 1998.*
2. *The manager responsible for the preparation of the financial reports shall meet the integrity requirements provided for the Directors.*
3. *The manager responsible for the preparation of the financial reports shall be chosen in accordance with criteria of professional experience and competence from among the managers who have global experience of at least three years in the administrative area at consulting firms or companies or professional firms.*
4. *The manager responsible for the preparation of the financial reports may be replaced by the Board*

of Directors only for due cause, having obtained the prior opinion of the Board of Auditors.

5. *The appointment of the manager responsible for the preparation of the financial reports shall lapse if such manager should not continue to meet the requirements for the office. The Board of Directors shall declare such lapse within thirty days from the date on which they become aware of the supervening failure to meet the requirements.*

In order to ensure that the financial reporting manager has resources and powers commensurate with the nature and complexity of the activities to be performed and with the size of the company, and to ensure that such manager is able to perform the duties of the position, including in relations with other company bodies, in July 2007 the Board of Directors approved the "Internal Rules for the Financial Reporting Manager Function".

In addition to holding a senior management position reporting directly to top management, the financial reporting manager may:
- access without restriction all company information considered relevant to the performance of his duties;
- interact on a regular basis with the company's administrative and control bodies;
- audit any company process that impacts the reporting process;
- make use of other company units to design and amend processes (Resources and Organisation) and check the adequacy and effective application of procedures (Internal Auditing);
- have at his disposal dedicated personnel and independent powers of expenditure within an approved overall budget.

4.4.2.7 Insider register

In 2007, in its role as a party with a controlling relationship over Terna S.p.A. (listed on the stock exchange organised by Borsa Italiana S.p.A.) and in compliance with Article 115-bis of the Consolidated Law on Financial Intermediation, CDP has set up a "Register of persons with access to Terna S.p.A. privileged information", and approved the rules for maintaining this register.
In addition, pursuant to Articles 13 and 16 of the Luxembourg law of 9 May 2006 concerning market abuse, in 2009 CDP, as an issuer of debt securities listed in Luxembourg, also set up a "Register of persons with access to Cassa depositi e prestiti S.p.A. privileged information", governed by the related rules.
In both cases, the rules governing these registers comply with regulations and procedures for storing and updating the register concerned.
Among other things, the rules establish criteria for identifying which parties, owing to their position or the duties that they perform on a regular or occasional basis, have access to privileged information directly or indirectly concerning CDP or Terna and its subsidiaries. They also set out criteria regarding the prerequisites and timing of entry in the register, as well as obligations on registered parties, and penalties applicable to breaches of such obligations under each set of regulations and applicable law.

The Legal and Corporate Affairs unit is responsible for maintaining and updating both of these registers.

4.4.2.8 Code of Ethics

CDP's Code of Ethics establishes a set of values accepted and shared throughout the entire organisation that inform how CDP conducts its business.
The principles and provisions enshrined in the Code provide a cornerstone for all activities undertaken in pursuit of the company's mission. According to the Code, in-house and external relations shall be conducted on the principles of honesty, moral integrity, transparency, reliability and a sense of responsibility.
The principles and provisions of the Code disseminated primarily through publication on the corporate intranet. A copy of the Code is also given to all new employees. Individual contracts also contain a clause stating that compliance with the Code is an essential part of the contractual obligations, and is governed by a disciplinary code.
In 2010 there were no breaches of the Code by CDP employees or associates.

4.4.3 Communications

In 2010, the External Relations unit expanded its reach with the creation of the new Institutional Relations and External Communications unit, which also covers Research activities, International Relations and Institutional Relations.

External communication focused on consolidating CDP's image among traditional customers, as well as on promoting CDP's new business lines in support of the economy and domestic enterprises, and its international activities.

Domestically, CDP focused on disseminating information about its instruments for supporting public entities and businesses. It organised local workshops in support of the Public Entities unit, and once again took part in major industry events, such as the annual assembly of the National Association of Italian Municipalities (ANCI), the National Association of Small Italian Municipalities (ANCI Piccoli Comuni), and the Association of Local Authority Accounting Professionals (ARDEL). CDP organised roadshows for SMEs in conjunction with Confindustria.

Internationally, CDP continues to be involved in the Long-Term Investors Club (LTIC), of which it is a founding member. CDP co-sponsored two conferences with the Organisation for Economic Co-operation and Development (OECD) and the MEF, attended by world-renowned policy-makers and economists, including the Italian President and the Minister for the Economy and Finance. CDP also managed LTIC's international website for the entire year, alongside its own site.

Media relations work ensured that CDP maintained a high profile in both the national and financial press.

As regards mandatory financial publicity, the goal of achieving complete transparency of financial terms and conditions for customers (loans to local authorities) and savers (postal savings bonds and passbooks) was pursued through a constant presence in major media.

4.4.4 Human resource management

4.4.4.1 The workforce

At 31 December 2010, CDP had 434 employees, of which: 37 executives, 150 middle managers and 247 office staff.

The workforce increased by 20 employees compared with the previous year. In 2010, 54 employees were hired and 34 left the company (mainly eligible employees who took advantage of early-retirement incentives). The average age of employees fell to 45. The percentage of women was 42% while the percentage of university graduates reached 52%.

In 2010 CDP continued to invest in strengthening company skills by adding specialist employees and high-potential young employees to a number of units. Recruitment benefited from a constant increase in the number of candidates who applied on their own initiative and cooperation with leading Italian universities.

Finally, following the liquidation of Europrogetti & Finanza S.p.A., in application of the agreement reached with the other shareholders, CDP hired 17 employees from that company in proportion to its share.

4.4.4.2 Personnel training and management

Personnel management focused on implementing the new organisational structure with emphasis on internal staff transfers and redistribution of the workforce.

Training focused on updating specialist knowledge, strengthening cross-functional skills (language and computer training, business conduct), partly with a view to enhancing change management skills, and information on workplace health and safety issues (including through the use of computer and web-based training tools).

There was also a focus on integrating new employees by providing a structured development path involving a phase in which the employee is familiarised with CDP's primary business activities and a training phase during which the employee learns about company organisational practices.

A total of around 6,200 hours of training were provided in 2010.

4.4.4.3 Industrial relations

In 2010, efforts focused on strengthening relations with company union representatives in order to prevent any disputes from arising.
Under the Workers' Charter, in October the company signed an agreement to set up an automated response system to answer telephone requests from borrower entities.

The supplemental company labour agreement pursuant to Article 26 of the national collective bargaining agreement was signed in December 2010 following complex negotiations.

4.4.5 IT systems and internal projects

Projects undertaken in 2010 were targeted at implementing application solutions to support CDP's new lines of activity, and increasing automation in existing operational processes.

In the lending sector, changes to agreements pertaining to instruments for supporting SME loans led CDP to undertake a variety of measures to bring them in line with the procedures for managing relations with the banking sector. Moreover, as to the renegotiation of loans with local governments mentioned above, a web application was created to be used by customers in filing applications and accessing renegotiation simulations for their loans, and by CDP users to create renegotiation contracts. Support functions for managing the Revolving Fund for enterprises were also completed, while the loan management system was upgraded following the overhaul of the lending process based on the new Lending Rules, and the disbursement process was made more efficient in order to reduce payment time.

In the finance sector, in 2010, almost all the work was completed for the "Finance Systems Integration" project, particularly the comprehensive integration of the front/middle-office system with the new back-office system. Work was begun to integrate the front/middle-office system with the company reporting system and to integrate the back-office system with other company accounting and IT systems. Management of collateral was also computerised (Credit Support Annexes). Other work was carried out to improve treasury activities and management of open market operations with the ECB. Finally, a new site for calculating the yields on postal savings bonds was set up, a new reporting system was developed, forecasting support functions were expanded, and integration of CDP and Poste Italiane computer systems was completed.

In the Risk Management sector, further developments were made on systems for inputting data into the proprietary credit risk monitoring model, including counterparty creditworthiness information.

Work was completed on the measures needed to ensure compliance with supervisory reporting obligations and on the outsourcing of services for management of the entire money laundering, tax register and financial investigations reporting process.

To improve the functionalities of the company's Internet site, a feasibility study was initiated to access the new portal access infrastructure and the basic content and services. The "online application" project was also implemented, with the goal of developing a guided process to help public entities fill out loan applications and provide supporting documentation.

As part of the efforts to help upgrade operating procedures, an initiative that aims to dematerialise loan processing to make it more efficient and effective was launched. A feasibility study was conducted to identify technological, organisational and regulatory solutions and ways to integrate existing systems, as well as verify the technical and financial feasibility.

In the sphere of security, the Identity and Access Management (IAM) system was launched. The IAM system operates centrally on CDP's standard technological platform. A centralised database of persons authorised to access the system was created in order to automate identity authentication. New rules governing IT resources were established, outlining identity management processes and authorisation profiles, as well as IT security guidelines and policies.

A project was launched to outsource CDP's IT infrastructure in order to reduce projected costs by taking advantage of economies of scale and to improve the quality of the service provided to internal CDP users by upgrading hardware resources, together with enhancing security through the introduction of a disaster recovery service.

Finally, during the year the study on building a support system for Service Management processes within the ICT unit was completed. The purpose of this is to offer a single contact point for all CDP application users.

All of the above work was carried out with the support of the Resources and Organisation unit in order to ensure an effective change management process is effective, to monitor the impact of the new operating procedures on business processes and to make adjustments to the delegated powers management system where appropriate.

In order to facilitate the updating of the CDP processes model, especially as regards business processes, and to revise the company's general internal rules, an "Organisational Project" was undertaken in 2010 and was substantially completed by the end of the year.

Finally, new processes were established, or existing ones, including those related to support and corporate governance activities, were overhauled, consistent with changes in the organisational structure and the expansion of CDP's operations.

4.4.6 State of implementation of the provisions of Legislative Decree 196 of 30 June 2003

Article 26 of Annex B to the Data Protection Act (Legislative Decree 196 of 30 June 2003) requires data controllers to state in the report accompanying the financial statements, if required, whether the Security Policy Document has been drafted or amended. CDP S.p.A. prepared its Security Policy Document and in subsequent years has disclosed in its report accompanying the financial statements when the Document was drafted and amended.

In 2010, steps were taken to map the systems that CDP has already implemented, and to update and supplement, were necessary, the documentation used with regard, for example, to:

a) informational/consent forms to provide to "interested parties";
b) confidentiality clauses;
c) contractual clauses pertaining to privacy obligations;
d) appointment letters for those responsible for data protection;
e) appointment letters for outsourcers;
f) written instructions to supervisors;
g) written instructions for those responsible for data protection;
h) verification that legal requirements have been met in locations where video-surveillance is used;
i) updating the privacy policy stated on CDP's website;
j) updating the privacy policy found in the recruitment area of CDP's website and updating the consent form for applicants belonging to protected categories of persons.

The Security Policy Document was updated and the new version was approved by the Board of Directors in March 2011.

5. Relations with the MEF

5.1 Relations with the Central State Treasury

CDP S.p.A. has an interest-bearing current account, no. 29814 denominated "Cassa DP SPA - Gestione Separata", with the Central State Treasury on which it deposits most of its liquidity.

Pursuant to Article 6.2 of the decree of the Minister for the Economy and Finance (MEF) of 5 December 2003, interest on the funds is paid half-yearly at a floating rate equal to the simple arithmetic mean between the gross yield on six-month Treasury bills and the monthly Rendistato index.

5.2 Agreements with the MEF

In accordance with the above MEF decree CDP continued to manage the administrative and accounting aspects of the relationships transferred to the MEF at the end of 2003. These activities are governed by two agreements with the MEF that set out the guidelines for the exercise of the functions performed by CDP and the fees due for such services. These agreement were renewed on 23 December 2009, retaining the existing terms and conditions.

The first agreement governs the methods by which CDP manages existing relations as of the transformation date, resulting from the postal savings bonds transferred to the MEF (Article 3.4 c) under the ministerial decree cited above). Based on this agreement, in addition to settling cash flows and managing relations with Poste Italiane, CDP provides the following services to the MEF:

- financial reporting;
- the periodic provision of information, both actual and forecasts, on bond redemptions and stocks;
- monitoring and management of the treasury accounts established for the purpose.

The second agreement concerns the management of the loans and relations transferred to the MEF pursuant to Article 3.4 a), b), e), g), h) and i) in the above ministerial decree. Here, too, guidelines were provided to help with the management activities by surveying such activities. In line with Article 4.2 of the aforementioned decree, CDP's role as defined by this agreement includes carrying out disbursement, payment, and credit collection transactions, to represent the MEF in legal and other matters, to fulfil obligations, and to exercise powers and rights in the management of relations connected with the activities transferred. CDP also provides the MEF with the following services:

- a detailed report on the activities performed;
- the periodic provision of information on developments in the transferred loans and relationships,

both actual and forecasts;
- monitoring and management of the treasury accounts established for this purpose.

The MEF pays CDP € 3 million annually for the performance of these services.

5.3 Management on behalf of the MEF

With the procedures defined in these agreements, and in line with the provisions of the MEF decree of 5 December 2003, in 2010 CDP continued to conduct the activities of disbursement, collection and reporting for the assets and liabilities transferred to the MEF.

On the asset side, one of the most important activities is managing the loans and other financing granted by CDP and transferred to the MEF, the residual debt of which came to € 16,488 million at 31 December 2010, compared with € 18,311 million at year-end 2009. The liability side includes the management of postal savings bonds assigned to the MEF, which at year-end totalled € 84,985 million, compared with € 89,713 million at 31 December 2009.

In accordance with the above-mentioned ministerial decree, CDP continues to handle a number of activities related to specific legislative provisions, most of which are financed with State funds.

The funds appropriated for these activities are deposited in non-interest-bearing treasury accounts held in the name of the MEF, although CDP is authorised to use them for the purposes envisaged in the laws establishing the programmes.

Major programmes include the following: residential building, which had funds amounting to € 3,181 million at 31 December 2010; the natural gas infrastructure programme for the South, which had resources totalling € 312 million; and resources for territorial agreements and area contracts, which came to € 452 million.

6. Outlook for 2011

As regards the outlook for CDP S.p.A. with regard to its various lines of business, we expect the percentage of loans to enterprises and PPPs for infrastructure projects to increase as compared with the volume of lending to public entities, based in part on the fact that public entities face greater constraints in taking on debt under public finance rules.

Therefore, on the asset side for 2001, we expect there to be strong growth in lending to customers and banks, related to a further increase in liquidity, largely as a result of the amount of expected net funding from postal savings, due mainly to the gradual replacement of MEF-issued bonds (approaching maturity or redeemed early) with the subscription of new CDP-issued bonds.

We expect to see initial signs of a reversal in the downward trend in net interest income seen in recent years. This will be made possible by the rise in yields on loans (particularly with regard to liquidity and loans to public entities, in line with trends in market conditions), which is expected to outpace that in funding costs. However, a clearer picture will only be available after the new multi-year agreement with Poste Italiane is signed. It will govern placement services and administrative and accounting services for postal savings and establish the short- and medium-term funding objectives.

The primary risks and uncertainties affecting results regard the possibility that the market prices of equity investments held by CDP may perform poorly, making it necessary to recognise writedowns and possibly engendering volatility in the dividends distributed by the investee companies in 2011. Moreover, given that interest rates are rising, there is risk of increased early redemption of postal savings bonds and replacement with newly issued bonds, a move that could lead to a deterioration in funding costs.

7. Proposed allocation of net income for the year

We hereby submit for shareholder approval the financial statements for 2010, consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and the notes to the financial statements with related annexes. The financial statements are accompanied by the directors' report on operations.
We also submit for shareholder approval the following proposal for the allocation of 2010 earnings, which total € 2,742,519,913. Pursuant to Article 30 of the articles of association, having deducted the amount to be allocated to the legal reserve, we propose to allocate the net income to holders of ordinary and preference shares proportionate to the capital represented, for a total of € 700,000,000. Accordingly, of this, € 490,000,000 is to be distributed to ordinary shareholders and € 210,000,000 to preference shareholders.
It is further proposed to retain a total of € 1,905,393,917 in earnings.

ALLOCATION OF NET INCOME FOR THE YEAR

(euros)

Net income	2,742,519,913
Legal reserve	137,125,996
Income available for distribution	**2,605,393,917**
Dividend:	**700,000,000**
of which: income attributable to ordinary shares	*490,000,000*
of which: income attributable to preference shares	*210,000,000*
Retained earnings	**1,905,393,917**
Dividend per share	**2.00**
Dividend as percentage of share capital	**20.00%**

Rome, 20 April 2011

The Chairman
Franco Bassanini

CDP S.p.A.

Financial Statements
at 31 December 2010

Report of the Board of Auditors

Shareholders,

In the course of the financial year ending 31 December 2010, we carried out our statutory supervisory activity in accordance with the standards recommended by the National Council of the Italian accounting profession, taking account of the recommendations of Consob in its communications, to the extent compatible with the status of CDP S.p.A.

We preface our remarks as follows:

A) the financial statements for 2010 have been prepared in accordance with the international accounting standards, adopted with Regulation (EC) 1606 on 19 July 2002, and transposed into Italian legislation with Legislative Decree 38 of 28 February 2005. The preparation of the financial statements complies with the provisions concerning bank financial statements in Bank of Italy Circular 262 of 22 December 2005 as amended;

B) he accurate recognition of operational events in the accounts and their representation in the financial statements in accordance with the IASs/IFRSs have been examined by KPMG in the performance of its statutory auditing activities;

C) the financial statements include both the activity of the Ordinary Account and that of the Separate Account, although the cash flows of the two accounts and their recognition are separate. The separation of these two accounts, pursuant to Article 16.5 and 6, of the MEF decree of 6 October 2004, involves the preparation of separate accounting statements for the sole use of the MEF and the Bank of Italy. At the end of the year, shared costs incurred by the Separate Account are computed and subsequently reimbursed on a pro-rated basis by the Ordinary Account;

D) the financial statements for 2010 report net income of € 2,743 million and equity of € 13,726 million.

Given the foregoing, we report that the Board of Auditors, appointed by the shareholders on 28 April 2010:

- participated, subsequent to its appointment, in the Shareholders' Meetings, as well as all meetings of the Board of Directors held to date, and received periodic information from the directors on the activities carried out and the most significant operations conducted by the company;
- continued the monitoring of the activities undertaken by CDP S.p.A., which, in addition to attending the meetings of the Board of Directors, also included periodic meetings with the heads of the main company departments, as well as the exchange of information with the financial reporting manager and with the auditors responsible for statutory auditing, KPMG;
- took note of the regulatory changes introduced with Legislative Decree 39 of 27 January 2010 implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Directives 78/660/EEC and 83/349/EEC and repealing Directive 84/253/EEC. As regards the aspects of those regulations pertaining to its duties, the Board of Auditors operated as discussed below;

- monitored the operation of the internal control and administrative/accounting systems with a view to assessing their appropriateness to company needs, as well as their reliability in representing operational facts and events;
- monitored risk management control processes;
- monitored compliance with the law and the articles of association, conformity with the principles of sound administration and in particular the appropriateness of the organisational, administrative and accounting arrangements adopted by the company and its effective operation;
- verified compliance with statutory requirements concerning the preparation of the financial statements and the report on operations, also obtaining information from the audit firm.

In addition, with reference to the Consob communications cited earlier, we report the following information:

1. The most significant economic, financial and capital operations undertaken by the company were conducted in conformity with applicable law and the company's articles of association. As regards those transactions, we report the following.
   Pursuant to the Decree of 30 November 2010 of the Minister for the Economy and Finance (MEF), the MEF transferred to CDP a total of 655,891,140 Eni S.p.A. shares, equal to 16.38% of share capital, with a value of € 10,706,373,431. As consideration for the transfer, CDP transferred to the MEF its entire shareholdings in:
   - Enel S.p.A., totalling 1,632,624,218 shares, equal to 17.36% of share capital, with a value of € 6,606,740,423, as well as € 163,262,421.80 corresponding to the interim 2010 dividend distributed by Enel S.p.A. for the same shares;
   - Poste Italiane S.p.A., totalling 457,138,500 shares, equal to 35% of share capital, with a value of € 3,288,715,946;
   - STMicroelectronics Holding N.V., equal to 709,987 shares, equal to 50% of share capital, and indirectly corresponding to 125,352,377 shares of STM Microelectronics N.V., equal to 13.77% of share capital, with a value of € 810,917,062.

   The exchange enabled CDP to comply with the commitments undertaken with the Competition Authority concerning its holding in Enel (Competition Authority Order 14542 of 4 August 2005). Considering the 400,288,338 Eni shares already held, CDP now holds a total interest of 26.37% in Eni S.p.A.
   As regards the procedure adopted to execute the share exchange, in compliance with Law 326/2003, the MEF engaged a financial advisor to prepare a sworn appraisal to determine the value of the MEF's investment in Eni and that of the investments of CDP in Enel, STM and Poste Italiane.
   CDP engaged another financial advisor to prepare a fairness opinion on the consideration that CDP received from the MEF in the form of Eni shares in exchange for its holdings in Enel, STM and Poste Italiane.

