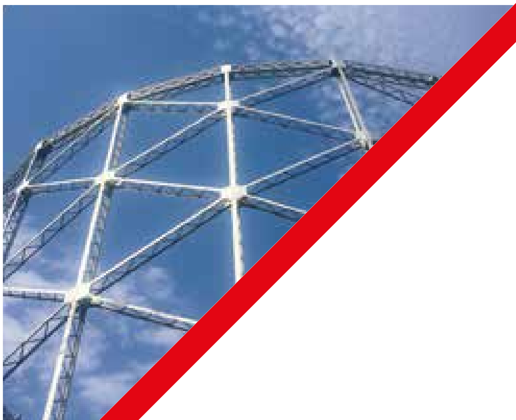
Annual Report 2019

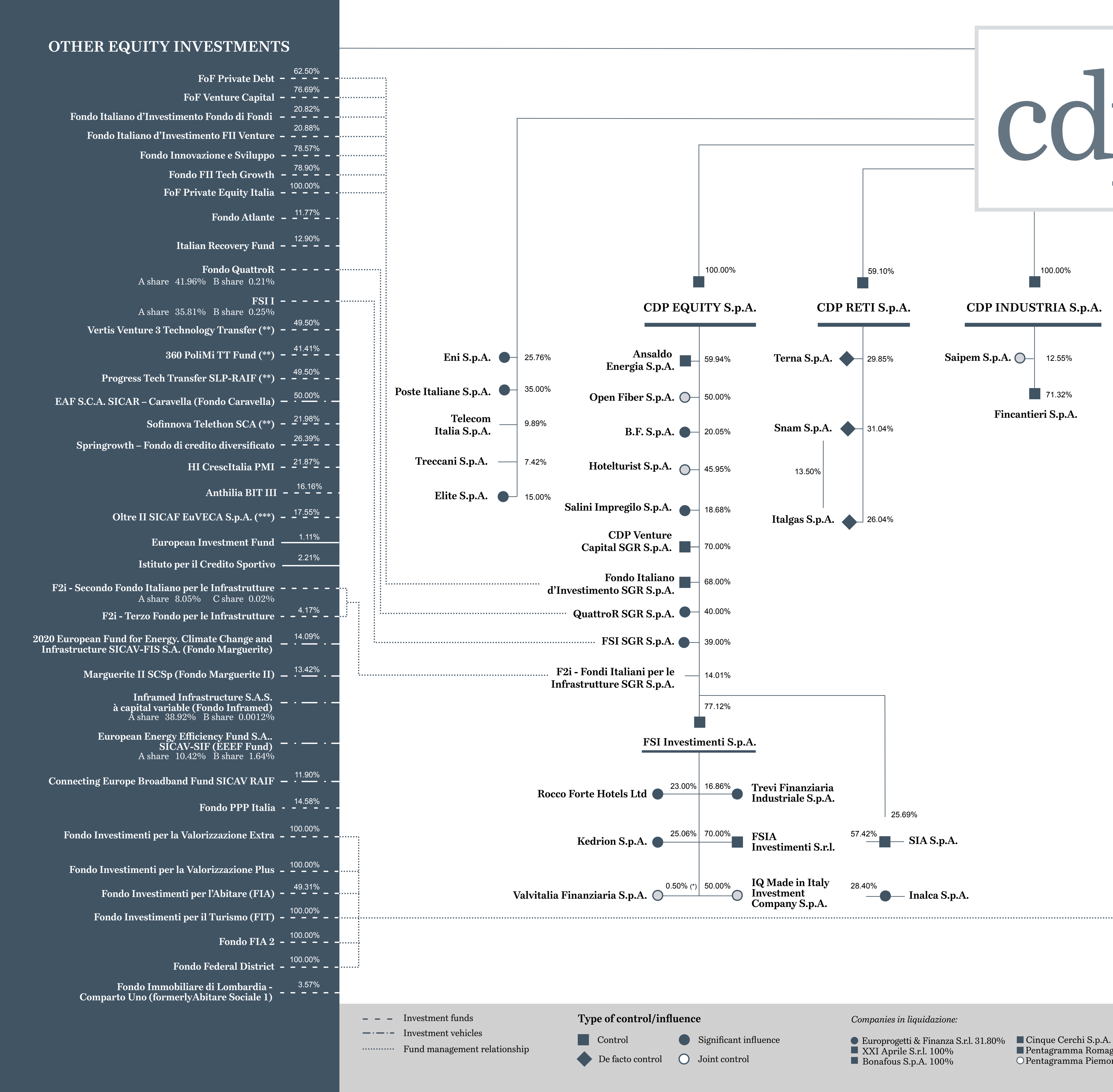




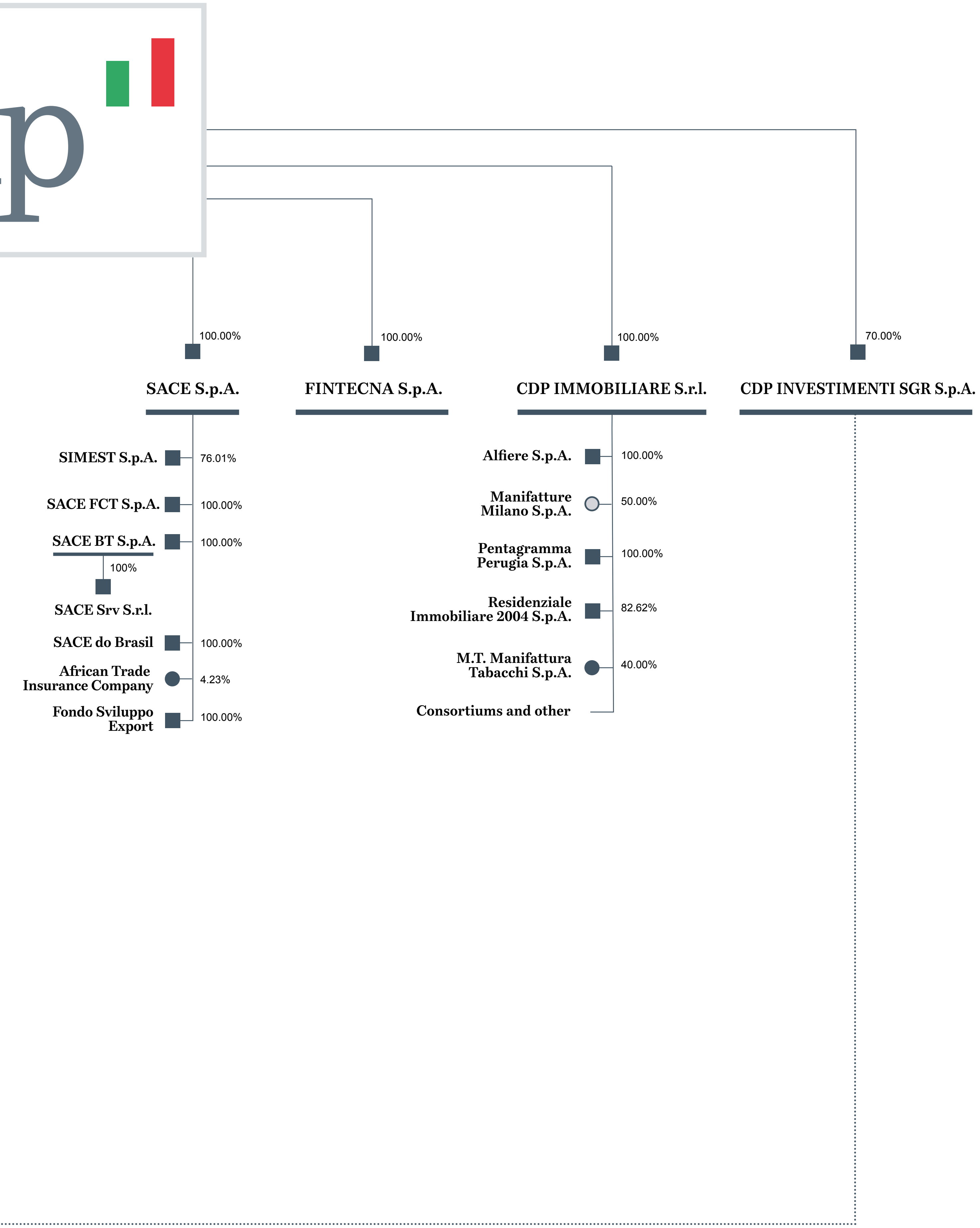




cdp

Investing in tomorrow



OTHER EQUITY INVESTMENTS
FoF Private Debt 62.50%
FoF Venture Capital 76.69%
Fondo Italiano d'Investimento Fondo di Fondi 20.82%
Fondo Italiano d'Investimento FII Venture 20.88%
Fondo Innovazione e Sviluppo 78.57%
Fondo FII Tech Growth 78.90%
FoF Private Equity Italia 100.00%
Fondo Atlante 11.77%
Italian Recovery Fund 12.90%
Fondo QuattroR
A share 41.96% B share 0.21%
FSI I
A share 35.81% B share 0.25%
Vertis Venture 3 Technology Transfer (**) 49.50%
360 PoliMi TT Fund (**) 41.41%
Progress Tech Transfer SLP-RAIF (**) 49.50%
EAF S.C.A. SICAR – Caravella (Fondo Caravella) 50.00%
Sofinnova Telethon SCA (**) 21.98%
Springrowth – Fondo di credito diversificato 26.39%
HI CrescItalia PMI 21.87%
Anthilia BIT III 16.16%
Oltre II SICAF EuVECA S.p.A. (***) 17.55%
European Investment Fund 1.11%
Istituto per il Credito Sportivo 2.21%
F2i - Secondo Fondo Italiano per le Infrastrutture
A share 8.05% C share 0.02%
F2i - Terzo Fondo per le Infrastrutture 4.17%
2020 European Fund for Energy. Climate Change and Infrastructure SICAV-FIS S.A. (Fondo Marguerite) 14.09%
Marguerite II SCSp (Fondo Marguerite II) 13.42%
Inframed Infrastructure S.A.S. à capital variable (Fondo Inframed)