Net income for 2010 rose by 59% compared with the previous year. The increase would have be about 8% excluding, for 2010, the gain of about € 1 billion on the share exchange with the MEF and, for 2009, other non-recurring items that had impacted net income for that year.

2. In the notes to the financial statements for 2010, and more specifically in Part H – Transactions with related parties, the directors report the main transactions carried out during the year with related parties. Please refer to that section for more information on the type of transactions conducted and their impact on the income statement and the balance sheet.
3. The information provided by the directors in their report on operations is felt to be adequate.
4. KPMG S.p.A., charged with the statutory audit of the accounts, has made any specific observations that might be reflected in comments or qualifications in their report, nor did any material issues emerge in the periodic exchange of information between the Board and the audit firm.
5. The Board of Auditors received no complaints pursuant to Article 2408 of the Italian Civil Code.
6. The Board of Auditors received no reports or complaints of alleged irregularities.
7. The audit firm KPMG, pursuant to Article 17.9 a), of Legislative Decree 39/2010 confirmed to the Board of Directors that in the period from 1 January 2010 to 23 March 2011 it did not encounter any situations that would have compromised its independence or any circumstances that would give rise to incompatibility pursuant to Article 10 of that legislative decree.
8. In 2010, there were a total of 13 meetings of the Board of Directors and 2 Shareholders' Meetings, all of which were attended by the Board of Auditors. The Board of Auditors held 9 meetings, to which the judge designated by the State Audit Court was always invited. During the meetings, the Board, inter alia, examined and took due account of the minutes prepared by the Support Committee, while also preparing our own minutes, which were sent to the Chairman of the company, the MEF, and the State Audit Court. The Board also examined and took due account of the report of the State Audit Court on the findings of the examination performed on the financial operations of the Cassa depositi e prestiti S.p.A. for the 2009 financial year.
9. We monitored the adequacy of the internal control system through meetings with the head of Internal Auditing and specific exchanges of information with the parties involved in the design (second level controls) and monitoring (third level controls) of the internal control system. The examinations performed found no issues or problems to report. The Board of Auditors also met with the Supervisory Body for the reciprocal exchange of information, noting that pursuant to Legislative Decree 231/2001 the company has adopted an appropriate compliance model.
10. The administrative/accounting system appears adequate to provide an accurate and prompt representation of operational events, a finding also borne out by information received from the audit firm.
11. Within the scope of our supervisory activities, we did not find any omissions, censurable facts or irregularities.

The Board of Auditors took due note of the information provided by the Financial Reporting Manager on the findings of the control activities performed, which found no material issues that would prevent the issue of the certification pursuant to Article 154-bis of the Consolidated Law on Financial Intermediation. Therefore, there are no impediments to approving the financial statements for the 2010 financial year together with the report on operations submitted by the Board of Directors and the proposed allocation of net income for the year.

Rome, 20 April 2011

THE BOARD OF AUDITORS

/signature/Angelo Provasoli	Chairman
/signature/Paolo Fumagalli	Auditor
/signature/Biagio Mazzotta	Auditor
/signature/Gianfranco Romanelli	Auditor
/signature/Giuseppe Vincenzo Suppa	Auditor

CDP S.p.A.

Financial Statements
at 31 December 2010

Report of the independent auditors

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Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010 and article 165-bis of Legislative decree no. 58 of 24 February 1998

To the shareholders of
Cassa Depositi e Prestiti S.p.A.

1 We have audited the separate financial statements of Cassa Depositi e Prestiti S.p.A. as at and for the year ended 31 December 2010, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 12 April 2010 for our opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the separate financial statements of Cassa Depositi e Prestiti S.p.A. as at and for the year ended 31 December 2010 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Cassa Depositi e Prestiti S.p.A. as at 31 December 2010, the results of its operations and its cash flows for the year then ended.

Cassa Depositi e Prestiti S.p.A.
Report of the auditors
31 December 2010

4 The directors of Cassa Depositi e Prestiti S.p.A. are responsible for the preparation of a report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and its specific section on corporate governance and ownership structure, to the extent of the information required by article 123-bis.2.b of Legislative decree no. 58/98 with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the report on operations and the information required by article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the specific section of such report are consistent with the separate financial statements of Cassa Depositi e Prestiti S.p.A. as at and for the year ended 31 December 2010.

Rome, 28 April 2011

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit

CDP S.p.A.

Financial Statements
at 31 December 2010

Certification
of the separate financial statements
pursuant to Article 154-bis of Legislative Decree 58/1998

Certification of the separate financial statements pursuant to Article 81-ter of Consob Regulation 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.3 and 4, of Legislative Decree 58 of 24 February 1998:

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

of the administrative and accounting procedures for the preparation of the separate financial statements in 2010.

2. In this regard

2.1 the assessment of the appropriateness of the administrative and accounting procedures followed in preparing the separate financial statements at 31 December 2010 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 2010 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 process to upgrade information technology procedures, which requires further activities for its completion.

3. In addition, we certify that:

3.1 the separate financial statements:

a) have been prepared in compliance with the international accounting standards adopted in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the information in the books and other accounting records;

c) provide a true and fair representation of the performance and financial position of the issuer;

3.2 the report on operations contains a reliable analysis of operations and performance, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 28 April 2011

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

This report has been translated into English language solely for the convenience of international readers

CDP S.p.A.

Financial Statements

at 31 December 2010

Separate financial statements

Form and content of the financial statements at 31 December 2010

The financial statements at 31 December 2010 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;
- Cash flow statement;
- Notes to the financial statements.

The notes to the financial statements are composed of:

Introduction

Part A - Accounting policies

Part B - Information on the balance sheet

Part C - Information on the income statement

Part D - Comprehensive income

Part E - Information on risks and related hedging policies

Part F - Capital

Part H - Transactions with related parties

Part L - Operating segments

The section "Annexes", which is an integral part of the financial statements, includes a list of equity investments held by CDP and the separate schedules showing the contribution of the Separate Account and the Ordinary Account to company results.

CDP S.p.A.

Financial statements

Balance sheet

Income statement

Statement of comprehensive income

Statement of changes in equity

Cash flow statement

Balance sheet

(euros)

Assets	31/12/2010	31/12/2009
10. Cash and cash equivalents	123,751,211,374	114,688,739,285
20. Financial assets held for trading	856,437,924	868,511,043
40. Financial assets available for sale	2,288,246,249	13,991,312,479
50. Financial assets held to maturity	2,947,379,832	205,285,358
60. Loans to banks	9,027,453,938	5,974,479,656
70. Loans to customers	90,329,680,588	85,623,841,033
of which: securing covered bonds	*14,052,248,752*	*15,293,457,623*
80. Hedging derivatives	366,749,734	331,603,338
100. Equity investments	18,582,609,235	4,486,902,309
110. Property, plant and equipment	199,812,563	203,917,935
120. Intangible assets	4,974,253	6,571,704
130. Tax assets	461,119,068	599,747,355
a) current	422,947,633	573,810,266
b) deferred	38,171,435	25,937,089
150. Other assets	367,749,013	72,970,939
Total assets	**249,183,423,771**	**227,053,882,434**

(euros)

Liabilities and equity	31/12/2010	31/12/2009
10. Due to banks	7,241,187,323	2,674,297,280
20. Due to customers	106,988,550,234	100,459,935,780
of which: amounts to be disbursed on loans securing covered bonds	*871,850,140*	*1,099,699,241*
30. Securities issued	117,331,735,359	108,268,862,199
of which: covered bonds	*5,378,891,922*	*6,382,221,908*
40. Financial liabilities held for trading	940,033,707	782,976,639
60. Hedging derivatives	1,175,798,607	825,662,805
70. Adjustment of financial liabilities hedged generically (+/-)	63,682,829	66,477,577
80. Tax liabilities	476,744,233	541,399,082
a) current	398,520,161	410,472,190
b) deferred	78,224,072	130,926,892
100. Other liabilities	1,229,127,701	1,254,387,345
110. Staff severance pay	705,198	697,292
120. Provisions	9,378,237	8,974,217
b) other provisions	9,378,237	8,974,217
130. Valuation reserves	1,250,136,787	2,136,388,575
160. Reserves	6,233,823,643	4,809,202,993
180. Share capital	3,500,000,000	3,500,000,000
200. Net income for the year (+/-)	2,742,519,913	1,724,620,650
Total liabilities and equity	**249,183,423,771**	**227,053,882,434**

Income statement

(euros)

		31/12/2010	31/12/2009
10.	Interest income and similar revenues	6,419,624,669	7,559,832,232
20.	Interest expense and similar charges	(4,760,265,808)	(5,565,695,035)
30.	**Net interest income**	**1,659,358,861**	**1,994,137,197**
40.	Commission income	12,121,906	8,248,760
50.	Commission expense	(722,346,893)	(917,567,977)
60.	**Net commission income**	**(710,224,987)**	**(909,319,217)**
70.	Dividends and similar revenues	1,134,584,838	971,150,211
80.	Net gain (loss) on trading activities	12,293,917	117,638,074
90.	Net gain (loss) on hedging activities	(164,090)	(26,116,592)
100.	Gains (Losses) on disposal or repurchase of:	201,174,464	14,605,104
	a) loans	71,508,633	13,653,125
	b) financial assets available for sale	129,665,831	951,979
120.	**Gross income**	**2,297,023,003**	**2,162,094,777**
130.	Net impairment adjustments of:	(3,790,509)	(1,218,345)
	a) loans	(3,790,509)	(1,218,345)
140.	**Net financial income (expense)**	**2,293,232,494**	**2,160,876,432**
150.	Administrative expenses:	(77,032,484)	(71,036,279)
	a) staff costs	(46,266,008)	(44,502,974)
	b) other administrative expenses	(30,766,476)	(26,533,305)
160.	Net provisions	(2,176,678)	374,188
170.	Net adjustments of property, plant and equipment	(6,279,462)	(6,662,052)
180.	Net adjustments of intangible assets	(2,532,046)	(2,349,819)
190.	Other operating income (cost)	2,355,539	1,238,866
200.	**Operating costs**	**(85,665,131)**	**(78,435,096)**
210.	Gains (Losses) on equity investments	947,743,867	-
250.	**Income (Loss) before tax from continuing operations**	**3,155,311,230**	**2,082,441,336**
260.	Income tax for the year on continuing operations	(412,791,317)	(357,820,686)
270.	**Income (Loss) after tax on continuing operations**	**2,742,519,913**	**1,724,620,650**
290.	**Income (Loss) for the year**	**2,742,519,913**	**1,724,620,650**

Statement of comprehensive income

(euros)

		31/12/2010	31/12/2009
10.	**Income (Loss) for the year**	**2,742,519,913**	**1,724,620,650**
	Other comprehensive income net of taxes		
20.	Financial assets available for sale	(879,310,137)	973,579,846
60.	Cash flow hedges	(6,941,651)	624,260
110.	**Total other comprehensive income net of taxes**	**(886,251,788)**	**974,204,106**
120.	**Comprehensive income (items 10+110)**	**1,856,268,125**	**2,698,824,756**

Statement of changes in equity

(euros)

				Allocation of net income for previous year		Changes for the period								
							Equity transactions							
	Balance at 31/12/2009	Changes in opening balance	Balance at 1/1/10	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 for 2010	Equity at 31/12/2010
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										(879,310,137)	1,088,305,993
b) cash flow hedges	1,200,443		1,200,443										(6,941,651)	(5,741,208)
c) other reserves														
- revaluation of property	167,572,002		167,572,002											167,572,002
Equity instruments														
Treasury shares														
Income (Loss) for the year	1,724,620,650		1,724,620,650	(1,424,620,650)	(300,000,000)								2,742,519,913	2,742,519,913
Equity	**12,170,212,218**		**12,170,212,218**	**-**	**(300,000,000)**								**1,856,268,125**	**13,726,480,343**

Statement of changes in equity

(euros)

	Balance at 31/12/2008	Changes in opening balance	Balance at 1/1/09	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	Equity transactions: Issue of new shares	Equity transactions: Purchase of own shares	Equity transactions: Special dividend distribution	Equity transactions: Changes in equity instruments	Equity transactions: Derivatives on own shares	Equity transactions: Stock options	Comprehensive income for 2009	Equity at 31/12/2009
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	3,664,760,473		3,664,760,473	1,144,442,520										4,809,202,993
b) other														
Valuation reserves:														
a) available for sale	994,036,284		994,036,284										973,579,846	1,967,616,130
b) cash flow hedges	576,183		576,183										624,260	1,200,443
c) other reserves														
- revaluation of property	167,572,002		167,572,002											167,572,002
Equity instruments														
Treasury shares														
Income (Loss) for the year	1,389,442,521		1,389,442,521	(1,144,442,520)	(245,000,000)								1,724,620,650	1,724,620,650
Equity	**9,716,387,463**		**9,716,387,463**	**-**	**(245,000,000)**								**2,698,824,756**	**12,170,212,218**

Cash flow statement (indirect method)

(euros)

A. OPERATING ACTIVITIES	31/12/2010	31/12/2009
1. Operations	**2,981,276,378**	**1,803,416,301**
- net income for the year (+/-)	2,742,519,913	1,724,620,650
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	(12,293,917)	(117,638,074)
- gains/losses on hedging activities (-/+)	164,090	26,116,592
- net impairment adjustments (+/-)	3,790,509	1,218,345
- net value adjustments to property, plant and equipment and intangible assets (+/-)	8,811,508	9,011,871
- net provisions and other costs/revenues (+/-)	8,499,199	7,418,427
- unpaid taxes and duties (+)	412,791,317	357,820,686
- net impairment adjustments of disposal groups held for sale net of tax effect (+/-)	-	-
- writedowns/writebacks of equity investments (+/-)	-	-
- other adjustments (+/-)	(183,006,241)	(205,152,196)
2. Cash generated by/used in financial assets	**(3,635,877,311)**	**(6,380,247,723)**
- financial assets held for trading	(143,845,237)	(263,404,833)
- financial assets at fair value	-	-
- financial assets available for sale	4,220,279,254	(3,187,345,926)
- loans to banks: on demand	-	-
- loans to banks: other	(3,467,433,893)	(1,018,507,439)
- loans to customers	(4,046,639,601)	(1,680,358,024)
- other assets	(198,237,834)	(230,631,501)
3. Cash generated by/used in financial liabilities	**19,880,851,648**	**14,602,421,986**
- due to banks: on demand		
- due to banks: other	4,561,970,186	1,981,922,406
- due to customers	6,528,616,937	8,178,843,085
- securities issued	9,090,288,330	4,674,964,271
- financial liabilities held for trading	325,269,342	314,122,584
- financial liabilities at fair value	-	-
- other liabilities	(625,293,147)	(547,430,360)
Cash generated by/used in operating activities	**19,226,250,715**	**10,025,590,564**
B. INVESTING ACTIVITIES		
1. Cash generated by	**3,144,733,158**	**-**
- sale of equity investments	3,144,733,158	-
- dividends from equity investments	-	-
- sale of property, plant and equipment	-	-
2. Cash used in	**(13,425,921,857)**	**(186,911,839)**
- purchase of equity investments	(10,706,373,431)	(181,648,745)
- purchase of financial assets held to maturity	(2,716,439,742)	-
- purchase of property, plant and equipment	(2,174,089)	(2,720,168)
- purchase of intangible assets	(934,595)	(2,542,926)
Cash generated by/used in investing activities	**(10,281,188,699)**	**(186,911,839)**
C. FINANCING ACTIVITIES		
- dividend distribution and other allocations	(300,000,000)	(245,000,000)
Cash generated by/used in financing activities	**(300,000,000)**	**(245,000,000)**
CASH GENERATED/USED DURING THE YEAR	**8,645,062,016**	**9,593,678,725**

Reconciliation

Cash and cash equivalents at beginning of year	**115,132,715,921**	**105,539,037,196**
Total cash generated/used during the year	**8,645,062,016**	**9,593,678,725**
Cash and cash equivalents: effects of changes in exchange rates	-	-
Cash and cash equivalents at end of year	**123,777,777,937**	**115,132,715,921**

CDP S.p.A.

Financial Statements
at 31 December 2010

Notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

Introduction

Structure and content of the financial statements

As in previous years, the CDP S.p.A. financial statements have been prepared in accordance with the regulations of the Bank of Italy, which are set out in its circular concerning banking and financial service supervision of 22 December 2005, updated to 18 November 2009, which set out the formats and rules for compiling bank financial statements, incorporating the introduction of International Financial Reporting Standards (IASs/IFRSs) for bank financial reporting.
With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2006 financial year, to adopt the IASs/IFRSs in preparing the financial statements of EU companies that issue equity or debt securities on a regulated market in the European Union.
Legislative Decree 38 of 20 February 2005 was then issued in Italy in order to govern the application of:

- the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB),
- the International Accounting Standards (IASs) issued by the International Accounting Standards Committee (IASC),

as well as the Implementation Guidance and Basis for Conclusions adopted by the International Financial Reporting Interpretations Committee (IFRIC, formerly the Standing Interpretations Committee, or SIC) and by the IASB.
The financial statements are expressed in euros and include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and these explanatory notes to the financial statements and related annexes, as well as the directors' report on operations.
The financial statements present a clear, true and fair overview of the company's financial performance and standing.
The account balances correspond with the company's accounting records and fully reflect the transactions conducted during the year.

Basis of presentation

The financial statements are expressed in euros, whereas the tables in the notes to the financial statements are expressed in thousands of euros.
Accounts with zero balances for both the current and prior period have been excluded. In the income

statement, revenues are indicated without a sign, while costs are shown in parentheses.
The figures in the tables of the 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 cash flow statement 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

As detailed below, the notes to the financial statements provide all of the information required by law, as well as any supplemental information deemed necessary in order to provide a true and fair presentation of the company's financial performance and standing.
The tables and other details required by the Bank of Italy have been numbered in accordance with the parts and sections specified in Annex "A" of the supervisory instructions issued by the Bank of Italy.
For the purposes of comparison, the tables in the notes to the financial statements present the figures for both the 2010 and 2009 financial years.
Tables with no amounts for either 2010 or 2009 have been omitted.

CDP segregated asset pools

CDP holds the covered bond segregate 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 than 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 on the financial statements, and the transaction is described in the notes to the financial statements under Part B - Information on the balance sheet - Other information.

Auditing of the financial statements

The CDP financial statements have been audited by KPMG S.p.A. in execution of the shareholder resolution of April 2007, which engaged this firm to audit the financial statements and accounts for the period 2007-2010.

Annexes

In order to enhance disclosure, a detailed list of the equity investments held by CDP is annexed to this report.
Statements showing the contribution of the Separate Account and the Ordinary Account are also annexed to this report.

PART A - ACCOUNTING POLICIES

A.1 - General information

Section 1 - Declaration of conformity with the international accounting standards

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IASs/IFRSs) issued by the IASB (and related SIC and IFRIC interpretations) endorsed by the European Commission as of 31 December 2010 and with the Bank of Italy circular of 22 December 2005 updated to 18 November 2009, which establishes the required format of the financial statements and related methods of preparation, as well as the content of the related notes.

Section 2 - General preparation principles

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

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

- the *Framework for the Preparation and Presentation of Financial Statements* (issued by the International Accounting Standards Board in 2001);
- *Implementation Guidance, Basis for Conclusions,* IFRIC interpretations, and any other documentation prepared by the IASB or IFRIC to supplement the IFRSs;
- interpretation documents concerning the application of the IASs/IFRSs in Italy, prepared by the *Organismo Italiano di Contabilità* (Italian Accounting Board; OIC) and by the Italian Banking Association (ABI).

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

The financial statements have been prepared on an accruals and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.
Pursuant to the provisions of joint Bank of Italy/Consob/Isvap document 2 of 6 February 2009 concerning disclosures on business continuity and in compliance with the requirements on the same issue contained in IAS 1 Revised, CDP has conducted an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon. Based on an analysis of the information and the results achieved in previous years, CDP feels that it is appropriate to prepare its financial statements on a going-concern basis.

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

Section 3 - Events subsequent to the reporting date

During the period between the reporting date for the financial statements and their approval by the Board of Directors on 20 April 2011, no events occurred that would require an adjustment to the figures approved or the provision of additional information.

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. CDP has elected to adopt the standard early as from these financial statements.

Other information

On 20 April 2011 the Board of Directors approved the draft financial statements for 2010 of CDP S.p.A., which will be published in accordance with the procedures provided for in the regulations applicable to CDP.

A.2 - The main financial statement accounts

The following pages provide a description of the accounting policies adopted in preparing the financial statements.

1 - Financial assets held for trading

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

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

Such financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or income. 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 reporting date if they are listed on active markets. For financial instruments, including equity, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity secu-

rities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.
If the fair value of a financial asset becomes negative, it is recognised as a financial liability held for trading.
Financial assets held for trading are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset is retained, the asset remains on the balance sheet even if official title has been transferred.
The gains and losses on sale or redemption and unrealised gains and losses resulting from the fair value measurement of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80). The income components are recognised following the results of the measurement of the financial assets held for trading.

2 - Financial assets available for sale

"Financial assets available for sale" (item 40) are non-derivative financial assets (debt securities, equity, etc.) that are classified as being available for sale and not as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.
Available-for-sale financial assets are initially recognised on the contract date for all financial assets, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is carried out at the settlement date and on the disbursement date in the case of loans.
The financial assets are initially recognised at fair value, which generally equals the amount paid or received net of transactions costs or gains. Where the amount paid is different from the fair value, the financial asset is recognised at fair value, and the difference between the two amounts is recognised through profit or loss.
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 reporting date if the financial instruments are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent comparable transactions.
If the fair value of financial instruments not listed on active markets cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses.
Available-for-sale financial assets undergo impairment testing to determine whether there is objec-

tive 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).

Available-for-sale financial assets are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial asset is retained, the asset remains on the balance sheet even if official title has been transferred.

3 - Financial assets held to maturity

"Financial assets held to maturity" include financial assets other than derivatives with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

If, following a change in such intention or ability, it is no longer appropriate to continue to classify an investment as held to maturity, it is reclassified under financial assets available for sale.

Held-to-maturity financial assets are initially recognised at fair value, which is normally equal to the price paid or received. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is taken to the income statement. The value at which such assets are recognised includes incidental costs and revenues attributable to

the transaction.
Following initial recognition, financial assets held to maturity are measured at amortised cost and undergo impairment testing. The amortised cost of a financial asset is equal to the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Such assets are derecognised when the contractual rights to the cash flows from the assets expire or when the assets are divested by transferring substantially all the risks and rewards of ownership of the assets.

4 - Loans

The term "loans" refers to a portfolio of financial instruments, including debt securities, that are not listed on an active market and which IAS 39 refers to as "loans and receivables", for which the company has a right to receive future cash flows.
Loans are 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. Such loans are special-purpose loans generally granted to public entities for public works and are disbursed to the beneficiaries only after verification of the progress of the works in question. Therefore, disbursements are intended to meet the debts actually accumulated by the entities in respect of suppliers as the work is performed.
Upon signing the finance agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by CDP earn interest that can be treated as a reimbursement of the interest income earned by CDP on the non-disbursed portion. CDP's special-purpose loans normally have an initial grace period, during which, in the absence of disbursements on the loan granted, the loan does not bear interest. With certain exceptions, the loan repayment plan begins as from the 1 July or 1 January following the execution of the loan contract. CDP's accounting policy for special-purpose loans is to recognise a commitment to disburse the sums gran-

ted 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, 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 free deposits (i.e. the reserve requirement).

6 - Hedging transactions

In accordance with IAS 39, hedging instruments are designated derivatives or (limited to the hedging of foreign currency risk) non-derivative financial assets or liabilities the fair value or cash flows of which are expected to offset the changes in fair value or cash flows of a designated position (paragraphs 72-77 and Annex A, paragraph AG94). A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that (a) exposes the organisation to the risk of a change in fair value or future cash flows and (b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101). The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk are offset by the change in fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105-AG113).
When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

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

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

item expires, is sold or is repaid.
Asset (item 80) and liability (item 60) report hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the reporting date have either a positive or negative value.

7 - Equity investments

The term "equity investments" refers to 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 designated as 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 equity investments 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 or prolonged. Impairment losses on investments listed on active markets, unless there are additional, specifically justified reasons, are recognised when the impairment is deemed to be significant or prolonged. In the absence of market prices or valuation models, the value of the equity investment is prudentially written down by the amount of the loss reported in the financial statements of the investee where the loss is considered to be a reliable indicator of impairment.
Equity investments are derecognised when the contractual rights to the cash flows of the business terminate or when the financial asset is sold, transferring substantially all risks and rewards connected with it.

8 - Property, plant and equipment

"Property, plant and equipment" includes all non-current tangible assets used in operations governed by IAS 16 and investment property (land and buildings) governed by IAS 40. These include assets under finance leases (for the lessee) and operating leases (for the lessor), as well as leasehold improvement costs. In 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 separate assets for accounting purposes, even if purchased together. Therefore, with the transition to the IASs/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 write-down should cease to obtain.

Maintenance and repair costs that do not increase the utility or useful lives of assets are charged directly to income for the year.

"Assets under construction and advances" are composed of advances or expenses incurred in respect of assets and materials that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company's production cycle, depreciation is suspended.

9 - Intangible assets

"Intangible assets" include goodwill 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.

"Assets under development and advances" are composed of advances or expenses incurred in respect of assets that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company's production cycle, amortisation is suspended.

11 - Current and deferred taxation

Corporate income tax (IRES) and the regional tax on business activities (IRAP) are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year and were calculated on the basis of the tax rates currently in force (27.5% for IRES and 4.97% for IRAP).

Deferred tax items regard the recognition of the effects of temporary differences between the valuation of accounting items under tax regulations, which are used to determine taxable income, and that under statutory reporting regulations (which seek to quantify the result for the year).

More specifically, "taxable temporary differences" between statutory and tax values are those that will give rise to taxable amounts in future tax periods, while "deductible temporary differences" are those that will give rise to deductible amounts in the future.

Deferred tax items are recognised in the tax provision where they represent liabilities, i.e. where they are related to items that will become taxable in future tax periods. Where they represent assets, i.e. they are related to items that will be deductible in future tax periods, they are recognised under "Deferred tax assets" in the balance sheet.

If the deferred tax items regard operations that directly affected equity, they are recognised in equity.

12 - Provisions

"Provisions" (item 120) are recognised solely under following conditions:

(a) there is a present (legal or constructive) obligation resulting from a past event;

(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

(c) a reliable estimate can be made of the amount of the obligation.

When the financial impact of the time factor is significant and the dates of payment of the obligation can be estimated reliably, the provision is measured as the present value (discounted at market rates as of the reporting date) of the charges that are expected to be incurred in order to settle the obligation.

CDP has no "provisions for retirement and similar obligations", while "other provisions" includes the provisions for liabilities and contingencies established in observance of international accounting standards, with the exception of writedowns due to the impairment of guarantees issued and credit derivatives treated as such in accordance with IAS 39, which, where applicable, are recognised under "other liabilities". The provisions are only used when the charges for which they were originally established are incurred. When the outlay to fulfil the obligation is no longer deemed to be probable, the provision is reversed through the income statement.

13 - Debt and securities issued

"Amounts due to banks" (item 10) and "Amounts 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 "Securities issued" (item 30). This includes operating payables. In particular, CDP includes in these items the amounts still to be disbursed for loans being repaid.

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 reporting 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, which normally coincides with the issue price. Subsequent measurement is at amortised cost using the effective interest rate method. The payables are eliminated when they mature or are extinguished.

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 IASs/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. These fees are therefore considered along with the other cash flows for the savings bonds for the purpose of determining the effective interest rate.

14 - Financial liabilities held for trading

This item includes all forms of financial liabilities (debt securities, loans, etc.) designated as being held for trading purposes. It does not include the portion of the company's own debt securities issued but not yet placed with third parties.

The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transactions costs or revenues. In cases in which the amount paid differs from the fair value, the financial liability is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is effected at the signing date for derivative contracts and at the settlement date for debt and equity securities, with the exception of those for which delivery is governed by conventions on the market concerned, for which initial recognition is at the settlement date.

Financial liabilities held for trading also include derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, recognising them separately after separating the embedded derivative from the main contract, which is then treated in accordance with the accounting rules for its own category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

Subsequent measurement is at fair value. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.
Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership 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 changes in the fair value of the trading portfolio are reported under "Net gain (loss) on trading activities" (item 80). The income components are recognised following the results of the measurement of the financial liability held for trading.

16 - Foreign currency transactions

Transactions in a foreign currency are initially recognised in euros by translating the amount in the foreign currency into euros at the spot exchange rate prevailing on the date of the transaction.
In preparing the financial statements, assets denominated in a foreign currency are accounted for as follows:

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

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

17 - Other information

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 accounts held with the Central State Treasury.
The balance is increased for accrued interest that has not yet been settled on these current accounts. 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 financial year, in conformity with the provisions of law (Article 2120 of the Italian Civil Code) and applicable employment contracts. In accordance with IAS 19, 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 provision for staff severance pay is negligible given that employees on staff prior to the transformation of CDP into a joint-stock company maintained their participation the INPDAP pension scheme after the transformation; therefore, contributions are paid to that institution. As such, the amount shown for TFR is related solely to newly hired employees (under the INPS pension scheme) for amounts accrued until 2006, given that the amounts accrued subsequently were not applied to this fund, but to the supplemental pension fund or to INPS in accordance with the applicable legislation.
Therefore, the effects of the application of IAS 19 are not significant.

Interest income and expense

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

Commissions

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

Dividends

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

Share exchange

In December 2010, in implementation of the decree of the Ministry for the Economy and Finance of 30 November 2010, the share exchange between CDP and the MEF was completed.
With the transaction, as discussed in the report on operations, CDP received from the MEF a total of 655,891,140 shares of Eni S.p.A. and in exchange transferred the shares that it held in Enel S.p.A., Poste Italiane S.p.A. and STMicroelectronics Holding N.V.
Before the exchange, CDP had already held 400,288,338 Eni S.p.A. shares, which were classified as "Financial asset available for sale" and carried at fair value with changes posted in an equity reserve (the "valuation reserve").

Following the exchange, CDP's holding in Eni rose from 9.9% to 26.37% of share capital and, consequently, as the conditions for the exercise of a significant influence pursuant to paragraph 6 of IAS 28 were met, the holding was reclassified to "Equity investments".
The existence of a situation of significant influence rather than control is also supported by an opinion issued by Consob in response to a specific query presented by CDP.
At the time of the reclassification, the earlier holding was revalued to its market value, following which the "valuation reserve", net of taxes, amounted to € 1,141 million.
The reserve was maintained under revaluation reserves and will be released to income in the event of the sale of the equity investment. It may also be used, up to the amount of the reserve, against any reductions in the value of the holding in Eni.
The transaction generated a total gain of € 1,077 million, of which € 129 million from the transfer of Enel, which were classified under "Gains (Losses) on disposals" and € 948 million from the transfer of STH and Poste Italiane (classified under "Gains on equity investments"). The latter component was arose from the difference between the cost value at which the investments were carried and the fair value at the time of the exchange.

A.3 - Disclosures on fair value measurement

A.3.2 Hierarchy of fair value inputs

A.3.2.1 Portfolios: breakdown by level of fair value inputs

(thousands of euros)

	31/12/2010			31/12/2009		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading		855,230	1,208		868,511	
2. Financial assets at fair value						
3. Financial assets available for sale	2,211,558	7,270	69,418	13,932,295	8,500	50,517
4. Hedging derivatives		366,180	570		331,026	577
Total	**2,211,558**	**1,228,680**	**71,196**	**13,932,295**	**1,208,037**	**51,094**
1. Financial liabilities held for trading		190,910	749,124		9,135	773,842
2. Financial liabilities at fair value						
3. Hedging derivatives		1,160,616	15,183		825,663	
Total		**1,351,526**	**764,307**		**834,798**	**773,842**

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

A.3.2.2 Change for the year in financial assets at fair value (Level 3)

(thousands of euros)

		FINANCIAL ASSETS			
		held for trading	at fair value fair value	available for sale	hedging
1.	**Opening balance**	**-**		**50,517**	**577**
2.	**Increases**	**1,208**		**22,156**	**-**
2.1	Purchases			19,930	
2.2	Profits taken to:	1,208		2,226	
2.2.1	Income statement				
	- of which: capital gains	*1,208*		*2,226*	
2.2.2	Equity	x	x		
2.3	Transfers from other levels				
2.4	Other increases				
3.	**Decreases**			**3,255**	**7**
3.1	Sales			2,371	
3.2	Repayments				
3.3	Losses taken to:			884	7
3.3.1	Income statement				
	- of which: capital losses			*884*	*7*
3.3.2	Equity	x	x		
3.4	Transfers to other levels				
3.5	Other decreases				
4.	**Closing balance**	**1,208**		**69,418**	**570**

A.3.2.3 Change for the year in financial liabilities at fair value (Level 3)

(thousands of euros)

		FINANCIAL LIABILITIES		
		held for trading	at fair value	hedging
1.	**Opening balance**	**773,842**		**-**
2.	**Increases**	**137,347**		**15,183**
2.1	Purchases	137,347		
2.2	Losses taken to:			15,183
2.2.1	Income statement			
	- of which: capital losses			*15,183*
2.2.2	Equity	X	X	
2.3	Transfers from other levels			
2.4	Other increases			
3.	**Decreases**	**162,065**		**-**
3.1	Sales			
3.2	Repayments			
3.3	Profits taken to:	162,065		
3.3.1	Income statement			
	- of which: capital gains	*162,065*		
3.3.2	Equity	X	X	
3.4	Transfers to other levels			
3.5	Other decreases			
4.	**Closing balance**	**749,124**		**15,183**

PART B - INFORMATION ON THE BALANCE SHEET

Assets

Section 1 - Cash and cash equivalents - Item 10

The liquid assets of CDP S.p.A. are mainly held in 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 2010 the balance on the account was about € 122,536 million.
As envisaged by Article 6.2 of the MEF decree of 5 December 2003, the Ministry for the Economy and Finance pays semi-annual interest on account no. 29814 at a floating rate equal to the simple arithmetic mean between the gross yield on 6-month Treasury bills and the monthly level of the Rendistato index.
Interest accrued on account no. 29814 and paid subsequent to the reporting date amounted to about € 1,215 million.

1.1 Cash and cash equivalents: composition

The following table summarises liquidity at 31 December 2010, including interest accrued and not yet credited on amounts deposited in the treasury account.

(thousands of euros)

	31/12/2010	31/12/2009
a) Cash	4	7
b) Free deposits with central banks	123,751,207	114,688,732
Total	**123,751,211**	**114,688,739**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: composition by type

(thousands of euros)

	31/12/2010			31/12/2009		
	L1	L2	L3	L1	L2	L3
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		855,230	1,208		868,511	
1.1 Trading		855,230	1,208		868,511	
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		**855,230**	**1,208**		**868,511**	
Total (A+B)		**855,230**	**1,208**		**868,511**	

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

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

2.2 Financial assets held for trading: composition by debtor/issuer

(thousands of euros)

	31/12/2010	31/12/2009
A. ON-BALANCE-SHEET ASSETS		
1. Debt securities		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
2. Equity securities		
a) Banks		
b) Other issuers:		
- insurance undertakings		
- financial companies		
- non-financial companies		
- other		
3. Units in collective investment undertakings		
4. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total A		
B. DERIVATIVES		
a) Banks	853,060	853,708
- fair value	853,060	853,708
b) Customers	3,378	14,803
- fair value	3,378	14,803
Total B	**856,438**	**868,511**
Total (A+B)	**856,438**	**868,511**

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: composition by type

(thousands of euros)

	31/12/2010			31/12/2009		
	L1	L2	L3	L1	L2	L3
1. Debt securities	2,211,558	7,270		199,116	8,500	
1.1 Structured securities						
1.2 Other debt securities	2,211,558	7,270		199,116	8,500	
2. Equity securities			9,748	13,733,179		9,716
2.1 At fair value				13,733,179		
2.2 At cost			9,748			9,716
3. Units in collective investment undertakings			59,670			40,801
4. Loans						
Total	**2,211,558**	**7,270**	**69,418**	**13,932,295**	**8,500**	**50,517**

4.2 Financial assets available for sale: composition by debtor/issuer

(thousands of euros)

	31/12/2010	31/12/2009
1. Debt securities	**2,218,828**	**207,616**
a) Governments and central banks	2,011,443	
b) Other government agencies	7,270	8,500
c) Banks		
d) Other	200,115	199,116
2. Equity securities	**9,748**	**13,742,895**
a) Banks	2,066	2,066
b) Other issuers	7,682	13,740,829
- insurance undertakings		
- financial companies	7,682	7,650
- non-financial companies		13,733,179
- other		
3. Units in collective investment undertakings	**59,670**	**40,801**
4. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**2,288,246**	**13,991,312**

4.4 Financial assets available for sale: change for the year

(thousands of euros)

	Debt securities	Equity securities	Units in collective investment undertakings	Loans	Total
A. Opening balance	**207,616**	**13,742,895**	**40,801**		**13,991,312**
B. Increases	**2,225,240**	**500**	**20,773**		**2,246,513**
B1. Purchases	2,218,609	500	19,430		2,238,539
B2. Fair value gains			1,343		1,343
B3. Writebacks					
- recognised through income statement		x			
- recognised through equity					
B4. Transfers from other portfolios					
B5. Other changes	6,631				6,631
C. Decreases	**214,028**	**13,733,647**	**1,904**		**13,949,579**
C1. Sales	141,371	6,443,946			6,585,317
C2. Repayments	1,264		1,904		3,168
C3. Fair value losses	71,393	755,634			827,027
C4. Writedowns for impairment					
- recognised through income statement					
- recognised through equity					
C5. Transfers to other portfolios		6,534,067			6,534,067
C6. Other changes					
D. Closing balance	**2,218,828**	**9,748**	**59,670**		**2,288,246**

The significant decrease in the item is attributable to the share exchange with the MEF at the end of 2010. With the transaction, sanctioned with the decree of the Ministry for the Economy and Finance of 30 November 2010, the MEF transferred to CDP a total of 655,891,140 Eni S.p.A. shares (equal to 16.38% of share capital) and the corresponding transfer from CDP to the MEF of its investments in Enel S.p.A. (classified under assets available for sale), Poste Italiane S.p.A. and STMicroelectronics Holding N.V.

Following the transaction, and considering the 400,288,338 Eni shares already held, the total shareholding of CDP in Eni S.p.A. amounted to 26.37% of share capital. As a result, the holding was reclassified to equity investments.

In addition, net investments in debt securities during the year amounted to more than € 2 billion.

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: composition by type

(thousands of euros)

	31/12/2010				31/12/2009			
		FV				FV		
	CA	Level 1	Level 2	Level 3	CA	Level 1	Level 2	Level 3
1. Debt securities	2,947,380	2,810,334			205,285	215,133		
- structured								
- other	2,947,380	2,810,334			205,285	215,133		
2. Loans								
Total	**2,947,380**	**2,810,334**			**205,285**	**215,133**		

Key
FV = fair value
CA = carrying amount

The item includes fixed-rate Treasury bonds, with a nominal value of € 1,777.5 million, and inflation-linked Treasury bonds with a nominal value of € 1,117.5 million, the latter acquired in response to the increasing exposure of the balance sheet to Italian inflation due to the issue of postal savings bonds indexed to inflation.

5.2 Financial assets held to maturity: composition by debtor/issuer

(thousands of euros)

	31/12/2010	31/12/2009
1. Debt securities	**2,947,380**	**205,285**
a) Governments and central banks	2,947,380	205,285
b) Other government agencies		
c) Banks		
d) Other		
2. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**2,947,380**	**205,285**

5.4 Financial assets held to maturity: change for the year

(thousands of euros)

	Debt securities	Loans	Total
A. Opening balance	**205,285**		**205,285**
B. Increases	**2,742,095**		**2,742,095**
B1. Purchases	2,716,440		2,716,440
B2. Writebacks			
B3. Transfers from other portfolios			
B4. Other changes	25,655		25,655
C. Decreases	**-**		**-**
C1. Sales			
C2. Repayments			
C3. Writedowns			
C4. Transfers to other portfolios			
C5. Other changes			
D. Closing balance	**2,947,380**		**2,947,380**

SECTION 6 - LOANS TO BANKS - ITEM 60

6.1 Loans to banks: composition by type

(thousands of euros)

	31/12/2010	31/12/2009
A. Claims on central banks	**4,059,117**	**3,703,220**
1. Fixed-term deposits		
2. Reserve requirement	4,059,117	3,703,220
3. Repurchase agreements		
4. Other		
B. Loans to banks	**4,968,337**	**2,271,260**
1. Current accounts and free deposits	95,181	441,427
2. Fixed-term deposits	1,203,858	907,947
3. Other financing	3,669,298	921,886
3.1 Repurchase agreements		
3.2 Finance leasing		
3.3 Other	3,669,298	921,886
4. Debt securities		
4.1 Structured		
4.2 Other debt securities		
Total (carrying amount)	**9,027,454**	**5,974,480**
Total (fair value)	**8,993,807**	**5,976,482**

"Loans to banks" are primarily composed of the balance on the management account for the reserve requirement of about € 4,059 million, loans amounting to about € 3,669 million, deposits in respect of Credit Support Annexes (cash collateral) at banks to hedge the counterparty credit risk on derivatives of about € 1,204 million and current account balances totalling € 95 million.