A share 38.92% B share 0.0012%
European Energy Efficiency Fund S.A.. SICAV-SIF (EEEF Fund)
A share 10.42% B share 1.64%
Connecting Europe Broadband Fund SICAV RAIF 11.90%
Fondo PPP Italia 14.58%
Fondo Investimenti per la Valorizzazione Extra 100.00%
Fondo Investimenti per la Valorizzazione Plus 100.00%
Fondo Investimenti per l'Abitare (FIA) 49.31%
Fondo Investimenti per il Turismo (FIT) 100.00%
Fondo FIA 2 100.00%
Fondo Federal District 100.00%
Fondo Immobiliare di Lombardia - Comparto Uno (formerlyAbitare Sociale 1) 3.57%
cd
100.00%
CDP EQUITY S.p.A.
59.10%
CDP RETI S.p.A.
100.00%
CDP INDUSTRIA S.p.A.
Eni S.p.A. 25.76%
Poste Italiane S.p.A. 35.00%
Telecom Italia S.p.A. 9.89%
Treccani S.p.A. 7.42%
Elite S.p.A. 15.00%
Ansaldo Energia S.p.A. 59.94%
Open Fiber S.p.A. 50.00%
B.F. S.p.A. 20.05%
Hotelturist S.p.A. 45.95%
Salini Impregilo S.p.A. 18.68%
CDP Venture Capital SGR S.p.A. 70.00%
Fondo Italiano d'Investimento SGR S.p.A. 68.00%
QuattroR SGR S.p.A. 40.00%
FSI SGR S.p.A. 39.00%
F2i - Fondi Italiani per le Infrastrutture SGR S.p.A. 14.01%
77.12%
FSI Investimenti S.p.A.
Rocco Forte Hotels Ltd 23.00%
Trevi Finanziaria Industriale S.p.A. 16.86%
Kedrion S.p.A. 25.06%
FSIA Investimenti S.r.l. 70.00%
Valvitalia Finanziaria S.p.A. 0.50% (*)
IQ Made in Italy Investment Company S.p.A. 50.00%
25.69%
57.42% SIA S.p.A.
28.40% Inalca S.p.A.
Terna S.p.A. 29.85%
Snam S.p.A. 31.04%
13.50%
Italgas S.p.A. 26.04%
Saipem S.p.A. 12.55%
71.32%
Fincantieri S.p.A.
Investment funds
Investment vehicles
Fund management relationship
Type of control/influence
Control
Significant influence
De facto control
Joint control
Companies in liquidazione:
Europrogetti & Finanza S.r.l. 31.80%
XXI Aprile S.r.l. 100%
Bonafous S.p.A. 100%
Cinque Cerchi S.p.A.
Pentagramma Romag
Pentagramma Piemor



100%
gna S.p.A.100%
nte S.p.A. 50%

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

A Unique Group at the Service of the Country

Annual
Report
2019

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

cdp
Investing in tomorrow

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Letter to shareholders

Shareholders,

2019 confirmed Cassa Depositi e Prestiti's key role in supporting the growth of the Italian economy, despite a difficult macroeconomic situation at national and international level.

The uncertainties linked to the United Kingdom leaving the European Union, the decreased industrial production of the most important continental partners, the trade disputes between the United States and China and the geopolitical tensions in the Mediterranean and the Middle East contributed to generating instability in the financial markets and slowing down global economic growth.