6.2 Loans to banks: assets hedged specifically

(thousands of euros)

	31/12/2010	31/12/2009
1. Loans with specific fair value hedges:	**149,076**	**107,853**
a) interest rate risk	149,076	107,853
b) exchange rate risk		
c) credit risk		
d) multiple risks		
2. Loans with specific cash flow hedges:		
a) interest rate risk		
b) exchange rate risk		
c) other		
Total	**149,076**	**107,853**

Section 7 - Loans to customers - Item 70

7.1 Loans to customers: composition by type

"Loans to customers" regard lending operations under the Separate Account and Ordinary Account of CDP and include bonds subscribed as part of financing transactions with customers. The following table provides a breakdown of the positions by technical form.

(thousands of euros)

	31/12/2010		31/12/2009	
	Performing	Impaired	Performing	Impaired
1. Current accounts	107		84	
2. Repurchase agreements				
3. Loans	88,810,506	37,131	84,171,757	46,402
4. Credit cards, personal loans and loans repaid by automatic deductions from wages				
5. Finance leasing				
6. Factoring				
7. Other	109,428		86,936	
8. Debt securities	1,372,509		1,318,662	
8.1 Structured				
8.2 Other debt securities	1,372,509		1,318,662	
Total (carrying amount)	**90,292,550**	**37,131**	**85,577,439**	**46,402**
Total (fair value)	**88,442,623**	**37,131**	**88,120,934**	**46,402**

Net impaired exposures in respect of loans came to € 37.1 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 write-down of the loan portfolio.

"Other" includes net funding from postal savings products that has not yet been deposited on the CDP's treasury account.

7.2 Loans to customers: composition by debtor/issuer

(thousands of euros)

	31/12/2010		31/12/2009	
	Performing	Impaired	Performing	Impaired
1. Debt securities:	**1,372,509**	**-**	**1,318,662**	**-**
a) Governments	398,025		274,312	
b) Other government agencies	604,565		609,151	
c) Other issuers	369,919		435,199	
- non-financial companies	50,144		49,358	
- financial companies	319,775		385,841	
- insurance undertakings				
- other				
2. Loans to:	**88,920,041**	**37,131**	**84,258,777**	**46,402**
a) Governments	33,977,719	-	33,231,368	
b) Other government agencies	48,100,949	4,430	44,278,780	5,466
c) Other	6,841,373	32,701	6,748,629	40,936
- non-financial companies	6,762,389	32,053	6,701,434	18,783
- financial companies	40,169			21,829
- insurance undertakings				
- other	38,815	648	47,195	324
Total	**90,292,550**	**37,131**	**85,577,439**	**46,402**

7.3 Loans to customers: assets hedged specifically

(thousands of euros)

	31/12/2010	31/12/2009
1. Loans with specific fair value hedges:	**14,037,764**	**16,808,271**
a) interest rate risk	14,037,764	16,808,271
b) exchange rate risk		
c) credit risk		
d) multiple risks		
2. Loans with specific cash flow hedges:		
a) interest rate risk		
b) exchange rate risk		
c) other		
Total	**14,037,764**	**16,808,271**

SECTION 8 - HEDGING DERIVATIVES - ITEM 80

8.1 Hedging derivatives: composition by type of hedge and level of inputs

(thousands of euros)

	Fair value 31/12/2010			NV	Fair value 31/12/2009			NV
	L1	L2	L3	31/12/2010	L1	L2	L3	31/12/2009
A. Financial derivatives		**366,180**	**570**	**6,614,747**		**331,026**	**577**	**7,648,103**
1) Fair value		336,346	570	6,522,708		319,100	577	7,573,005
2) Cash flow		29,834		92,039		11,926		75,098
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**366,180**	**570**	**6,614,747**		**331,026**	**577**	**7,648,103**

Key
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

8.2 Hedging derivatives: composition by hedged portfolio and type of hedge

(thousands of euros)

	Fair value						Cash flow		Investment in foreign operation
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale						x		x	x
2. Loans				x		x		x	x
3. Financial assets held to maturity	x			x		x		x	x
4. Portfolio	x	x	x	x	x		x		x
5. Other						x		x	
Total assets									
1. Financial liabilities	289,932			x	46,984	x	29,834	x	x
2. Portfolio	x	x	x	x	x		x		x
Total liabilities	**289,932**				**46,984**		**29,834**		
1. Forecast transactions	x	x	x	x	x	x		x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x		x		

SECTION 10 - EQUITY INVESTMENTS - ITEM 100

10.1 Equity investments 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	29.93%	29.93%
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%

10.2 Equity investments in subsidiaries, joint ventures and companies subject to significant influence: accounting data

(thousands of euros)

	Total assets	Total revenues	Net income (loss)	Equity	Book value	Fair value
A. Wholly-owned subsidiaries	**9,323,210**	**1,396,175**	**763,041**	**2,503,747**	**1,316,600**	
1. Terna S.p.A. (2)	9,319,700	1,392,800	762,500	2,501,500	1,315,200	1,896,000
2. CDP Investimenti SGR S.p.A. (1)	3,510	3,375	541	2,247	1,400	x
B. Joint ventures	-	-	-	-	-	
C. Companies under significant influence	**117,628,996**	**90,333,130**	**5,281,571**	**50,113,065**	**17,266,009**	
1. Eni S.p.A. (2)	117,529,000	90,295,000	5,317,000	50,051,000	17,240,440	17,257,973
2. Galaxy S.àr.l. SICAR (3)	93,133	37,347	(34,967)	67,702	25,569	x
3. Europrogetti & Finanza S.p.A. in liquidazione (2)	6,863	783	(462)	(5,637)	-	x
Total	**126,952,206**	**91,729,305**	**6,044,612**	**52,616,812**	**18,582,609**	

(1) Figures from financial statements at 31 December 2010
(2) Figures from financial statements at 31 December 2009
(3) Figures from financial statements at 30 June 2009

10.3 Equity investments: change for the year

(thousands of euros)

	31/12/2010	31/12/2009
A. Opening balance	**4,486,902**	**4,305,254**
B. Increases	**17,240,440**	**181,648**
B.1 Purchases	10,706,373	181,648
B.2 Writebacks		
B.3 Revaluations		
B.4 Other increases	6,534,067	
C. Decreases	**3,144,733**	
C.1 Sales	3,144,733	
C.2 Writedowns		
C.3 Other decreases		
D. Closing balance	**18,582,609**	**4,486,902**
E. Total revaluations		
F. Total writedowns	**3,107**	**976,445**

The increase is associated with the share exchange between the MEF and CDP.
The sub-item B.1 "Purchases" reports the new Eni S.p.A. shares acquired in the exchange, while sub-item B.4 "Other increases" reflects the reclassification to equity investments of the Eni S.p.A. shares held prior to the operation, which had been classified in the AFS portfolio. The sub-item C.1 "Sales" reports the disposal of the holdings in Poste Italiane S.p.A. and STMicroelectronics Holding N.V. as part of the share exchange with the MEF.

10.6 Obligations relating to companies subject to significant influence

CDP S.p.A. is a shareholder of Galaxy S.àr.l. SICAR, a Luxembourg company that makes equity or quasi-equity investments in projects and infrastructure in the transportation sector. At 31 December 2010, a total of some € 25.6 million had been paid in.
Under the shareholders' agreement, as from the end of the investment period, which terminated on 9 July 2008, additional payments can be requested from the shareholders only for: (i) payment of the company's running costs (such as, for example, operating expenses and management commissions) and (ii) the completion of investments already approved.

SECTION 11 - PROPERTY, PLANT AND EQUIPMENT - ITEM 110

11.1 Property, plant and equipment: composition of assets measured at cost

Property, plant and equipment includes all of the movable and immovable property of Cassa Depositi e Prestiti, net of depreciation, and at period-end breaks down as follows:

(thousands of euros)

	31/12/2010	31/12/2009
A. Operating assets		
1.1 owned	**199,813**	**203,918**
a) land	117,406	117,406
b) buildings	67,388	69,874
c) movables	3,082	3,317
d) electrical plant	1,864	3,143
e) other	10,073	10,178
1.2 acquired under finance leases		
a)land		
b)buildings		
c) movables		
d) electrical plant		
e) other		
Total A	**199,813**	**203,918**
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)	**199,813**	**203,918**

11.3 Operating property, plant and equipment: change for the year

(thousands of euros)

	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**117,406**	**82,994**	**11,901**	**17,879**	**26,402**	**256,582**
A.1 Total net writedowns	-	(13,120)	(8,584)	(14,736)	(16,224)	(52,664)
A.2 Opening net balance	**117,406**	**69,874**	**3,317**	**3,143**	**10,178**	**203,918**
B. Increases	**-**	**469**	**489**	**183**	**1,508**	**2,649**
B.1 Purchases		469	14	183	1,508	2,174
B.2 Capitalised improvement costs						
B.3 Writebacks						
B.4 Fair value gains recognised in						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes			475			475
C. Decreases	**-**	**2,955**	**724**	**1,462**	**1,613**	**6,754**
C.1 Sales						
C.2 Depreciation		2,480	724	1,462	1,613	6,279
C.3 Writedowns for impairment recognised in						
a) equity						
b) income statement						
C.4 Fair value losses recognised in						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to						
a) investment property						
b) assets held for sale						
C.7 Other changes		475				475
D. Closing net balance	**117,406**	**67,388**	**3,082**	**1,864**	**10,073**	**199,813**
D.1 Total net writedowns	-	(15,600)	(9,308)	(16,198)	(17,837)	(58,943)
D.2 Closing gross balance	**117,406**	**82,988**	**12,390**	**18,062**	**27,910**	**258,756**
E. Measurement at cost						

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: composition by category

Intangible assets break down as follows.

(thousands of euros)

	31/12/2010		31/12/2009	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	x		x	
A.2 Other intangible assets	**4,974**		**6,572**	
A.2.1 Assets carried at cost:	4,974		6,572	
a) internally-generated intangible assets				
b) other assets	4,974		6,572	
A.2.2 Assets carried at fair value:				
a) internally-generated intangible assets				
b) other assets				
Total	**4,974**		**6,572**	

12.2 Intangible assets: change for the year

(thousands of euros)

		Goodwill	Other intangible assets: internally generated DEF	Other intangible assets: internally generated INDEF	Other intangible assets: other DEF	Other intangible assets: other INDEF	Total
A.	**Opening gross balance**				**14,419**		**14,419**
A.1	Total net writedowns				(7,847)		(7,847)
A.2	**Opening net balance**				**6,572**		**6,572**
B.	**Increases**				**934**		**934**
B.1	Purchases				934		934
B.2	Increases in internally-generated intangible assets	x					
B.3	Writebacks	x					
B.4	Fair value gains						
	- equity	x					
	- income statement	x					
B.5	Positive exchange rate differences						
B.6	Other changes						
C.	**Decreases**				**2,532**		**2,532**
C.1	Sales						
C.2	Writedowns				2,532		2,532
	- Amortisation				2,532		2,532
	- Impairment:	x					
	+ equity						
	+ income statement	x					
C.3	Fair value losses						
	- equity						
	- income statement	x					
C.4	Transfer to non-current assets held for sale	x					
C.5	Negative exchange rate differences						
C.6	Other changes						
D.	**Closing net balance**				**4,974**		**4,974**
D.1	Total net writedowns				(10,379)		(10,379)
E.	**Closing gross balance**				**15,353**		**15,353**
F.	Measurement at cost						

Key
DEF: definite life
INDEF: indefinite life

12.3 Other information

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

a) intangible assets were not revalued;
b) no intangible assets acquired by way of government grants are held (IAS 38, paragraph 122, letter c);
c) no intangible assets are pledged as security for liabilities (IAS 38, paragraph 122, letter d);
d) there are no especially significant contractual commitments for the purchase of intangible assets (IAS 38, paragraph 122, letter e);
e) no intangible assets are the object of leasing transactions.

Section 13 - Tax assets and liabilities - Item 130 of assets and Item 80 of liabilities

13.1 Deferred tax assets: composition

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

13.2 Deferred tax liabilities: composition

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 and securities and derivatives hedging cash flows in respect of financial liabilities (cash flow hedges).

13.3 Changes in deferred tax assets (recognised in income statement)

(thousands of euros)

	31/12/2010	31/12/2009
1. Opening balance	**23,641**	**75,941**
2. Increases	**2,231**	**2,069**
2.1 Deferred tax assets recognised during the year	2,200	2,069
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks	2,200	2,069
d) other		
2.2 New taxes or increases in tax rates	31	
2.3 Other increases		
3. Decreases	**16,697**	**54,369**
3.1 Deferred tax assets derecognised during the year	16,697	54,369
a) reversals	16,697	54,369
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**9,175**	**23,641**

13.4 Changes in deferred tax liabilities (recognised in income statement)

(thousands of euros)

	31/12/2010	31/12/2009
1. Opening balance	**28**	**269,775**
2. Increases	**-**	**28**
2.1 Deferred tax liabilities recognised during the year	-	28
a) in respect of previous periods		
b) due to change in accounting policies		
c) other		28
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**28**	**269,775**
3.1 Deferred tax liabilities derecognised during the year	28	269,775
a) reversals	28	73
b) due to change in accounting policies		
c) other		269,702
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**-**	**28**

13.5 Changes in deferred tax assets (recognised in equity)

(thousands of euros)

	31/12/2010	31/12/2009
1. Opening balance	**2,296**	**16,347**
2. Increases	**27,698**	**1,461**
2.1 Deferred tax assets recognised during the year	27,564	1,461
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	27,564	1,461
2.2 New taxes or increases in tax rates	134	
2.3 Other increases		
3. Decreases	**998**	**15,512**
3.1 Deferred tax assets derecognised during the year	998	15,512
a) reversals	998	15,512
b) writedowns for supervening non-recoverability		
c) due to changes in accounting policies		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**28,996**	**2,296**

13.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euros)

	31/12/2010	31/12/2009
1. Opening balance	**130,899**	**86,098**
2. Increases	**2,107**	**44,801**
2.1 Deferred tax liabilities recognised during the year	275	44,801
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	275	44,801
2.2 New taxes or increases in tax rates	1,832	
2.3 Other increases		
3. Decreases	**54,782**	**-**
3.1 Deferred tax liabilities derecognised during the year		
a) reversals	54,782	
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**78,224**	**130,899**

13.7 Other information

13.7.1 Deferred tax assets: composition

(thousands of euros)

	31/12/2010	31/12/2009
Provisions for liabilities and contingencies	2,252	2,467
Depreciation and amortisation	3,626	3,616
Financial instruments	3,555	13,167
Payables	3,099	4,360
Financial assets available for sale	25,439	1,649
Securities holding		646
Other	200	32
Total	**38,171**	**25,937**

13.7.2 Deferred tax liabilities: composition

(thousands of euros)

	31/12/2010	31/12/2009
Financial assets available for sale	131	130,251
Equity investments	77,296	
Securities holding		75
Financial instruments	797	573
Other		28
Total	**78,224**	**130,927**

Section 15 - Other assets - Item 150

15.1 Other assets: composition

(thousands of euros)

	31/12/2010	31/12/2009
1. Receivables from MIUR	10,019	329
2. Receivables from MEF	6,983	7,098
3. Receivables from MIT	130	118
4. Receivables from equity investments	221	28
5. Payments on account for withholding tax on interest on postal passbook savings accounts	347,430	60,732
6. Other	2,966	4,666
Total	**367,749**	**72,971**

The item reports assets not otherwise classified under the previous items.

The main items under this heading are:

- receivables from Ministry of Education, Universities and Research (MIUR): this item relates mainly to advances paid on behalf of the ministry pursuant to Article 1 of Law 338/2000;
- receivables from MEF: this item primarily relates to amounts owed under the agreement signed on 23 December 2009 in respect of the management of assets and liabilities transferred to the Ministry for the Economy and Finance pursuant to Article 3 of the ministerial decree of 5 December 2003;
- receivables from equity investments: the balance at the end of 2010 concerns receivables due from the subsidiary CDPI SGR S.p.A. in respect of reimbursements of seconded personnel and services provided by CDP;
- payments on account for withholding tax on interest earned on postal passbook savings accounts: the balance at 31 December 2010 represents the excess paid to the tax authorities as an advance compared with withholdings made in 2010 on interest accrued on postal passbook savings accounts;
- other: the item mainly comprises receivables in respect of amounts advanced for the establishment of investment funds (€ 973 thousand), security deposits and other advances and deposits paid to suppliers.

Liabilities

Section 1 - Due to banks - Item 10

1.1 Due to banks: composition by type

(thousands of euros)

	31/12/2010	31/12/2009
1. Due to central banks	**417,435**	**24,128**
2. Due to banks	**6,823,752**	**2,650,169**
2.1 Current accounts and demand deposits	236,347	425,852
2.2 Fixed-term deposits	649,634	625,165
2.3 Loans	5,933,607	1,582,372
2.3.1 Repurchase agreements	4,456,825	188,660
2.3.2 Other	1,476,782	1,393,712
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.5 Other payables	4,164	16,780
Total	**7,241,187**	**2,674,297**
Fair value	**7,241,187**	**2,674,297**

The item "Due to central banks" includes refinancing transactions with the Bank of Italy in the amount of € 400 million and the payable to the Bank of Italy for unpaid direct debits equal to € 17 million settled in early 2011.

"Fixed-term deposits" refer to cash collateral under Credit Support Annexes securing the counterparty risk on derivatives (cash collateral).

Other borrowings regard loans from the EIB and amounts to be transferred to counterparties in a non-recourse assignment of receivables.

Other amounts due to banks include the payable for options with deferred premiums.

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Section 2 - Due to customers - Item 20

2.1 Due to customers: composition by type

(thousands of euros)

	31/12/2010	31/12/2009
1. Current accounts and demand deposits	97,661,375	91,108,472
2. Fixed-term deposits	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	9,256,745	9,351,464
Total	**106,988,550**	**100,459,936**
Fair value	**106,988,550**	**100,459,936**

"Current accounts and demand deposits" regard the balance at the end of 2010 of postal passbooks. "Other payables" mainly regard amounts not yet disbursed at the end of the year on loans being repaid granted by CDP to public entities and public-law bodies.

Section 3 - Securities issued - Item 30

3.1 Securities issued: composition by type

(thousands of euros)

	31/12/2010				31/12/2009			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	7,683,625	5,240,486	1,571,947	744,492	8,603,652	6,303,240	1,676,155	611,247
1.1 Structured								
1.2 Other	7,683,625	5,240,486	1,571,947	744,492	8,603,652	6,303,240	1,676,155	611,247
2. Other securities	109,648,110			116,037,979	99,665,210			103,679,661
2.1 Structured	12,160,002			12,805,684	10,037,547			17,750,863
2.2 Other	97,488,108			103,232,295	89,627,663			85,928,798
Total	**117,331,735**	**5,240,486**	**1,571,947**	**116,782,471**	**108,268,862**	**6,303,240**	**1,676,155**	**104,290,908**

The item includes covered bonds in the amount of € 5,379 million, bonds issued under the Euro Medium-Term Notes programme totalling € 2,305 million and postal savings bonds of € 109,648 million. During the year, € 1 billion in covered bonds were redeemed following maturity, while € 552 million in new bonds were issued under the EMTN programme.

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

3.3 Securities issued: securities hedged specifically

(thousands of euros)

	31/12/2010	31/12/2009
1. Securities covered by specific fair value hedges	7,038,376	7,959,850
a) interest rate risk	6,543,245	7,623,552
b) exchange rate risk		
c) multiple risks	495,131	336,298
2. Securities covered by specific cash flow hedges		
a) interest rate risk		
b) exchange rate risk		
c) other		
Total	**7,038,376**	**7,959,850**

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: composition by type

(thousands of euros)

	31/12/2010					31/12/2009				
	NV	FV			FV *	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Due to banks										
2. Due to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured					x					x
3.1.2 Other					x					x
3.2 Other securities										
3.2.1 Structured					x					x
3.2.2 Other					x					x
Total A										
B. Derivatives										
1. Financial derivatives			190,910	749,124				9,135	773,842	
1.1 Trading	x		163,494		x	x				x
1.2 Associated with fair value option	x				x	x				x
1.3 Other	x		27,416	749,124	x	x		9,135	773,842	x
2. Credit derivatives										
2.1 Trading	x				x	x				x
2.2 Associated with fair value option	x				x	x				x
2.3 Other	x				x	x				x
Total B	**x**		**190,910**	**749,124**	**x**	**x**		**9,135**	**773,842**	**x**
Total (A+B)	**x**		**190,910**	**749,124**	**x**	**x**		**9,135**	**773,842**	**x**

Key
FV = fair value
FV* = fair value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date
NV = nominal or notional value

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

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

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: composition by type of hedge and level of inputs

(thousands of euros)

	31/12/2010			NV	31/12/2009			NV
	L1	L2	L3	31/12/2010	L1	L2	L3	31/12/2009
A. Financial derivatives		**1,160,616**	**15,183**	**14,672,840**		**825,663**		**17,164,524**
1. Fair value		1,160,616		14,286,840		825,663		17,164,524
2. Cash flow			15,183	386,000				
3. Investment in foreign operation								
B. Credit derivatives								
1. Fair value								
2. Cash flow								
Total		**1,160,616**	**15,183**	**14,672,840**		**825,663**		**17,164,524**

Key
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

6.2 Hedging derivatives: composition by hedged portfolio and type of hedge

(thousands of euros)

	Fair value						Cash flow		Investments in foreign operations
	Specific					Generic	Specific	Generic	
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risks				
1. Financial assets available for sale						x		x	x
2. Loans	1,158,977			x		x		x	x
3. Financial assets held to maturity	x			x		x		x	x
4. Portfolio	x	x	x	x	x		x		x
5. Other						x		x	
Total assets	**1,158,977**								
1. Financial liabilities	1,640			x		x	15,182	x	x
2. Portfolio	x	x	x	x	x		x		x
Total liabilities	**1,640**						**15,182**		
1. Forecast transactions	x	x	x	x	x	x		x	x
2. Portfolio of financial assets and liabilities	x	x	x	x	x		x		

Section 7 - Value adjustments of liabilities covered by macro-hedges - Item 70

7.1 Value adjustments of hedged financial liabilities

(thousands of euros)

	31/12/2010	31/12/2009
1. Positive adjustments of financial liabilities		
2. Negative adjustment of financial liabilities	63,683	66,478
Total	**63,683**	**66,478**

7.2 Liabilities covered by macro-hedges against interest rate risk: composition

This item reports the net change in the value of the postal savings bonds portfolio hedged generically against interest rate risk. The hedging relationship was interrupted in 2009 in view of the closure of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of the validity of the hedging relationship, was subsequently accounted for on the basis of the amortised cost of the bonds.

Section 8 - Tax liabilities - Item 80

For more information on this item please see Section 13 of assets.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: composition

(thousands of euros)

	31/12/2010	31/12/2009
1. Items being processed	4,110	4,445
2. Charges for postal funding service	822,000	918,044
3. Tax payables	385,268	317,212
4. Other	17,750	14,686
Total	**1,229,128**	**1,254,387**

The item reports liabilities not otherwise classified under the previous items.
The main items under this heading are:

- the payable to Poste Italiane S.p.A. of about € 822 million, in respect of the management and placement of postal savings products;
- tax payables totalling about € 385 million, mainly regarding the tax on interest paid on postal savings products;
- other items, which are mainly composed of trade payables and sundry amounts due to employees.

Section 11 - Staff severance pay - Item 110

11.1 Staff severance pay: change for the year

(thousands of euros)

	31/12/2010	31/12/2009
A. Opening balance	**697**	**691**
B. Increases	**1,022**	**823**
B.1 Provision for the year	1,022	823
B.2 Other increases		
C. Decreases	**1,014**	**817**
C.1 Severance payments	8	2
C.2 Other decreases	1,006	815
D. Closing balance	**705**	**697**

Section 12 - Provisions - Item 120

12.1 Provisions: composition

(thousands of euros)

	31/12/2010	31/12/2009
1. Company pension plans		
2. Other provisions	9,378	8,974
2.1 Legal disputes	1,476	1,589
2.2 Staff costs	5,364	6,975
2.3 Other	2,538	410
Total	**9,378**	**8,974**

12.2 Provisions: change for the year

(thousands of euros)

	Pensions	Other provisions	Total
A. Opening balance		**8,974**	**8,974**
B. Increases		**8,002**	**8,002**
B.1 Provision for the year		7,817	7,817
B.2 Changes due to passage of time		185	185
B.3 Changes due to changes in discount rate			
B.4 Other increases			
C. Decreases		**7,598**	**7,598**
C.1 Use during the year		6,854	6,854
C.2 Changes due to changes in discount rate			
C.3 Other decreases		744	744
D. Closing balance		**9,378**	**9,378**

12.4 Provisions - Other provisions

Other provisions regard provisions accrued for litigation, charges in respect of employee bonuses and likely tax liabilities.

SECTION 14 - EQUITY - ITEMS 130, 150, 160, 170, 180, 190 AND 200

14.1 "Share capital" and "Treasury shares": composition

The share capital of € 3,500,000,000 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 company does not hold treasury shares.

14.2 Share capital - Number of shares: change for the year

	Ordinary	Other
A. Shares at start of the year	**245,000,000**	**105,000,000**
- fully paid	245,000,000	105,000,000
- partly paid		
A.1 Treasury shares (-)		
A.2 Shares in circulation: opening balance	**245,000,000**	**105,000,000**
B. Increases		
B.1 New issues		
- for consideration:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- bonus issues:		
- to employees		
- to directors		
- other		
B.2 Sale of own shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Shares in circulation: closing balance	**245,000,000**	**105,000,000**
D.1 Treasury shares (+)		
D.2 Shares at end of the year	245,000,000	105,000,000
- fully paid	245,000,000	105,000,000
- partly paid		

14.4 Income reserves: additional information

(thousands of euros)

	31/12/2010	31/12/2009
Income reserves	**6,233,824**	**4,809,203**
Legal reserve	387,846	301,615
Other	5,845,978	4,507,588

We provide the following information required by Article 2427, point 7-bis, of the Italian Civil Code.

(thousands of euros)

		Balance at 31/12/2010	Possible uses*	Amount available
Share capital		3,500,000	-	
Reserves		6,233,824		
- Legal reserve	387,846		B	387,846
- Other income reserves	5,845,978		A, B, C	5,845,978
Valuation reserves		1,250,137		
- AFS reserve	1,088,306		-	-
- Property revaluation reserve	167,572		A, B	
- CFH reserve	(5,741)		-	-
Total		**10,983,961**		**6,233,824**

* A = capital increase; B = loss coverage; C = distribution to shareholders

Other information

1. Guarantees issued and commitments

(thousands of euros)

	31/12/2010	31/12/2009
1. Financial guarantees issued	194,573	135,307
a) Banks	7,599	
b) Customers	186,974	135,307
2. Commercial guarantees issued		
a) Banks		
b) Customers		
3. Irrevocable commitments to disburse funds	12,847,369	13,938,926
a) Banks	5,468	
i) certain use	5,468	
ii) uncertain use		
b) Customers	12,841,901	13,938,926
i) certain use	12,841,206	13,938,926
ii) uncertain use	695	
4. Commitments underlying credit derivatives: sales of protection		
5. Assets pledged as collateral for third-party debts		
6. Other commitments	1,698,014	316,821
Total	**14.739,956**	**14,391,054**

2. Assets pledged as collateral for own debts and commitments

(thousands of euros)

	31/12/2010	31/12/2009
1. Financial assets held for trading		
2. Financial assets at fair value		
3. Financial assets available for sale	1,841,000	
4. Financial assets held to maturity	2,695,000	131,000
5. Loans to banks		
6. Loans to customers	20,923,979	15,424,458
7. Property, plant and equipment		

In past years CDP issued bonds secured by a diversified portfolio of receivables in respect of loans with repayment charged to local authorities and regional governments (covered bonds). The list of pledged loans (the segregated portfolio) is deposited with the Rome Company Register and is updated with each new issue and whenever CDP modifies its composition.

CDP's balance sheet reports separately the amount of loans pledged as collateral for the issuance of covered bonds (included among loans to customers) and the corresponding residual amount to be disbursed (included among amounts due to customers).

The covered bond programme was implemented on the basis of Article 5.18 of the transformation decree, pursuant to which CDP may pledge its property and rights as security for the rights of the holders of the securities it issues. The same decree also requires that a separate set of the accounting ledgers and records mandated by Articles 2214 et seq. of the Italian Civil Code be kept for the segregated portfolio.

PART C - INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST - ITEMS 10 AND 20

1.1 Interest income and similar revenues: composition

(thousands of euros)

	Debt securities	Loans	Other	31/12/2010	31/12/2009
1. Financial assets held for trading					
2. Financial assets available for sale	31,914			**31,914**	**4,943**
3. Financial assets held to maturity	38,869			**38,869**	**4,266**
4. Loans to banks		136,907	47,256	**184,163**	**75,891**
5. Loans to customers	66,530	3,761,213		**3,827,743**	**3.972,487**
6. Financial assets at fair value					
7. Hedging derivatives	x	x			
8. Other assets	x	x	2,336,936	**2,336,936**	**3,502,245**
Total	**137,313**	**3,898,120**	**2,384,192**	**6,419,625**	**7,559,832**

The item reports the remuneration of the activities of CDP with regard to:
- loans to banks and customers: interest income on loans by CDP amounted to about € 3,898 million;
- debt securities: interest income on debt securities amounted to about € 137 million;
- other interest income: this is primarily composed of interest income on current account no. 29814, equal to about € 2,337 million.

1.4 Interest expense and similar charges: composition

(thousands of euros)

	Payables	Securities	Other	31/12/2010	31/12/2009
1. Due to central banks	328	x		**328**	-
2. Due to banks	39,808	x		**39,808**	**14,080**
3. Due to customers	695,507	x		**695,507**	**1,584,644**
4. Securities issued	x	3,550,329		**3,550,329**	**3,614,231**
5. Financial liabilities held for trading			617	**617**	**640**
6. Financial liabilities at fair value					
7. Other liabilities and funds	x	x	1,927	**1,927**	**325**
8. Hedging derivatives	x	x	471,750	**471,750**	**351,775**
Total	**735,643**	**3,550,329**	**474,294**	**4,760,266**	**5,565,695**

Interest expense on amounts due to customers mainly regards interest on passbook savings accounts, totalling about € 588 million and interest on loans being repaid but not yet disbursed by CDP, equal to about € 107 million.

Interest on debt securities regarded bond issues for about € 246 million and postal savings bonds for about € 3,304 million.

The negative differences on hedges amounted to about € 472 million.

1.5 Interest expense and similar charges: differences on hedging transactions

(thousands of euros)

	31/12/2010	31/12/2009
A. Positive differences on hedging transactions	143,506	100,740
B. Negatives differences on hedging transactions	615,256	452,515
C. Balance (A-B)	**(471,750)**	**(351,775)**

SECTION 2 - COMMISSIONS - ITEMS 40 AND 50

2.1 Commission income: composition

During the period, CDP earned commission income on lending operations amounting to about € 8.4 million and commission income of € 3 million relating to the agreement signed 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.

(thousands of euros)

	31/12/2010	31/12/2009
a) guarantees issued	388	324
b) credit derivatives		
c) management, intermediation and advisory services:		
1. trading in financial instruments		
2. foreign exchange		
3. asset management		
3.1 individual		
3.2 collective		
4. securities custody and administration		
5. depository services		
6. securities placement		
7. order collection and transmission		
8. advisory services		
8.1 concerning investments		
8.2 concerning financial structure		
9. distribution of third-party services		
9.1 asset management		
9.1.1 individual		
9.1.2 collective		
9.2 insurance products		
9.3 other		
d) collection and payment services		
e) servicing activities for securitisations		
f) services for factoring transactions		
g) tax collection services		
h) management of multilateral trading systems		
i) holding and management of current accounts		
j) other services	11,734	7,925
Total	**12,122**	**8,249**

2.3 Commission expense: composition

Commission expense mainly regards the charge for the period, equal to about € 722 million, of the remuneration paid to Poste Italiane S.p.A. for managing postal funding products.

(thousands of euros)

	31/12/2010	31/12/2009
a) guarantees received		
b) credit derivatives		
c) management and intermediation services:	722,213	917,237
1. trading in financial instruments		
2. foreign exchange		
3. asset management		
3.1 own portfolio		
3.2 third-party portfolio		
4. securities custody and administration		
5. placement of financial instruments	722,213	917,237
6. off-premises distribution of securities, products and services		
d) collection and payment services	121	180
e) other services	13	151
Total	**722,347**	**917,568**

Section 3 - Dividends and similar revenues - Item 70

3.1 Dividends and similar revenues: composition

(thousands of euros)

	31/12/2010		31/12/2009	
	dividends	income from units in collective investment undertakings	dividends	income from units in collective investment undertakings
A. Financial assets held for trading				
B. Financial assets available for sale	811,723		808,550	
C. Financial assets at fair value				
D. Equity investments	322,862	x	162,600	x
Total	**1,134,585**		**971,150**	

Dividends mainly regard the accrued share attributable to CDP S.p.A. from its equity investments in Istituto per il Credito Sportivo (about € 2.5 million), Eni S.p.A. (about € 400 million), Enel S.p.A. (about € 408 million), Poste Italiane S.p.A. (€ 175 million), Terna S.p.A. (about € 120 million), STMicroelectronics Holding N.V. (about € 28 million), F2i SGR (€ 501 thousand) and SINLOC S.p.A. (€ 237 thousand).

Section 4 - Net gain (loss) on trading activities - Item 80

4.1 Net gain (loss) on trading activities: composition

(thousands of euros)

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment undertakings					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange rate differences	**x**	**x**	**x**	**x**	
4. Derivatives	**185,211**	**-**	**159,535**	**13,382**	**12,294**
4.1 Financial derivatives:	185,211		159,535	13,382	12,294
- on debt securities and interest rates	23,147			13,382	9,765
- on equity securities and equity indices	162,064		159,535		2,529
- on foreign currencies and gold	x	x	x	x	
- other					
4.2 Credit derivatives					
Total	**185,211**	**-**	**159,535**	**13,382**	**12,294**

Section 5 - Net gain (loss) on hedging activities - Item 90

5.1 Net gain (loss) on hedging activities: composition

(thousands of euros)

	31/12/2010	31/12/2009
A. Income on:		
A.1 Fair value hedges	24,332	446,608
A.2 Hedged financial assets (fair value)	519,431	8,171
A.3 Hedged financial liabilities (fair value)	41,049	
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	143,712	7,095
Total income on hedging activities (A)	**728,524**	**461,874**
B. Expense on:		
B.1 Fair value hedges	562,215	9,344
B.2 Hedged financial assets (fair value)	656	302,559
B.3 Hedged financial liabilities (fair value)	22,105	168,993
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	143,712	7,095
Total expense on hedging activities (B)	**728,688**	**487,991**
C. Net gain (loss) on hedging activities (A-B)	**(164)**	**(26,117)**

Section 6 - Gains (Losses) on disposal or repurchase - Item 100

6.1 Gains (Losses) on disposal or repurchase: composition

(thousands of euros)

	31/12/2010			31/12/2009		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Loans to banks						
2. Loans to customers	71,508		71,508	13,653		13,653
3. Financial assets available for sale	129,666		129,666	952		952
3.1 Debt securities	1,021		1,021	952		952
3.2 Equity securities	128,645		128,645			
3.3 Units in collective investment undertakings						
3.4 Loans						
4. Financial assets held to maturity						
Total assets	**201,174**		**201,174**	**14,605**		**14,605**
Financial liabilities						
1. Due to banks						
2. Due to customers						
3. Securities issued						
Total liabilities						

The increase is largely attributable to the share exchange between CDP and the MEF discussed earlier. More specifically, the item includes the gain of about € 129 million on the transfer to the MEF of the Enel S.p.A. shares.

Section 8 - Net impairment adjustments - Item 130

8.1 Net impairment adjustments of loans: composition

(thousands of euros)

	Writedowns			Writebacks				31/12/2010	31/12/2009
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Loans to banks									
- Loans									
- Debt securities									
B. Loans to customers		(4,193)		402				(3,791)	(1,218)
- Loans		(4,193)		402				(3,791)	(1,218)
- Debt securities									
C. Total		**(4,193)**		**402**				**(3,791)**	**(1,218)**

Key
A = interest
B = other writebacks

Section 9 - General and administrative expenses - Item 150

9.1 Staff costs: composition

(thousands of euros)

		31/12/2010	31/12/2009
1.	Employees	44,121	42,576
	a) wages and salaries	31,618	29,781
	b) social security contributions	115	140
	c) severance pay		
	d) pensions	8,111	7,927
	e) allocation to staff severance pay provision	1,022	823
	f) allocation to provision for pensions and similar liabilities:		
	- defined contribution		
	- defined benefit		
	g) payments to external pension funds:	995	796
	- defined contribution	995	796
	- defined benefit		
	h) costs in respect of agreements to make payments in own equity instruments		
	i) other employee benefits	2,260	3,109
2.	Other personnel in service	3	622
3.	Board of Directors and Board of Auditors	2,392	1,254
4.	Retired personnel		
5.	Recovery of expenses for employees seconded to other companies	(286)	(44)
6.	Reimbursement of expenses for third-party employees seconded to the company	36	95
Total		**46,266**	**44,503**

9.2 Average number of employees by category

Employees	**415**
a) senior management	36
b) middle management	149
- of which: grade 3 and 4	*109*
c) other employees	230
Other personnel	**8**

9.4 Other employee benefits

(thousands of euros)

	31/12/2010	31/12/2009
Lunch vouchers	516	500
Staff health insurance	869	750
Interest subsidies on loans	34	22
Other benefits	841	1,837
Total	**2,260**	**3,109**

9.5 Other administrative expenses: composition

(thousands of euros)

	31/12/2010	31/12/2009
IT costs (licences, maintenance and consulting)	7,270	6,590
Property expenses	3,381	2,892
Leased land and buildings	718	62
Owned land and buildings:	2,663	2,830
- maintenance of owned land and buildings	1,488	1,583
- operating expenses	1,175	1,247
Utilities	1,477	1,437
General expenses	8,634	6,612
- consumables and other	1,834	1,128
- services	6,800	5,484
Entertainment and marketing	1,212	401
Professional and insurance expenses	6,861	5,660
Professional and service costs for personnel	386	1,386
Corporate bodies other than BoD	342	251
Indirect taxes and duties	1,203	1,304
Total	**30,766**	**26,533**

Pursuant to Article 149-duodecies of the Consob Issuers Regulation, the following table reports the fees for 2010 paid for services provided by KPMG S.p.A., the external auditor.

Fees for auditing and non-audit services

(thousands of euros)

	Service provider	Fees for the year
Auditing and financial statements	KPMG S.p.A.	256
Certification	KPMG S.p.A.	55
Total		**311**

The fees paid in 2010 to the auditing firm regard auditing of the annual separate and consolidated financial statements, auditing of the separate and consolidated half-year financial statements, certification of the statements for the separated accounts and the agreed procedures associated with the issue of comfort letters for the updating of the EMTN programme.

SECTION 10 - NET PROVISIONS - ITEM 160

10.1 Net provisions: composition

(thousands of euros)

	31/12/2010	31/12/2009
Review of existing provision for litigation with personnel and customers	(49)	374
Provision for tax liabilities	(2,128)	
Total	**(2,177)**	**374**

SECTION 11 - NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT - ITEM 170

11.1 Net adjustments of property, plant and equipment: composition

(thousands of euros)

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
A. Property, plant and equipment	**6,279**			**6,279**
A.1 Owned	6,279			6,279
- operating assets	6,279			6,279
- investment property				
A.2 Acquired under finance leases				
- operating assets				
- investment property				
Total	**6,279**			**6,279**

SECTION 12 - NET ADJUSTMENTS OF INTANGIBLE ASSETS - ITEM 180

12.1 Net adjustments of intangible assets: composition

(thousands of euros)

	Amortisation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a+b-c)
A. Intangible assets	**2,532**			**2,532**
A.1 Owned	2,532			2,532
- internally generated				
- other	2,532			2,532
A.2 Acquired under finance leases				
Total	**2,532**			**2,532**

Section 13 - Other operating costs and income - Item 190

13.1 Other operating costs: composition

(thousands of euros)

	31/12/2010	31/12/2009
Operating costs in respect of supply chain	2	110
Total	**2**	**110**

13.2 Other operating income: composition

(thousands of euros)

	31/12/2010	31/12/2009
Income from adjustment of liability items	7	98
Income for corporate offices paid to employees	262	183
Sundry reimbursements	582	359
Reimbursement of expenses incurred for Min. Univ. and Research agreement	444	300
Other income from services	1,063	409
Total	**2,358**	**1,349**

Section 14 - Gains (Losses) on equity investments - Item 210

14.1 Gains (Losses) on equity investments: composition

(thousands of euros)

	31/12/2010	31/12/2009
A. Gains	**947,744**	**-**
1. Revaluations		
2. Gains on disposals	947,744	
3. Writebacks		
4. Other		
B. Losses	**-**	**-**
1. Writedowns		
2. Impairments		
3. Losses on disposals		
4. Other		
Net gain (loss)	**947,744**	**-**

The item reports the gains on the disposal of the investments in Poste Italiane S.p.A. and STMicroelectronics Holding N.V. as part of the share exchange with the MEF.