Alongside these global phenomena, our country has also had to face internal economic and social challenges related to the need to fill the development gap with Europe and to the urgency of directing the investments in real economy towards those projects that may encourage innovation, productivity and competition in the industrial system while improving the country's infrastructure and the quality of life of every citizen.

Against this backdrop, during the year, the awareness has risen, at Institutions, in the business world and among the civil society, that the development model pursued in recent decades is no longer sustainable and that a change is required in the approach at global level in order to move towards inclusive growth that combines the pursuit of profit with the protection of the ecosystem and the well-being of people. In the past, environmental protection and the well-being of citizens were deemed to be almost exclusive Government tasks. Today operating in a responsible, sustainable and transparent manner towards individuals, communities, local areas and the environment is considered a common responsibility, also for companies.

As an Institution with the public mission of supporting the country's development, though acting in accordance with the rules of a private market operator, CDP wanted to take on this responsibility, approving, at the end of 2018, the 2019-2021 Business plan, which commits it to becoming a true driving force for Italy's sustainable growth.

For the first time, CDP chose to direct its strategic and operating approach towards the principles of sustainable development and the goals of the UN's 2030 Agenda, aiming to integrate the process of creating economic value with ever greater focus on the social and environmental impacts generated.

For CDP, this was not a question of becoming aware of the issue, but of directing its awareness in a more effective and knowledgeable manner. This can be seen in the amendment to the Articles of Association approved in March 2019, to grant funding to promote sustainable development, and in the new approach adopted, which is marked by an active involvement of our stakeholders.

Sustainability has characterised CDP's work since 1850. To manage this aspect more effectively, we relied on a Business plan that, when first launched, we had consciously defined as ambitious in terms of change in approach, extent of activities, the areas of intervention and financial resources employed. The plan envisages the investment of over 200 billion euro in three years to promote innovation, growth and international expansion of enterprises and sectors, develop infrastructure, cities and services for people, energy transition, environmental protection and social inclusion, in Italy as well as in developing countries.

We aimed to achieve these objectives starting from three fundamental elements, which represent the cornerstones of our Business plan: focus on local areas and communities, promotion of system initiatives and integration of sustainability in business processes and corporate culture. These three aspects guided our action in 2019 and will do more so in the future, in light of the changes in the socio-economic scenario that are being caused in the global context by the recent emergency caused by the ongoing coronavirus pandemic.

The local areas and communities have always been at the core of CDP's business model. Today CDP still collects most of its financial resources from 27 million postal savers throughout Italy. It then invests these resources in development projects locally.

However, our desire was to show greater closeness to communities and their needs. Hence, we launched a plan to open new territorial offices throughout Italy, thanks to which companies, local authorities and other stakeholders can access the full range of the CDP Group's products and services more easily.

In 2019 we opened offices in Verona, Naples and Genoa, to be followed by additional locations across Italy. To guarantee a widespread presence in the territory, in December we also signed an agreement that provides for the opening of information desks of the CDP Group at Banking Foundations. Thanks to this cooperation initiatives, two information desks were opened at Fondazione di Sardegna in the offices of Cagliari and Sassari.

Furthermore, CDP launched a comprehensive schedule of local events, under the umbrella of Officina Italia, Spazio Imprese and Spazio PA, in order to understand directly from companies and the local public administrations their real needs and find the best solutions together.

At the same time, CDP promoted systemic initiatives for the country's development thanks to its role as a dialogue facilitator between national and international Institutions, enterprises and public administrations, which will also play an important role in restarting the economy after the coronavirus emergency.

Many of these initiatives saw the involvement of the Group companies, investee companies and leading Italian companies in innovative projects aimed at encouraging the development of supply chains, the circular economy, the regeneration of cities, the decarbonisation of the economy, energy efficiency and the innovation of public services for citizens.

Advanced industrial and financial training programmes were also launched in collaboration with Group and investee companies. We introduced the "Scuola Italiana di Ospitalità" to promote innovation in a strategic sector for the national economy such as tourism. Other initiatives concerned the people of the CDP Group, with the start-up of the "CDP Academy", an extensive permanent learning programme that will gradually involve all professional levels and that has already seen the launch of the first Corporate MBA and various initiatives aimed at young people and new recruits.

Lastly, in order to put sustainability at the core, we started a structured process to measure the social and environmental impacts of our activities and guide our business choices towards those investments that are able to generate the highest impact for the communities.

At the same time, we also established a process to fully integrate sustainability in the corporate governance and culture, with the launch of a plan of internal initiatives to raise awareness among all the people of the CDP Group to adopt an even more responsible and sustainable lifestyle.

The commitment to sustainability is shown by the achievement of some targets that are very important for us. This year we held our first Multi-stakeholder Forum and signed, together with the Group companies, the "Sustainability Manifesto", where we defined commitments and concrete actions to best meet the challenges of sustainability together.

At international level, we started cooperating with the EIB and the National Promotional Institutions of France, Germany, Spain and Poland to develop circular economy projects. Last but not least, in the role of Financial Institution for Development Cooperation, we were the first Italian Financial Institution to be registered in the Green Climate Fund, the main financial instrument of the United Nations dedicated to investments to fight climate change in developing countries. This allows Italy to count on its own Financial Institution within the Fund, thus reaffirming its strategic position at international level within the Climate Agenda and guaranteeing access to the resources of the fund, of which Italy is the seventh contributing country.

The results achieved reward us for this great commitment, not only because they confirm the value of the daily work we all do at the CDP Group, but especially because they ultimately translate into a benefit for the country and for people's daily lives.

During this first year of the plan, the CDP Group's new lending and investments resources amounted to more than 34 billion euro for the development, innovation and growth of enterprises, also internationally, for the implementation of infrastructure works and initiatives throughout the country and for the promotion of projects to support developing countries. Overall, the Group channelled more than 60 billion euro's worth of resources into the economy.
Regarding support to enterprises, we acquired the majority of CDP Venture Capital SGR – Fondo Italiano Innovazione (formerly Invitalia Ventures SGR) with an allocation of up to 1 billion euro for business innovation and the creation of new start-ups.

We promoted the domestic and international growth of companies, also through the use of new alternative finance instruments and the local currency loans granted for the expansion in foreign markets, as in the case of the Panda Bond aimed at the Chinese market. Support for exports and the international expansion of SACE SIMEST was important and became increasingly oriented towards small and medium-sized enterprises. Equally important was the collaboration started with ICE to provide increasingly integrated and systemic support. We worked to continue development in private equity and private debt by acquiring control of Fondo Italiano d'Investimento SGR for an even more effective approach.

We promoted joint initiatives to enhance the supply chains of the Aerospace and Defence, Agri-food and Engineering sectors. Finally, we facilitated access to credit for businesses, especially small and medium-sized enterprises, through agreements with the SME Guarantee Fund, Confidi and UBI Banca to the benefit of SMEs in Southern Italy.

At the same time, we reinforced the support to local administrations also by introducing new products such as cash advances, to meet their needs, support ordinary activities and finance investments aimed at improving infrastructure and services for citizens Support for school building was particularly important, by financing one intervention per day to construct and renovate schools of every grade and level. This activity benefited from the resources of the European Investment Bank and the Council of Europe Development Bank, as well as CDP's resources collected by issuing a new Social Bond in March 2019, to finance safety measures for schools and urban regeneration. Included among the host of actions undertaken is the start of the works to expand H Campus, the largest digital training and innovation Campus in Europe managed by H Farm.

CDP's commitment to schools is not limited to infrastructural interventions, but is also extended to financial education initiatives, as part of the project "Il Risparmio che fa Scuola", in collaboration with the Ministry of Education and Poste Italiane, which in 2019 involved 7,000 schools and 200,000 students.

In order to support the country's infrastructural development and speed up the procedures to execute the works while focusing on innovation and sustainability, CDP also created a new technical and financial advisory unit for the public administration. CDP then signed, together with the local administrations and the Group companies, the "City Plans" to encourage urban development in cities such as Turin, Genoa, Perugia and Naples to become an all-round partner of local authorities.

We also continued our activities to support social and student housing, by building 1,500 new social housing units and 1,600 places in new university residences in Italy. These interventions have met the needs of young people, households and the elderly, while contributing to urban regeneration and developing community services.

2019 was also important for our activity regarding international cooperation & development finance, which we have strengthened with the awareness that the objective of the country's sustainable growth cannot be separated from an international dimension and the logic of co-development.