Section 18 - Income tax for the period on continuing operations - Item 260

18.1 Income tax for the period on continuing operations: composition

(thousands of euros)

	31/12/2010	31/12/2009
1. Current taxes (-)	(397,069)	(567,088)
2. Change in current taxes from previous years (+/-)	(1,284)	(8,180)
3. Reduction of current taxes for the year (+)		
4. Change in deferred tax assets (+/-)	(14,466)	(52,300)
5. Change in deferred tax liabilities (+/-)	28	269,747
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	(412,791)	(357,821)

Current taxation regards IRES (corporate income tax) and IRAP (regional business tax) for the year, calculated on the basis of the current tax rates of 27.5% and 4.97% respectively.
The change in current taxes with respect to previous years reflects the adjustment of the provision for taxes, estimated in preparing the financial statements, to the actual tax liability due on the basis of the tax return subsequently submitted to the Revenue Agency.
The change in deferred taxes for 2010 shows a substantial decrease in tax assets, essentially attributable to the reversal of temporary differences deductible in subsequent years in respect of the fair value measurement of macro-hedges of postal savings bonds (€ 7.1 million) and the writedown of receivables (€ 6 million).
As regards deferred tax liabilities, the decline in 2010 eliminated the liability.

18.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euros)

Income (Loss) before taxes	**3,155,311**
IRES Theoretical tax liability (27.5% rate)	**867,711**
dividends excluded 95%	(294,541)
non-deductible costs	2,950
non-deductible interest 4%	52,363
exempt gains on equity investments	(296,007)
other tax-exempt income	(20,625)
IRES Actual tax liability	**311,851**

PART D - COMPREHENSIVE INCOME

Detailed breakdown of comprehensive income

(thousands of euros)

		Gross amount	Income taxes	Net amount
10.	**Net income (loss) for the period**	**3,155,311**	**(412,791)**	**2,742,520**
	Other comprehensive income			
20.	Financial assets available for sale:	(955,351)	76,041	(879,310)
	a) fair value changes	(955,351)	76,041	(879,310)
	b) reversal to income statement			
	- impairment adjustments			
	- gain/loss on realisation			
	c) other changes			
30.	Property, plant and equipment			
40.	Intangible assets			
50.	Hedging of investment in foreign operation:			
	a) fair value changes			
	b) reversal to income statement			
	c) other changes			
60.	Cash flow hedges:	(10,276)	3,334	(6,942)
	a) fair value changes	(10,276)	3,334	(6,942)
	b) reversal to income statement			
	c) other changes			
70.	Exchange rate differences:			
	a) fair value changes			
	b) reversal to income statement			
	c) other changes			
80.	Non-current assets held for sale:			
	a) fair value changes			
	b) reversal to income statement			
	c) other changes			
90.	Actuarial gains (losses) on defined benefit plans			
100.	Valuation reserves of equity investments accounted for with equity method (*pro rata*):			
	a) fair value changes			
	b) reversal to income statement			
	- impairment adjustments			
	- gain/loss on realisation			
	c) other changes			
110.	**Total other comprehensive income**	**(965,627)**	**79,375**	**(886,252)**
120.	**Comprehensive income (items 10+110)**	**2,189,684**	**(333,416)**	**1,856,268**

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Within the CDP organisational structure, the Risk Management unit is charged with governing and monitoring all of the forms of risk to which CDP is exposed in its operations, rendering transparent the CDP's overall risk profile and the capital requirements for each category of risk.
These risk categories are defined in the new Risk Policy approved by the Board of Directors in 2010 and comprise market risks (which includes equity risk, interest rate risk, inflation risk and exchange rate risk), liquidity risk, credit risk (which includes concentration risk and counterparty risk for transactions in derivatives), operational risks and reputational risk.
The Risk Committee is a collegial body with responsibility for guidance and control in risk management. It was established in 2010.
The Risk Management unit verifies compliance with the limits set by the Board of Directors and the operational limits established by the Chief Executive Officer, recommending correction actions to the Risk Committee that might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and participating in capital management activities.
The Risk Management unit is also responsible for providing the company with certified calculation models.

The guidelines governing CDP's risk management policies are summarised in the Risk Management Rules approved by the Board of Directors.
They envisage:
- the separation of roles and responsibilities in the assumption and control of risks;
- organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

Section 1 - Credit risk

Qualitative disclosures

1. General aspects

Credit risk arises primarily in relation to lending activity – both under the Separate Account and the Ordinary Account – and on a secondary level in derivatives operations for hedging purposes on financial markets (in the form of counterparty risk).
The Separate Account, which easily has the largest stock of assets, is primarily exposed to public entities and public-law bodies.
Nevertheless, an increasing role is being played by exposures under the Separate Account to the main banking groups operating in Italy, through which CDP channels various types of financing, in particular loans to SMEs and for the reconstruction of the areas hit by the earthquake in Abruzzo.
Although currently limited, exposures under the Separate Account to private-sector parties involved in public interest projects promoted by public entities are expected to become substantial.
The Ordinary Account grants corporate and project financing for initiatives concerning the delivery of public services, drawing on funding not guaranteed by the State.

2. Credit risk management policies

2.1 Organisational aspects

The principles followed by CDP in its lending activities are set out in the Lending Rules, which also govern the lending process and the roles of the units involved.
The Credit department is responsible for reviewing loans and, among other things, for the assignment of ratings and estimating loss given default.
As part of pre-lending assessments, the Risk Management unit focuses on risk-adjusted pricing, monitoring risk-adjusted returns and identifying exposure concentrations. Risk Management also monitors overall developments in the risk level of the loan portfolio with a view to identifying any necessary corrective actions to optimise the risk/return profile.
Risk Management is responsible for recommending a rating and recovery rate policy – approved by the Chief Executive Officer – to the Risk Committee that meets the requirements set out in CDP's Risk Policy.
Finally, Risk Management's responsibilities also include:

- the development and/or validation of risk-adjusted credit pricing models;
- the development and/or validation of models and methodologies for the assignment of ratings and recovery rates.

2.2 Management, measurement and control systems

As part of its credit risk management and control policies for the Separate Account, CDP adopts a system for lending to regional and local governments, under which each loan is allocated to a uniform risk category, defining the level of risk associated with individual authorities appropriately with the aid of specific quantitative parameters for each type and size of authority.
The lending system makes it possible to identify cases in which a more extensive assessment of the borrower's creditworthiness is necessary, using qualitative and quantitative criteria.
For the Ordinary Account and lending for projects promoted by public entities, CDP uses a validated proprietary model to calculate portfolio credit risk. With the same system CDP also calculated the economic capital associated with the entire loan portfolio, with the sole exception of positions with pure State risk only.
The Risk Management unit regularly monitors the net current and contingent exposure to banks in respect of derivatives transactions, carried out for hedging purposes only, in order to avoid concentration risk. Risk Management also monitors the compliance with minimum rating requirement for counterparties and limits based on the maximum notional amounts of transactions and credit equivalents, by counterparty or groups of connected counterparties, established in the CDP's Risk Policy.

2.3 Credit risk mitigation techniques

CDP mitigates the credit risk in respect of lending operations using techniques commonly adopted in the banking industry.
CDP's credit exposures under the Separate Account are largely accounted for by specific-purpose loans secured by delegation of payment.
Financing under the Ordinary Account of non-public entities within the Separate Account may be secured by security interests in property or unsecured guarantees.
In addition to normal guarantee requirements, mainly in operations under the Ordinary Account and those for non-public entities under the Separate Account, other options include contractual clauses requiring borrowers to comply with financial covenants that make it possible to monitor credit risk more closely over the life of an operation.

As regards bank counterparties in transactions in hedging derivatives, in view of the ISDA contracts signed, netting arrangements are also used. All the contracts are based on the 2002 ISDA agreement.

Credit Support Annexes, which involve the periodic exchange of collateral, are also used to strengthen credit risk mitigation.
The arrangement is based on the standard format recommended by ISDA.

2.4 Impaired financial assets

CDP's approach to credit assessment is essentially based on analytical analyses of counterparties in financial difficulty that are behind on their loan repayments.
The decision to adopt such an approach is justified by the absence of time series on bad debts, owing to the type of customer (public entities) in CDP's traditional lending activity.
The main credit events monitored in analysing the financial soundness of counterparties and the consequent valuation of the exposure in the financial statements regard failure to make payments (or other contractual breaches), declarations of financial crisis by local authorities or the initiation of bankruptcy proceedings for other borrowers.
The measurement of impaired positions is based on an estimate of the loan recovery plan, discounted at the effective interest rate of the specific loan. In estimating the recovery plan and the consequent writedown, account is taken of any collateral or unsecured guarantees received. These include amounts granted but not yet disbursed on specific-purpose loans, which are disbursed on a state-of-completion basis.
Borrowers with substantial arrears are disqualified from accessing new CDP financing and any remaining amounts to be disbursed on problem loans are frozen.
The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery. In order to ensure that such events are reflected promptly, the information on borrowers is monitored periodically and developments in out-of-court arrangements and the various stages of court proceedings are tracked constantly.
The identification of impaired positions is carried out on the basis of supervisory instructions using prudent materiality thresholds.
The restoration of impaired exposures to performing status is subject to verification that the problem conditions or insolvency have been eliminated and to the binding opinion, where envisaged, of the credit monitoring unit.

QUANTITATIVE DISCLOSURES

A. Credit quality

A.1 Impaired and performing exposures: stocks, writedowns, changes and distribution by sector and geographical area

A.1.1 Distribution of credit exposures by portfolio and credit quality (carrying amount)

(thousands of euros)

	Bad debts	Substandard loans	Restructured positions	Past due positions	Other assets	Total
1. Financial assets held for trading					856,438	856,438
2. Financial assets available for sale					2,218,828	2,218,828
3. Financial assets held to maturity					2,947,380	2,947,380
4. Loans to banks					9,027,454	9,027,454
5. Loans to customers	3,035	28,417	-	5,679	90,292,550	90,329,681
6. Financial assets at fair value					-	-
7. Financial assets being divested					-	-
8. Hedging derivatives					366,750	366,750
Total at 31/12/2010	**3,035**	**28,417**	**-**	**5,679**	**105,709,400**	**105,746,531**
Total at 31/12/2009	**25,538**	**9,709**	**-**	**11,155**	**93,164,934**	**93,211,336**

A.1.2 Distribution of credit exposures by portfolio and credit quality (gross and net values)

(thousands of euros)

	Impaired assets			Performing			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	(net exposure)
1. Financial assets held for trading				x	x	856,438	856,438
2. Financial assets available for sale				2,218,828		2,218,828	2,218,828
3. Financial assets held to maturity				2,947,380		2,947,380	2,947,380
4. Loans to banks				9,027,454		9,027,454	9,027,454
5. Loans to customers	96,566	(59,435)	37,131	90,292,550		90,292,550	90,329,681
6. Financial assets at fair value				x	x		-
7. Financial assets being divested							-
8. Hedging derivatives				x	x	366,750	366,750
Total at 31/12/2010	**96,566**	**(59,435)**	**37,131**	**104,486,212**	**-**	**105,709,400**	**105,746,531**
Total at 31/12/2009	**167,533**	**(121,130)**	**46,402**	**91,964,820**	**-**	**93,164,934**	**93,211,336**

A.1.3 On-balance-sheet and off-balance-sheet credit exposures to banks: gross and net values

(thousands of euros)

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. On-balance-sheet exposures				
a) Bad debts			x	
b) Substandard loans			x	
c) Restructured positions			x	
d) Past due positions			x	
e) Other assets	9,027,454	x		9,027,454
TOTAL A	**9,027,454**	**-**	**-**	**9,027,454**
B. Off-balance-sheet exposures				
a) Impaired			x	
b) Other	3,157,302	x		3,157,302
TOTAL B	**3,157,302**	**-**	**-**	**3,157,302**
TOTAL A+B	**12,184,756**	**-**	**-**	**12,184,756**

A.1.6 On-balance-sheet and off-balance-sheet credit exposures to customers: gross and net values

(thousands of euros)

	Gross exposure	Specific writedowns	Portfolio writedowns	Net exposure
A. On-balance-sheet exposures				
a) Bad debts	37,294	(33,564)	x	3,730
b) Substandard loans	53,594	(25,176)	x	28,418
c) Restructured positions			x	-
d) Past due positions	5,679		x	5,679
e) Other assets	95,458,757	x		95,458,757
TOTAL A	**95,555,324**	**(58,740)**	**-**	**95,496,584**
B. Off-balance-sheet exposures				
a) Impaired	6,336	(695)	x	5,641
b) Other	11,101,491	x		11,101,491
TOTAL B	**11,107,827**	**(695)**	**-**	**11,107,132**
TOTAL A+B	**106,663,151**	**(59,435)**	**-**	**106,603,716**

A.1.7 On-balance-sheet exposures to customers: changes in gross impaired positions

(thousands of euros)

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Opening gross exposure	**121,392**	**34,985**	**-**	**11,155**
- of which: exposures assigned but not derecognised				
B. Increases	**3,609**	**22,169**	**-**	**5,284**
B.1 transfers from performing positions	1,098	15,564		5,284
B.2 transfers from other categories of impaired positions	2,438	6,331		
B.3 other increases	73	274		
C. Decreases	**(87,707)**	**(3,560)**	**-**	**(10,760)**
C.1 to performing loans				(3,967)
C.2 writeoffs				
C.3 collections	(392)	(1,122)		(91)
C.4 assignments	(87,315)			
C.5 transfers to other categories of impaired positions		(2,438)		(6,331)
C.6 other decreases				(371)
D. Closing gross exposure	**37,294**	**53,594**	**-**	**5,679**
- of which: exposures assigned but not derecognised				

A.1.8 On-balance-sheet credit exposures to customers: changes in total adjustments

(thousands of euros)

	Bad debts	Substandard loans	Restructured positions	Past due positions
A. Total opening adjustments	**95,855**	**25,276**	**-**	**-**
- of which: exposures assigned but not derecognised				
B. Increases	**3,498**	**-**	**-**	**-**
B.1 writedowns	3,498			
B.2 transfers from other categories of impaired positions				
B.3 other increases				
C. Decreases	**(65,789)**	**(100)**	**-**	**-**
C.1 writebacks from valuations	(220)	(100)		
C.2 writebacks from collection	(65,569)			
C.3 writeoffs				
C.4 transfers to other categories of impaired positions				
C.5 other decreases				
D. Total closing adjustments	**33,564**	**25,176**	**-**	**-**
- of which: exposures assigned but not derecognised				

A.2 Classification of exposures on the basis of external and internal ratings

A.2.1 Distribution of on-balance-sheet and off-balance-sheet exposures by external rating grades

(thousands of euros)

	External rating grades						Not rated	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. On-balance-sheet exposures	**46,965,098**	**13,322,085**	**4,816,862**	**244**		**30,755**	**39,388,993**	**104,524,037**
B. Derivatives	**699,870**	**445,999**	**76,885**				**435**	**1,223,189**
B.1 Financial derivatives	699,870	445,999	76,885				435	1,223,189
B.2 Credit derivatives								-
C. Guarantees issued							**194,573**	**194,573**
D. Commitments to disburse funds	**2,959,514**	**5,146,369**	**375,344**	**7,572**		**11,148**	**4,346,726**	**12,846,673**
Total	**50,624,482**	**18,914,453**	**5,269,091**	**7,816**	**-**	**41,903**	**43,930,727**	**118,788,472**

A.3 Distribution of secured exposures by type of guarantee

A.3.1 Secured credit exposures to banks

(thousands of euros)

		Collateral (1)			Unsecured guarantees (2)									Total (1)+(2)
					Credit derivatives					Guarantees				
						Other derivatives								
	Net exposure	Land and buildings	Securities	Other assets	CLN	Governments and central banks	Other government agencies	Banks	Other	Governments and central banks	Other government agencies	Banks	Other	
1. Secured on-balance-sheet credit exposures														
1.1 fully secured	8,411									8,411				8,411
- *of which: impaired*														
1.2 partially secured														
- *of which: impaired*														
2. Secured off-balance-sheet credit exposures														
2.1 fully secured	1,148,393			1,142,925						5,468				1,148,393
- *of which: impaired*														
2.2 partially secured														
- *of which: impaired*														

A.3.2 Secured credit exposures to customers

(thousands of euros)

	Net exposure	Collateral (1)			Unsecured guarantees (2)									Total (1)+(2)
					Credit derivatives					Guarantees				
					CLN	Other derivatives								
		Land and buildings	Securities	Other assets		Governments and central banks	Other government agencies	Banks	Other	Governments and central banks	Other government agencies	Banks	Other	
1. Secured on-balance-sheet credit exposures														
1.1 fully secured	2,875,220	154,825	63,437	205,394						855,424	326,495	73,756	1,195,889	2,875,220
- of which: impaired	*16,407*									*16,407*				*16,407*
1.2 partially secured	80,001,367			9,086,234										9,086,234
- of which: impaired	*6,070*			*453*										*453*
2. Secured off-balance-sheet credit exposures														
2.1 fully secured	1,287,624	52,873	151,620	92,730						989,776			625	1,287,624
- of which: impaired	*5,641*									*5,641*				*5,641*
2.2 partially secured														
- of which: impaired														

B. Distribution and concentration of credit exposures

B.1 On-balance-sheet and off-balance-sheet credit exposures to customers by sector (carrying amount)

(thousands of euros)

	Governments			Other government agencies			Financial companies			Insurance undertakings			Non-financial companies			Other		
	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns	Net exposure	Specific writedowns	Portfolio writedowns
A. On-balance-sheet exposures																		
A.1 Bad debts			x	3,391	(946)	x		(1,098)	x			x	340	(31,520)	x			x
A.2 Substandard loans			x		(25,061)	x			x			x	28,052	(115)	x	366		x
A.3 Restructured positions			x			x			x			x			x			x
A.4 Past due positions			x	1,040		x			x			x	4,356		x	283		x
A.5 Other	39,334,567	x		48,712,783	x		561,059	x			x		6,811,533	x		38,814	x	
Total A	**39,334,567**	**-**	**-**	**48,717,214**	**(26,007)**	**-**	**561,059**	**(1,098)**	**-**	**-**	**-**	**-**	**6,844,281**	**(31,635)**	**-**	**39,463**	**-**	**-**
B. Off-balance-sheet exposures																		
B.1 Bad debts			x			x		(695)	x			x			x			x
B.2 Substandard loans			x			x			x			x	2,322		x	5		x
B.3 Other impaired assets			x			x			x			x	3,314		x			x
B.4 Other	1,213,204	x		5,718,895	x		101,418	x			x		4,049,678	x		18,296	x	
Total B	**1,213,204**	**-**	**-**	**5,718,895**	**-**	**-**	**101,418**	**(695)**	**-**	**-**	**-**	**-**	**4,055,314**	**-**	**-**	**18,301**	**-**	**-**
Total (A+B) at 31/12/2010	**40,547,771**	**-**	**-**	**54,436,109**	**(26,007)**	**-**	**662,477**	**(1,793)**	**-**	**-**	**-**	**-**	**10,899,595**	**(31,635)**	**-**	**57,764**	**-**	**-**
Total (A+B) at 31/12/2009	**35,613,634**	**-**	**-**	**51,744,165**	**(26,148)**	**-**	**729,699**	**(65,486)**	**-**	**-**	**-**	**-**	**10,517,519**	**(29,496)**	**-**	**74,219**	**-**	**-**

B.2 On-balance-sheet and off-balance-sheet credit exposures to customers by geographical area (carrying amount)

(thousands of euros)

	Italy		Other European countries		Americas		Asia		Rest of world	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures										
A.1 Bad debts	3,731	(33,564)								
A.2 Substandard loans	28,417	(25,176)								
A.3 Restructured positions										
A.4 Past due positions	5,678									
A.5 Other	95,451,758		7,000							
Total A	**95,489,584**	**(58,740)**	**7,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet exposures										
B.1 Bad debts		(695)								
B.2 Substandard loans	2,327									
B.3 Other impaired assets	3,314									
B.4 Other	11,019,833		81,658							
Total B	**11,025,474**	**(695)**	**81,658**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31/12/2010	**106,515,058**	**(59,435)**	**88,658**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31/12/2009	**98,525,512**	**(55,644)**	**78,761**	**(65,486)**	**74,964**	**-**	**-**	**-**	**-**	**-**

B.3 On-balance-sheet and off-balance-sheet credit exposures to banks by geographical area (carrying amount)

(thousands of euros)

	Italy		Other European countries		Americas		Asia		Rest of world	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures										
A.1 Bad debts										
A.2 Substandard loans										
A.3 Restructured positions										
A.4 Past due positions										
A.5 Other	7,823,565		1,203,889							
Total A	**7,823,565**	**-**	**1,203,889**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance-sheet exposures										
B.1 Bad debts										
B.2 Substandard loans										
B.3 Other impaired assets										
B.4 Other	2,096,032		1,061,270							
Total B	**2,096,032**	**-**	**1,061,270**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31/12/2010	**9,919,597**	**-**	**2,265,159**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) at 31/12/2009	**6,750,873**	**-**	**1,855,459**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C. Securitisations and asset disposals

C.1 Securitisations

Qualitative disclosures

At the end of 2002, CDP carried out a securitisation with the assignment without recourse of six portfolios of claims on customers in respect of loans to the following types of borrowers:

1. special corporations or consortiums operated by local authorities, consortiums of local authorities, and public or private limited companies operating public services (portfolio extinguished on 1 July 2009);
2. departments of the State, the regions, the autonomous provinces or local authorities;
3. A2A S.p.A.;
4. Acea Distribuzione S.p.A. (portfolio extinguished at the end of 2005);
5. RFI S.p.A.;
6. Poste Italiane S.p.A.