For this reason, in addition to the traditional management of the Revolving Fund for International Cooperation & Development Finance of the Ministry of Foreign Affairs, which resulted in financing actions in the sectors of infrastructure, agriculture, human capital and in supporting SMEs' access to credit in countries such as Afghanistan, Myanmar, Jordan and Tunisia, CDP began operations with its own resources and expanded the use of the resources of international institutional entities dedicated to development. In this way, the first guarantee agreement was finalised with the European Commission for the "Archipelagos" initiative, in the context of the new European Union Plan for non-EU investments (External Investment Plan - "EIP"), aimed at supporting the development of small and medium-sized African enterprises. Equally important, in a logic-based approach, was the launch of the new "Risparmio senza frontiere" financial service for citizens of Tunisia and Morocco residing in Italy, which allows the transfer of funds from Italian passbook savings accounts to passbook savings accounts of the countries of origin, supporting the growth of local economies.

Finally, as regards the large strategic equity investments, as announced when launching the Business plan, the approach to managing the equity portfolio has evolved in line with the process of reorganising the companies from an industrial point of view, with the aim of creating greater value for the national economic system. In this area, the transfers were finalised of Fincantieri and Saipem to CDP Industria, a company set up to maximise synergies between large industrial companies in which it has an interest. Furthermore, we kicked off the "Progetto Italia" with the investment in Salini Impregilo, to relaunch a fundamentally important sector in our country such as the construction industry. By assuming control of SIA, we also laid the foundations to further develop Italian excellence, as the leader in Europe in the digital payments sector.

These targets would have never been achieved without the courage, expertise and dedication of all of the people in the Group who believed in this project and contributed to realising it with their daily work. To all of them we extend our heartfelt thanks.

To conclude, on 18 November 2019 we inaugurated CDP's 170th year, with a great institutional event that celebrated its fundamental role in supporting the country's growth over the decades, in good times and bad times. The future scenario envisioned just a few months ago is very different from the one today. The year just started was immediately marked by the outbreak of the coronavirus emergency, with its serious repercussions on the lives of citizens and on the national and international economy. In this new situation, CDP stands with Italy more than ever, as it has always done over its 170 years of history.

Due to investments in technological infrastructure, the digitisation of corporate processes, as well as in the training of people and changing business culture, the CDP Group's more than two thousand people are working incessantly, also remotely, to continue supporting the country's development in this health, social and economic crisis.

In this mission, the Italian Ministry of the Economy and Finance and the Banking Foundations will carry on playing their essential role as wise leaders and close allies.

Italy is a country rich in resources, which has demonstrated extraordinary resilience and unity even in the face of the most complex crises. We will make through this together, also this time.

Giovanni Gorno Tempini
Chairman

Fabrizio Palermo
CEO and General Manager

2019 main indicators

CDP S.p.A.

385.9 Total assets
Bn euro

Postal funding **265.1**
Bn euro

101.0 Loans
Bn euro

New lending **21.4**
Bn euro

25.0 Shareholders' equity
Bn euro

Net income **2.7**
Bn euro

871 Employees

Debt securities (*) **71.0**
Bn euro

(*) reclassified figures re. § 4.2.1

CDP Group

448.7 Total assets
Bn euro

Equity investments 19.0
Bn euro

36.1 Equity
Bn euro

New lending 34.6
Bn euro

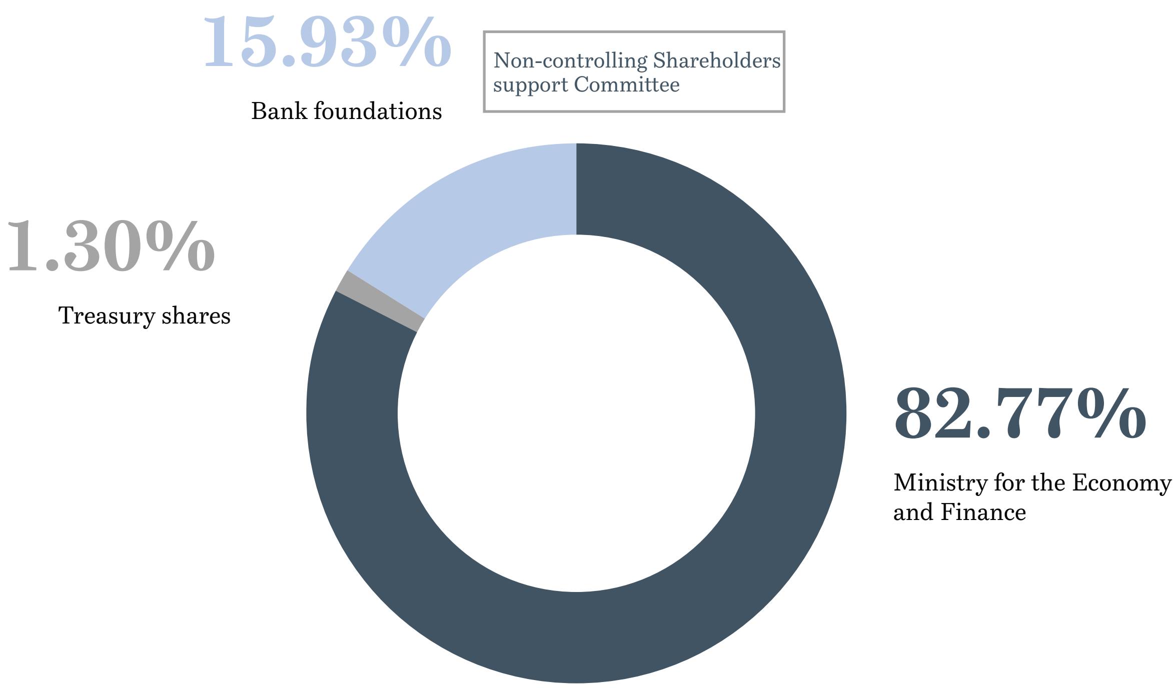
1.8 Net income pertaining to the parent company
Bn euro