As regards the obligations of CDP, which are defined in the assignment contract, under which CDP has made certain representations and guarantees to CPG, taking on specified costs, expenses and liabilities associated with the portfolios, please note that the operation and the flows linked to all the securitised portfolios are proceeding regularly.
The loans underlying the transaction were fully derecognised, since CDP applied the provisions of paragraph 27 of IFRS 1, which requires first-time adopters to apply the derecognition rules for financial assets prospectively for transactions carried out as from 1 January 2004.

As regards securitisations conducted by third parties, the CDP holds a bond issued by the INPS - S.C.C.I. S.p.A. securitisation vehicle.

Quantitative disclosures

C.1.1 Exposures in respect of securitisations by quality of securitised assets

(thousands of euros)

	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:						**22,270**												
a) Impaired																		
b) Other						22,270												
B. With third-party underlying assets:	**200,115**	**200,115**																
a) Impaired																		
b) Other	200,115	200,115																

C.1.2 Exposures in respect of main own securitisations by type of securitised assets and type of exposure

(thousands of euros)

	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Writedowns/writebacks	Carrying amount	Writedowns/writebacks	Carrying amount	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks
A. Fully derecognised					**22,270**													
A.1 CPG - Società di cartolarizzazione a r.l.					22,270													
- Long-term loans																		
B. Partially derecognised																		
B.1 name of securitisation 1																		
- type of asset																		
B.2 name of securitisation 2																		
- type of asset																		
B.3 name of securitisation ...																		
- type of asset																		
C. Not derecognised																		
C.1 name of securitisation 1																		
- type of asset																		
C.2 name of securitisation 2																		
- type of asset																		
C.3 name of securitisation ...																		
- type of asset																		

C.1.3 Exposures in respect of main third-party securitisations by type of securitised assets and type of exposure

(thousands of euros)

	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Writedowns/writebacks	Carrying amount	Writedowns/writebacks	Carrying amount	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks	Net exposure	Writedowns/writebacks
A.1 S.C.C.I.																		
- Social security receivables	200,115																	

C.1.4 Exposures in respect of securitisations by portfolio and type

(thousands of euros)

	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans	31/12/2010	31/12/2009
1. On-balance-sheet exposures			**200,115**		**22,270**	**222,385**	**229,004**
- senior			200,115			200,115	199,116
- mezzanine							
- junior					22,270	22,270	29,888
2. Off-balance-sheet exposures							
- senior							
- mezzanine							
- junior							

C.1.7 Servicer activities - collections on securitised assets and redemption of securities issued by vehicle

(thousands of euros)

Società veicolo	SecuritiSed assets (end-period figure)		Collections in the year		% of securities redeemed (end-period figure)					
					Senior		Mezzanine		Junior	
	Impaired	Performing	Impaired	Performing	Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
CPG - Società di cartolarizzazione a r.l.		246,918		102,031						

C.3 Covered bond transactions

To fund its lending activities under the Separate Account, in 2004 CDP launched a programme for the issue of up to € 20 billion in covered bonds secured by assets consisting of CDP loans to or guaranteed by Italian regional and local governments. The operation was conducted on the basis of Article 5.18 of Decree Law 269/2003, pursuant to which CDP "may pledge its assets and legal relationships to satisfy the rights of the holders of securities it issues".
This instrument limited the exposure to market and refinancing risks, ensuring a closer matching of assets and liabilities (thanks to the relatively long-term maturities of the fixed-rate securities issued), with a consequent reduction of the cost of related hedging transactions. It also gave CDP access to a broad, diversified pool of investors not to be found among traditional subscribers of postal savings products. This form of funding does not benefit from a State guarantee, but its cost is still lower than the cost of any unsecured bonds the company might issue.
Since the start of the programme, four public issues have been carried out with a total overall value of € 8 billion (at present, following the redemption of € 2 billion in 2009 and € 1 billion in 2010, the nominal value of the securities issued comes to € 5 billion) as well as a privately-placed yen-denominated issue equal to about € 64 million.
Since 2007, issues under the programme have been suspended and under current conditions there appear to be no market opportunities that would counsel additional issues of covered bonds.

Section 2 - Market risks

2.1 Interest rate and price risk - supervisory trading book

Qualitative disclosures

A. General aspects

CDP did not undertake any transactions qualifying for allocation to the supervisory trading book.

2.2 Interest rate and price risk - banking book

Qualitative disclosures

A. General aspects, management and measurement of interest rate risk and price risk

As part of its activities, CDP is exposed to interest rate risk in all its forms: repricing, yield curve, basis and optionality. CDP also monitors inflation risk within the same conceptual and analytical framework as interest rate risk on the banking book.
These risks can affect the profits and economic value of CDP.

CDP faces a substantial level of interest rate risk due to the presence of large unhedged volumes of assets and liabilities predating its transformation into a joint-stock company and to the structure of assets and liabilities: a considerable portion of CDP's balance sheet consists of funding through ordinary fixed-rate bonds with an early redemption option, while lending is mainly fixed rate. Other types of postal bonds also include an early redemption option whose value is significantly affected by interest rates and inflation.

CDP's basic approach to measuring and managing interest rate risk is an "economic value perspective", which complements the "profitability perspective". The economic value perspective corresponds to the long-term representation of the profitability perspective, as economic value is essentially equal to the discounted sequence of future margins.
From this perspective, CDP analyses its exposure and risk profile by assessing all balance sheet items that are sensitive to interest rates, evaluating their reaction to small changes (sensitivity analysis) and major shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to

possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and composite indicators representing the economic capital necessary for the risks involved.
This monitoring structure is translated into the calculation of Value-at-Risk (VaR), at a 99% confidence level and a time horizon of one day and ten days. CDP uses a historical simulation method to calculate VaR.
VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. While aware of the limits of any composite metric based on historical scenarios, VaR also has two significant strengths:

- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry) in a single value;
- it makes it possible, by way of backtesting, to check the hypotheses underpinning the calculations and simulations.

CDP assesses the impact of interest rate risk on income for shorter horizons using a proprietary dynamic ALM (DALM) system. The system enables the company to simulate, under various market scenarios, the impact of corrective hedging on the exposure to risk and on net interest income within the long-term horizon of the business plan, given the pricing strategies adopted for its products.

CDP's ALM approach seeks to minimise the volume of hedging derivatives by exploiting "natural hedges" between fixed-rate assets and liabilities. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.
Operational responsibility for managing interest rate risk lies with the Finance unit.
The measurement and the monitoring of interest rate risk are performed by the Risk Management unit and are discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methods and received periodic reports on the results achieved.

Price risk regards the possibility that the net economic value, profitability or the book equity of CDP could be adversely affected by variables associated with shares, in particular the market prices of such securities and related derivatives, or changes in the current and future profitability of the investment in such instruments. For these purposes, investments in units of investment funds, including real estate funds, are treated like shares. As regards real estate risk, CDP provides risk management services on an outsourcing basis to CDPI SGR, the company that runs the Fondo Investimenti per l'Abitare.
In line with the net economic value approach, equity risk is quantified in terms of VaR with a one-year time horizon. VaR provides a proxy of the risk that liquid, listed securities – including those recognised at value in use – will not recover any impairment losses over time. It is calculated on the basis of hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities, assuming continuity in the business model of CDP, which expects to hold most of its stock investments for the long term.
An additional source of price risk lies in CDP's funding operations, namely the issue of indexed postal bonds and Premia bonds, whose yield is linked to developments in the Dow Jones EUROSTOXX 50 index.

Risk Management also monitors the risk that the performance of CDP might be adversely affected by net fair value differences between the options on stock indices embedded in liabilities and options acquired for hedging purposes.

B. Fair value hedges

The strategies underlying the fair value hedging of CDP are aimed at reducing interest rate and inflation risk metrics and differ in part for the two Accounts.
The Ordinary Account is normally hedged against interest rate risk at the origination stage.
On the liability side of the Ordinary Account, this involves specific hedges of floating-rate and/or structured issues, carried out using IRSs indexed to 6-month Euribor plus a spread. As regards assets, fixed-rate loans are generally hedged using amortising IRSs in which CDP pays fixed and receives floating. In this area, the hedge may regard a homogeneous aggregate of loans. The hedges are classified as micro fair value hedges.

The Separate Account adopts a different hedging approach, due to the very large volumes of liabilities incorporating the early redemption option.

As regards financial liabilities, in 2005, with a negative exposure to a reduction in interest rates, CDP undertook a programme of hedging interest rate risk (qualified as macro fair value hedges) on a portfolio of ordinary postal savings bonds using roller-coaster IRSs in which CDP received fixed and paid 12-month Euribor plus a spread. At the end of 2009 CDP terminated those hedges early as part of its strategy for managing the overall exposure.

Issues of fixed-rate covered bonds in euros were systematically transformed into floating rates using IRSs at the origination stage. In 2010, part of these hedges reached expiry.

As regards financial assets, at the start of 2006, following the renegotiation of fixed-rate loans charged to the State, CDP had a negative exposure to a rate increase. CDP responded with a programme of micro-hedges of the interest rate risk on portfolios of loans with uniform rate and maturity features. The programme was implemented using amortising IRSs in which CDP pays fixed and receives 6-month Euribor plus a spread.

Subsequently, CDP continued to hedge part of its new fixed-rate loans, using one-to-one hedges. Following the renegotiation of fixed-rate loans at the end of 2010, part of the hedges on fixed-rate assets were terminated in advance, with a positive impact in terms of ALM, given CDP's exposure profile in respect of the buckets involved.

The price risk associated with issues of indexed savings bonds and the Premia series is systematically hedged using options that match those embedded in the bonds. These transactions are not subject to hedge accounting: the embedded options sold and the options purchased are both recognised at fair value and qualify as operational hedges.
The notional of the options purchased for each issue is calculated using estimates on the basis of the proprietary model of customer redemption behaviour.

C. Cash flow hedges

During 2010 CDP launched a hedging programme for postal bonds indexed to the consumer price index for blue-collar and office worker households, a leading source of exposure to inflation that is only partially mitigated by the natural hedge against loans with the same type of indexing. The hedges, which are classified as cash flow hedges, are implemented using zero-coupon inflation swaps with the notional determined on a conservative basis, estimating the nominal amount that CDP expects to reach at maturity for each series of hedged bond using the proprietary model of customer redemption behaviour. In most of the transactions to hedge the inflation risk in respect of postal bonds, CDP retains the basis risk in respect of any differences between European and Italian inflation.
At 31 December 2010, CDP had these outstanding cash flow hedges in place, in addition to the existing cash flow hedge of a fixed-rate covered bond in yen, which was hedged with a cross currency swap to counter the uncertainty concerning cash flows due to possible exchange rate variations. The hedge converts the original exposure into a fixed rate in euros.

Quantitative disclosures

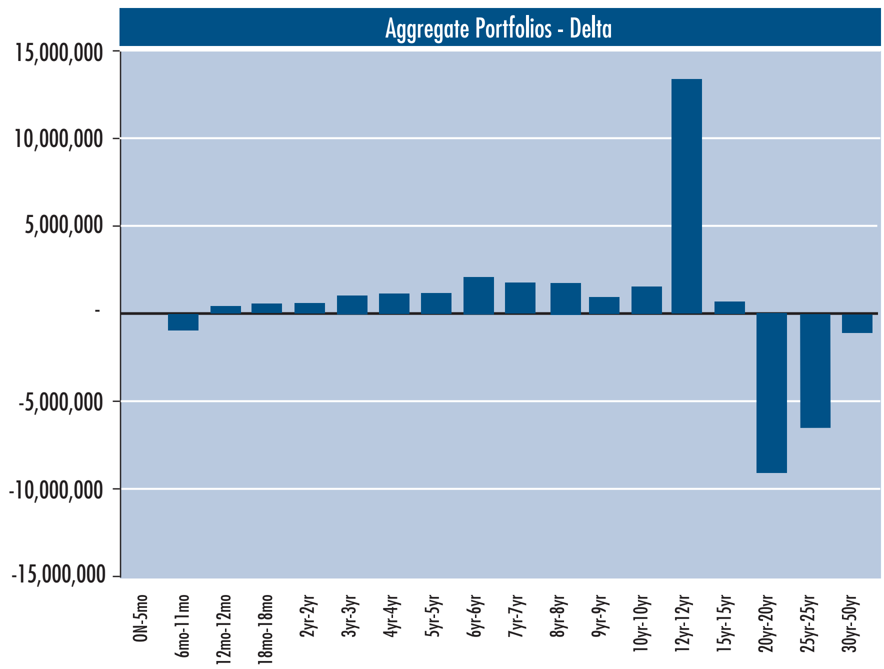
1. Banking book: distribution of financial assets and liabilities by residual maturity (repricing date)

The following figure shows an analysis of interest rate risk sensitivity developed on the basis of internal models.

Sensitivity to EURO zero-coupon rates by maturity

Market data at 31/12/2010

Risk Factors	Delta
ON-5mo	-44,216
6mo-11mo	-869,640
12mo-12mo	332,993
18mo-18mo	443,118
2yr-2yr	634,182
3yr-3yr	1,210,704
4yr-4yr	1,372,788
5yr-5yr	1,414,469
6yr-6yr	2,534,390
7yr-7yr	2,277,366
8yr-8yr	2,336,080
9yr-9yr	1,022,006
10yr-10yr	1,998,368
12yr-12yr	12,907,956
15yr-15yr	697,157
20yr-20yr	-8,980,565
25yr-25yr	-6,390,309
30yr-50yr	-1,178,762



2.3 Exchange rate risk

Qualitative disclosures

A. General aspects, management and measurement of exchange rate risk

Exchange rate risk is the risk that changes in exchange rates might have a negative impact on the net income or economic value of CDP.
Certain activities of CDP can generate exchange rate risk. CDP undertakes such activities only if covered by appropriate exchange rate hedges.
The activities of CDP that can engender such exposure are normally associated with the issue of bonds denominated in foreign currencies and equity investments the value of which may be exposed to changes in exchange rates.
In 2010 CDP accrued a temporary exposure in dollars associated with the deferred payment of a part of the dividends of STMicroelectronics Holding N.V.

B. Hedging exchange rate risk

The exchange rate risk in respect of foreign-currency issues (a covered bond issue and two bond issues under the EMTN programme) was hedged with cross currency swaps, which transform CDP's cash flows into those equivalent to an issue in euros.

1. Distribution by currency of assets, liabilities and derivatives

(thousands of euros)

	Currency					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
A. Financial assets						
A.1 Debt securities						
A.2 Equity securities						
A.3 Loans to banks						
A.4 Loans to customers						
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities	**280,523**		**214,866**			
C.1 Due to banks						
C.2 Due to customers						
C.3 Debt securities	280,523		214,866			
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives						
- Options						
+ long positions	280,523		214,866			
+ short positions						
- Other derivatives						
+ long positions						
+ short positions						
Total assets	**280,523**		**214,866**			
Total liabilities	**280,523**		**214,866**			
Difference (+/-)	**-**		**-**			

2.6 Derivatives

A. Financial derivatives

A.2 Banking book: end-period and average notional values

A.2.1 Hedging

(thousands of euros)

	31/12/2010		31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	20,794,339		24,390,885	
a) Options				
b) Swaps	20,794,339		24,390,885	
c) Forwards				
d) Futures				
e) Other				
2. Equity securities and equity indices				
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Foreign currencies and gold	493,247		434,000	
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	493,247		434,000	
4. Commodities				
5. Other underlyings				
Total	**21,287,586**		**24,824,885**	
Average values	**23,056,236**		**29,460,714**	

A.2.2 Other derivatives

(thousands of euros)

	31/12/2010		31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	2,619,413		1,320,434	
a) Options				
b) Swaps	2,619,413		1,320,434	
c) Forwards				
d) Futures				
e) Other				
2. Equity securities and equity indices	90,568,592		71,423,822	
a) Options	90,568,592		71,423,822	
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Foreign currencies and gold				
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
4. Commodities				
5. Other underlyings				
Total	**93,188,005**		**72,744,256**	
Average values	**82,966,131**		**56,985,801**	

A.3 Financial derivatives: gross positive fair value - breakdown by product

(thousands of euros)

	Positive fair value			
	31/12/2010		31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging	366,750		331,603	
a) Options				
b) Interest rate swaps	289,932		310,685	
c) Cross currency swaps	76,818		20,918	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	856,438		868,511	
a) Options	841,622		851,685	
b) Interest rate swaps	14,816		16,826	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
Total	**1,223,188**		**1,200,114**	

A.4 Financial derivatives: gross negative fair value - breakdown by product

(thousands of euros)

	Negative fair value			
	31/12/2010		31/12/2009	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging	1,175,799		825,663	
a) Options				
b) Interest rate swaps	1,175,799		825,385	
c) Cross currency swaps			278	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	940,034		784,205	
a) Options	761,877		784,205	
b) Interest rate swaps	178,157			
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
Total	**2,115,833**		**1,609,868**	

A.7 Over-the-counter financial derivatives - banking book: notional values, gross positive and negative fair values by counterparty - contracts not covered by netting arrangements

(thousands of euros)

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1. Debt securities and interest rates							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
2. Equity securities and equity indices							
- notional value							42,856,991
- positive fair value							
- negative fair value							761,876
- future exposure							
3. Foreign currencies and gold							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
4. Other							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							

A.8 Over-the-counter financial derivatives - banking book: notional values, gross positive and negative fair values by counterparty - contracts covered by netting arrangements

(thousands of euros)

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1. Debt securities and interest rates							
- notional value			19,950,205	3,463,547			
- positive fair value			200,615	104,132			
- negative fair value			1,201,597	152,359			
2. Equity securities and equity indices							
- notional value			47,323,600	388,000			
- positive fair value			823,902	17,720			
- negative fair value							
3. Foreign currencies and gold							
- notional value			493,247				
- positive fair value			76,818				
- negative fair value							
4. Other							
- notional value							
- positive fair value							
- negative fair value							

A.9 Residual life of over-the-counter financial derivatives: notional values

(thousands of euros)

	To 1 year	From 1 to 5 years	More than 5 years	Total
A. Supervisory trading book				
A.1 Financial derivatives on debt securities and interest rates				
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold				
A.4 Financial derivatives on other assets				
B. Banking book	**9,541,776**	**79,744,785**	**25,189,030**	**114,475,591**
B.1 Financial derivatives on debt securities and interest rates	626,279	8,978,301	13,809,172	23,413,752
B.2 Financial derivatives on equity securities and equity indices	8,915,497	70,365,276	11,287,819	90,568,592
B.3 Financial derivatives on exchange rates and gold		401,208	92,039	493,247
B.4 Financial derivatives on other assets				
Total at 31/12/2010	**9,541,776**	**79,744,785**	**25,189,030**	**114,475,591**
Total at 31/12/2009	**6,135,709**	**55,649,681**	**24,541,703**	**86,327,093**

C. Financial and credit derivatives

C.1 Over-the-counter financial and credit derivatives: net fair value and future exposure by counterparty

(thousands of euros)

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1. Bilateral financial derivatives agreements							
- positive fair value			1,101,336	121,852			
- negative fair value			1,201,597	152,360			
- future exposure			522,549	34,160			
- net counterparty risk			496,032	66,948			
2. Bilateral credit derivatives agreements							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							
3. Cross product agreements							
- notional value							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							

Section 3 - Liquidity risk

Qualitative disclosures

A. General aspects, management and measurement of liquidity risk

CDP's exposure to liquidity risk in the form of asset liquidity risk is limited as it does not engage in trading.
For CDP, liquidity risk becomes significant mainly in the form of funding liquidity risk, in view of the dominant weight of demand deposits (passbook savings accounts) and bonds redeemable on demand (postal savings bonds) in the liabilities of the Separate Account.
In order to ensure that any scenario of uncontrolled redemptions remains remote, CDP benefits from the mitigating effect of the State guarantee on postal savings. In addition to the key function of that guarantee, the ability of CDP to ensure that such a scenario does in fact remain remote is also based on its capital strength, on the protection and promotion of the reputation of postal savings with the public, on safeguarding CDP's reputation in the market and on liquidity management. With regard to the latter, CDP adopts a series of specific measures to prevent the emergence of unexpected funding requirements and to be able to meet them if it should prove necessary.
To this end, a lower limit on the stock of liquid assets has been established, which is monitored by the Risk Management unit.

As regards the Ordinary Account, CDP raises funds through the market or the EIB, adopting approaches, opportunities and constraints more similar to those of ordinary banks.
CDP prevents the emergence of unexpected liquidity requirements by developing effective loan disbursement forecasting systems, monitoring the short-term liquidity position – carried out on a continuous basis by the Finance unit – and monitoring liquidity gaps at short, medium and long term, which is performed by Risk Management.

Current management of treasury activities by Finance enables CDP to raise funds on the interbank market as well, using deposits and repos, for both the Separate and Ordinary Accounts.
The CDP Risk Policy approved in 2010 sets separate global liquidity limits for the two Accounts.

1. Distribution of financial assets and liabilities by residual maturity - currency: euro

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
On-balance-sheet assets	**132,436**		**531**	**219,366**	**65,446**	**3,860,118**	**4,659,437**	**19.363.199**	**67,586,248**	**59,567**
A.1 Government securities					37,175	180,679	410,724	1,493,993	2,791,971	
A.2 Other debt securities			531	205,311	3,039	49,790	105,254	270,393	1,081,237	
A.3 Units in collective investment undertakings										59,567
A.4 Loans	132,436			14,055	25,232	3,629,649	4,143,459	17,598,813	63,713,040	
- banks						214,353	342,796	3,741,158	2,206,410	
- customers	132,436			14,055	25,232	3,415,296	3,800,663	13,857,655	61,506,629	
On-balance-sheet transactions	**216,969,186**	**712,111**	**896,295**	**3,201,928**	**694,698**	**356,944**	**328,305**	**7,120,163**	**1,471,142**	
B.1 Deposits and current accounts	107,102,153	712,111	895,279	2,882,533	587,688	339,378	317,332	178,962	1,122,603	
- banks	184,033	712,111	895,279	2,812,103	587,688	339,378	317,332	178,962	1,122,603	
- customers	106,918,120			70,430						
B.2 Debt securities			1,016	319,395	107,010	17,566	10,973	6,941,202	348,539	
B.3 Other liabilities	109,867,033									
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions										
- short positions				3,590		2,195	1,476	415,695		
C.2 Financial derivatives without exchange of principal										
- long positions	841,622			134,973	1,146	22,520	38,072			
- short positions	761,876		831			254,816	419,962			
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions									14,610,899	
- short positions	14,610,899									
C.5 Financial guarantees issued										

1. Distribution of financial assets and liabilities by residual maturity - currency: yen

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
On-balance-sheet assets										
A.1 Government securities										
A.2 Other debt securities										
A.3 Units in collective investment undertakings										
A.4 Loans										
- banks										
- customers										
On-balance-sheet transactions				**2,270**			**556**	**211,689**		
B.1 Deposits										
- banks										
- customers										
B.2 Debt securities				2,270			556	211,689		
B.3 Other liabilities										
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions				2,270			556	211,689		
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees issued										

1. Distribution of financial assets and liabilities by residual maturity - currency: USD

(thousands of euros)

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
On-balance-sheet assets										
A.1 Government securities										
A.2 Other debt securities										
A.3 Units in collective investment undertakings										
A.4 Loans										
- banks										
- customers										
On-balance-sheet transactions					**635**	**432**	**859**	**281,769**		
B.1 Deposits										
- banks										
- customers										
B.2 Debt securities					635	432	859	281,769		
B.3 Other liabilities										
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions					635	432	859	281,769		
- short positions										
C.2 Financial derivatives without exchange of principal										
- long positions										
- short positions										
C.3 Deposits and loans to receive										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds										
- long positions										
- short positions										
C.5 Financial guarantees issued										

Section 4 - Operational risks

QUALITATIVE DISCLOSURES

A. General aspects, management and measurement of operational risks

CDP has launched a project for the assessment and mitigation of the operational risks associated with its activities, in which Risk Management is responsible for the analysis, design and implementation of the methodological and organisational framework.
Risk Management is also responsible for developing a plan to map the risks faced by the various units, with a view to identifying the areas potentially most exposed to the risk of material operational losses.

In both its derivatives transactions and traditional funding and lending business CDP is exposed to model risk, i.e. the possibility that the model used to quantify the market risks associated with the execution of transactions is inappropriate. This risk has a number of sources:

- input data (market, identification information, position), which could be inaccurate;
- estimation of the parameters underlying historical data;
- model choice;
- implementation in source code.

CDP has adopted a number of solutions to reduce the impact of model risk:

- periodic integrity checks with the departments/divisions providing the data;
- redundant providers and control algorithms for market data;
- use of alternative models for benchmarking and testing purposes;
- extensive testing of new models;
- detailed documentation of processes, models and codes.

In 2007 and 2008, CDP reviewed internal procedures as part of the "Manager responsible for preparing corporate financial reports" project. The most significant sources of risk, mitigation and control measures and related documentation were all identified.

PART F - CAPITAL

Section 1 - Capital

Qualitative disclosures

Pending the issuance of specific measures in this area by the Bank of Italy, CDP is subject to "informational" supervision only.

Accordingly, in 2010, in agreement with the Bank of Italy, CDP did not calculate supervisory capital or the related supervisory capital requirements.

PART H - TRANSACTIONS WITH RELATED PARTIES

1. Information on the compensation of key management personnel

Remuneration of members of Board of Directors and Board of Auditors

(thousands of euros)

	31/12/2010
a) Board of Directors	2,275
b) Board of Auditors	116
Totale	**2,391**

Compensation of directors includes the termination indemnity paid to the previous Chief Executive Officer since he was not reappointed.

Remuneration of other key management personnel

(thousands of euros)

	31/12/2010
a) short-term benefits	3,416
b) post-employment benefits	200
c) other long-term benefits	-
d) severance benefits	33
e) share-based payments	-
Total	**3,648**

Remuneration paid to Board of Directors and Board of Auditors

(thousands of euros)

Name	Position	Period in office	End of term*	Compensation and bonuses
Directors				
Franco Bassanini	Chairman	01/01/10 - 30/06/10	2012	314
Giovanni Gorno Tempini	Chief Executive Officer	28/04/10 - 31/12/10	2012	519
Massimo Varazzani	Chief Executive Officer	01/01/10 - 28/04/10	2009	1,353
Cristian Chizzoli	Director	28/04/10 - 31/12/10	2012	24
Cristiana Coppola	Director	28/04/10 - 31/12/10	2012	24
Piero Gastaldo	Director	28/04/10 - 31/12/10	2012	***
Ettore Gotti Tedeschi	Director	01/01/10 - 31/12/10	2012	35
Vittorio Grilli	Director	01/01/10 - 31/12/10	2012	**
Nunzio Guglielmino	Director	01/01/10 - 31/12/10	2012	35
Mario Nuzzo	Director	28/04/10 - 31/12/10	2012	24
Francesco Giovannucci	Director	01/01/10 - 28/04/10	2009	11
Fiorenzo Tasso	Director	01/01/10 - 28/04/10	2009	11
Luisa Torchia	Director	01/01/10 - 28/04/10	2009	11
Gianfranco Viesti	Director	01/01/10 - 28/04/10	2009	11
Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003)				
Giovanni De Simone	Director(1)	28/04/10 - 31/12/10	2012	24
Edoardo Grisolia	Director(1)	01/01/10 - 28/04/10	2009	**
Maria Cannata	Director(2)	01/01/10 - 31/12/10	2012	**
Giuseppe Pericu	Director	05/05/10 - 31/12/10	2012	23
	Director	01/01/10 - 28/04/10	2009	11
Romano Colozzi	Director	03/06/10 - 31/12/10	2012	20
Guido Podestà	Director	05/05/10 - 31/12/10	2012	23
Isaia Sales	Director	01/01/10 - 28/04/10	2009	11
Francesco Scalia	Director	01/01/10 - 28/04/10	2009	11
Board of Auditors				
Angelo Provasoli	Chairman	28/04/10 - 31/12/10	2012	18
Alberto Sabatini	Chairman	01/01/10 - 28/04/10	2009	9
Paolo Fumagalli	Auditor	28/04/10 - 31/12/10	2012	13
Biagio Mazzotta	Auditor	01/01/10 - 31/12/10	2012	**
Gianfranco Romanelli	Auditor	28/04/10 - 31/12/10	2012	13
Giuseppe Vincenzo Suppa	Auditor	28/04/10 - 31/12/10	2012	**
Antonio Angelo Arru	Auditor	01/01/10 - 28/04/10	2009	7
Mario Basili	Auditor	01/01/10 - 28/04/10	2009	7
Francesco Bilotti	Auditor	31/03/10 - 28/04/10	2009	2
Fabio Alberto Roversi Monaco	Auditor	01/01/10 - 25/03/10	2009	5

* 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

Certain transactions between CDP and related parties, notably those with the Ministry for the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative provisions. In any event, CDP did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the company. All transactions with related parties were carried out on an arm's length basis and form part of CDP's ordinary operations.

At the end of 2010 CDP had the following transactions with the Parent, subsidiaries and associates.

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 monthly the level of the Rendistato index.

As regards receivables in respect of loans, it should be noted that more than 35% 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 year-end were as follow.

(thousands of euros)

Transactions with the Ministry for the Economy and Finance	31/12/2010
Cash and cash equivalents	123,751,207
Financial assets available for sale	2,011,443
Financial assets held to maturity	2,947,380
Loans to customers	34,375,744
Other assets	17,132
Due to customers	3,281,262
Other liabilities	58
Interest income and similar revenues	3,949,150
Interest expense and similar charges	(36,442)
Commission income	3,012
Commitments for loans to be disbursed	1,213,204

Transactions with subsidiaries

Transactions with Terna S.p.A.

In 2009, CDP granted financing of up to € 500 million to Terna S.p.A., which had not been disbursed as of 31 December 2010.

Outstanding transactions and the related financial effects at year-end were as follows.

(thousands of euros)

Transactions with Terna S.p.A.	31/12/2010
Loans to customers	2,420
Commission income	1,317
Commitments for loans to be disbursed	500,000

Transactions with CDPI SGR S.p.A.

The only transactions with the subsidiary CDPI SGR S.p.A. regarded administrative and accounting services provided by CDP and CDP personnel seconded to CDPI.

Outstanding transactions and the related financial effects at year-end were as follows.

(thousands of euros)

Transactions with CDPI SGR S.p.A.	31/12/2010
Other assets	219
Other liabilities	17
Administrative expenses (reimbursement expenses - seconded personnel)	136
Other operating revenues	121

Transactions with associates

Transactions with Eni S.p.A.

The only transaction outstanding with Eni regards a loan from CDP under the Revolving Fund to support enterprises and investment in research.

The impact of that transaction on the CDP's financial statements is summarised below.

(thousands of euros)

Eni S.p.A.	31/12/2010
Loans to customers	840
Interest income and similar revenues	3

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

During the year CDP signed a commitment to grant financing of up to about € 1.8 million, of which about € 1.1 million had been disbursed as at the end of 2010. The exposures to Europrogetti & Finanza S.p.A. in liquidazione have been fully written down.

The impact of that transaction on the CDP's financial statements is summarised below.

(thousands of euros)

Europrogetti & Finanza S.p.A. in liquidazione	31/12/2010
Loans to customers	-
Impairment adjustments on financial assets	(1,793)
Commitments for loans to be disbursed	695

Transactions with Poste Italiane S.p.A.

Transactions with Poste Italiane S.p.A. include 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 commission set in a specific agreement between the parties.

Outstanding transactions and the related financial effects at year-end were as follows.

(thousands of euros)

Transactions with Poste Italiane S.p.A.	31/12/2010
Loans to customers	622,202
Other liabilities	822,000
Interest income and similar revenues	26,430
Commission expense	(1,557,000)
of which: subject to amortisation	*(834,787)*

PART L - 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 service, support (Technical Office, Lending and Finance) and corporate 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 - integrated water services, gas transport and distribution networks, local and national transportation networks, production, transport and distribution of energy).

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, of 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.

Results by operating segment are presented on the basis of the above organisational structure. In line with the 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 and interbank deposits" 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 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	-	35,008	-	-	127,856,317	127,891,325
Loans to customers and banks	83,288,898	3,862,578	3,377,592	7,428	1,416,965	91,953,461
Debt securities	-	-	-	-	5,464,408	5,464,408
Equity investments and shares	-	-	-	-	18,652,027	18,652,027
Funding	-	-	-	-	230,831,795	230,831,795
- of which: postal funding	-	-	-	-	*207,323,634*	*207,323,634*
- of which: funding from banks	-	-	-	-	*7,122,033*	*7,122,033*
- of which: funding from customers	-	-	-	-	*9,121,280*	*9,121,280*
- of which: funding with bonds	-	-	-	-	*7,264,849*	*7,264,849*

Reclassified income statement

(thousands of euros)

	Public Entities	Facilitated Credit and Economic Support	Financing	Public Interest Lending	Corporate Centre	Total CDP
Net interest income	373,265	9,003	25,738	-	1,251,353	1,659,359
Dividends	-	-	-	-	1,134,585	1,134,585
Net commissions	3,190	139	5,763	3,018	(722,335)	(710,225)
Other net revenues	-	-	-	-	213,304	213,304
Gross income	376,455	9,141	31,500	3,019	1,876,907	2,297,023
Net writedowns	(2,076)	79	-	-	(1,793)	(3,791)
Overheads	(7,619)	(1,921)	(1,866)	(816)	(73,349)	(85,571)
Operating income	**367,205**	**7,299**	**30,761**	**2,203**	**1,811,087**	**2,218,556**

CDP S.p.A.

Financial Statements

at 31 December 2010

Annexes

Annex 1

List of equity investments

Annex 2

Accounting separation statements

Annex 1

List of equity investments

(thousands of euros)

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	29.93%	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%	1,200
8. Fondo Italiano d'Investimento SGR S.p.A.	Milan	14.29%	500
9. Europrogetti & Finanza S.p.A. in liquidazione	Rome	31.80%	-

ANNEX 2

Separation of accounts

CDP S.p.A. is subject to a system of organisational and accounting separation under Article 5.8 of Decree Law 269 of 30 September 2003, ratified with amendments by Law 326 of 24 November 2003.

In order to create an accounting separation system, the organisational structure of the company was therefore divided into three operating units called, respectively, Separate Account, Ordinary Account and Joint Services, within which CDP's existing organisational units have been re-grouped.

Separate Account

The role of the Separate Account is to pursue the mission of general economic interest entrusted to CDP by law.
The articles of association of CDP, in accordance with law, allocate the following activities to the Separate Account:
- financing in any form, including the acquisition of trade receivables, for the State, regional governments, local authorities, public bodies and public-law entities using repayable funds raised from postal savings bonds and passbook savings accounts that benefit from State guarantees and are distributed through Poste Italiane S.p.A. or its subsidiaries, and funds raised from the issue of securities, borrowing and other financial operations with State guarantees. As part of this activity, the company may also carry out transactions in financial derivatives on own account in compliance with applicable law;
- financing in any form, including the acquisition of trade receivables, the issue of guarantees, the acquisition of equity capital or debt capital, the subscription of investment fund units. Each of the above financial transactions shall be entered into with the entities referred to in the previous point or used for public interest operations promoted by the latter, in accordance with the criteria established in the decree of the Minister for the Economy and Finance adopted pursuant to Article 5.11 e) of the Decree Law or directed at the public-interest initiatives provided for in Article 8 of Decree Law 78 of 1 July 2009, ratified with amendments by Law 102 of 3 August 2009, as amended, 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 shall be carried out using the funds referred to in the previous point and may be conducted either directly or

through the banking system, with the exception of operations in favour of small and medium-sized enterprises, which may only be conducted through the banking system or the subscription of investment funds managed by an asset management company as referred to in Article 33 of Legislative Decree 58 of 24 February 1998, as amended, whose corporate purpose achieves one of the institutional missions of Cassa depositi e prestiti S.p.A. Direct financial transactions must involve an amount equal to or greater than € 25 million. Financial transactions carried out for operations promoted by the entities referred to in the previous point or directed at the public-interest initiatives provided for in Article 8 of Decree Law 78 of 1 July 2009, ratified with amendments by Law 102 of 3 August 2009, as amended, to support 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. As part of this activity, the company may also carry out transactions in financial derivatives on own account in compliance with applicable law;

- the acquisition of equity investments transferred or contributed to CDP S.p.A. by a decree of the Minister for the Economy and Finance pursuant to Article 5.3 b) of Decree Law 269, the management of which complies with the criteria provided for in the decree of the Minister for the Economy and Finance referred to in Article 5.11 d) of Decree Law 269, as well as any increase in the equity investments transferred during the transformation of CDP into a joint-stock company;
- the management, where assigned by the Minister for the Economy and Finance, of the functions, assets and liabilities of CDP, prior to its transformation, transferred to the MEF pursuant to Article 5.3 a) of Decree Law 269; the management of any other public function and activities of general interest assigned by act of law, administrative regulations or contract;
- the provision of assistance and consulting to the parties listed in the first point or to support the operations or the parties listed in the second point.

As regards the organisational structure of CDP, the Separate Account includes the following units: Public Entities, Local Authorities Project, Facilitated Credit and Economic Support, Public Interest Lending, the Parliamentary Supervisory Committee and the Postal Savings activities of the Finance unit.

Ordinary Account

All CDP's other business activities that are not specifically attributed to the Separate Account are carried out by the Ordinary Account. While not specifically cited in Article 5 of Decree Law 269, the latter represents the range of activities carried out by CDP that are not assigned under statute to the Separate Account.
Specifically, pursuant to Article 5.7 b) of Decree Law 269, CDP's articles of association include among the activities designed to achieve its mission that are not assigned to the Separate Account:

- financing in any form, including the acquisition of trade receivables, of works, plant, networks, and other infrastructures intended for the delivery of public services and for reclamation projects using funds raised through the issue of securities, borrowing and other financial operations, without State guarantees and excluding demand funding and with funding exclusively from institutional investors. For this purpose, CDP may issue securities of any kind and may obtain financing from shareholders or third parties. CDP also obtains funding using grants provided in any form by the State, public or private entities or international bodies and any other of its own resources and financial revenues compatible with its mission. As part of this activity, the company may also carry out transactions in financial derivatives on own account in compliance with applicable law;

- providing consulting services and conducting studies, research and analysis of economic and financial matters.

From an organisational standpoint, the activities of the Financing business unit are included in the Ordinary Account.

Joint Services

Joint Services include the service units and units with support, guidance and control functions, the corporate bodies and bodies provided for in the articles of association (except for the Parliamentary Supervisory Committee, which regards the Separate Account), the offices of the Chairman, the Chief Executive Officer and the Director General, where the latter position is filled. With regard to the Equity Investments unit and the Finance unit, for the purposes of accounting separation, their costs and revenues are broken down into Separate Account, Ordinary Account and Joint Services depending on the specific activity to which they refer (with the exception of the postal savings activities performed within the Finance unit, which belong exclusively to the Separate Account, as noted above).

For more information on CDP's system of accounting separation, please refer to the report on operations.

Reclassified balance sheet

(thousands of euros)

	Separate Account	Ordinary Account	Joint Services	Total CDP
Cash and cash equivalents	127,753,369	138,294	(339)	127,891,325
Loans to customers and banks	88,567,225	3,386,235	-	91,953,461
Debt securities	4,771,777	692,632	-	5,464,408
Equity investments and shares	18,574,370	77,658	-	18,652,027
Funding	226,603,920	4,227,876	-	230,831,795
- of which: postal funding	*207,323,634*	-	-	*207,323,634*
- of which: funding from banks	*5,108,142*	*2,013,891*	-	*7,122,033*
- of which: funding from customers	*9,121,280*	-	-	*9,121,280*
- of which: funding from bonds	*5,050,864*	*2,213,985*	-	*7,264,849*

Reclassified income statement

(thousands of euros)

	Separate Account	Ordinary Account	Joint Services	Total CDP
Net interest income	1,633,181	27,664	(1,487)	1,659,359
Dividends	1,134,084	501	-	1,134,585
Net commissions	(715,893)	5,746	(78)	(710,225)
Other net revenues	212,451	854	-	213,304
Gross income	2,263,823	34,765	(1,565)	2,297,023
Net writedowns	(3,791)	-	-	(3,791)
Overheads	(13,198)	(3,060)	(69,586)	(85,844)
Operating income	**2,247,385**	**32,832**	**(61,662)**	**2,218,556**

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