Net income 3.4
Bn euro

over 30,000 Employees

Group equity 23.6
Bn euro

Company bodies, officers and governance



Company Bodies at 31 December 2019

Board of Directors

Chairman
Giovanni Gorno Tempini

Vice Chairman
Luigi Paganetto

CEO and General Manager
Fabrizio Palermo

Directors
Francesco Floro Flores
Valentino Grant
Fabrizia Lapecorella
Fabiana Massa Felsani
Matteo Melley
Alessandra Ruzzu

Board of Auditors(3)

Chairman
Carlo Corradini

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

Alternate Auditors
Francesco Mancini
Anna Maria Ustino

Supplementary Members for Administration of Separate Account

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

Director General of the Treasury(1)

State Accountant General(2)

Antonio Decaro

Davide Carlo Caparini

Michele De Pascale

Manager in charge with preparing the Company's financial reports

Paolo Calcagnini

Non-controlling Shareholders support Committee

Chairman
Giovanni Quaglia

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

Parliamentary Supervisory Committee on Cassa Depositi e Prestiti - Separate Account

Members
Alberto Bagnai (Senator)
Roberta Ferrero (Senator)
Cristiano Zuliani (Senator)
Vincenzo Presutto(4) (Senator)
Raffaele Trano (Member of Parliament)
Nunzio Angiola (Member of Parliament)
Sestino Giacomoni (Member of Parliament)
Gian Pietro Dal Moro (Member of Parliament)
Vincenzo Blanda (Administrative Court)
Carlo Dell'Olio (Administrative Court)
Luigi Massimiliano Tarantino (Council of State)
Mauro Orefice (Chairman of chamber State Audit Court)

Judge of the State Audit Court(5)

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

Ordinary
Angelo Buscema

Alternate
Giovanni Comite

Independent Auditors

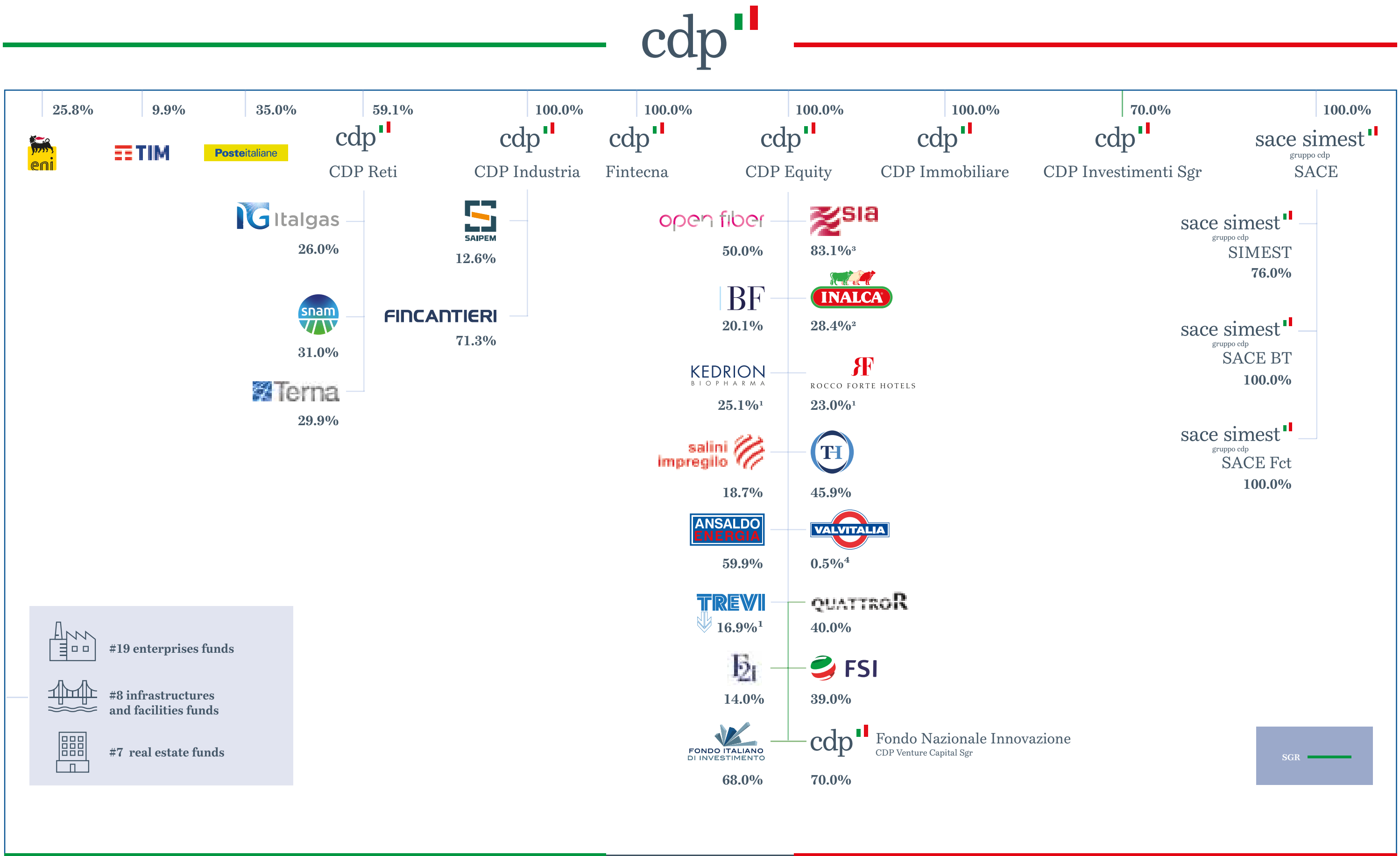
PricewaterhouseCoopers S.p.A.

(1) Alessandro Rivera.
(2) Pier Paolo Italia, delegate of the State Accountant General.
(3) On 25 January 2017, the Board of Directors assigned to the Board of Statutory Auditors the duties of the Supervisory Body (pursuant to Legislative Decree No. 231 of 8 June 2001) starting from 27 February 2017.
(4) Appointed on 9 October 2019 as member, in substitution of Senator Turco.
(5) Art. 5, para. 17, of Decree Law 269/03 – attends meetings of the Board of Directors and the Board of Statutory Auditors.

01

Report on operations

1. CDP Group



Not thorough representation

1. Participation held through FSI Investimenti. of which CDP Equity is the 77% shareholder.
2. Participation held through IQMIIC. of which FSI Investimenti is the 50% shareholder.
3. Participation held through FSIA (of which FSI Investimenti is the 70% shareholder) by 57.42% and further 25.69% held through CDP Equity.
4. Participation held through FSI Investimenti of which CDP Equity is the 77% shareholder; 49.5% pro-forma post conversion Convertible Bond Loan.

1.1 CDP S.p.A.

Established in Turin in 1850 as an institution purposed to receive deposits as a "place of public trust", Cassa Depositi e Prestiti ("CDP") has seen its role change over the years. During the past decade, it has assumed a key role in Italy's industrial policy.

From being an institution created to support the public sector through the management of Postal Savings, commitment to public works and financing of the State and public bodies, CDP has gradually expanded its scope of action towards the private sector, while always operating in view of medium-long term development. In particular:

- in 2009, the financing of enterprises through the banking system was strengthened to tackle the liquidity crisis in the financial markets;
- Fondo Strategico Italiano - FSI (now CDP Equity), wholly owned by CDP, was established in 2011 in order to acquire equity investments in enterprises of major national interest under a long-term perspective;
- in 2012, after the acquisition of SACE, SIMEST and Fintecna, the CDP Group was created, with the aim of strengthening the international expansion of Italian enterprises;
- in 2014, the scope of CDP's activities was extended to financing international development cooperation projects designed for public or private-sector entities;
- in 2015, the Italian Government and the European Union designated CDP as a National Promotional Institution. As a result, CDP became:
  - the entry point for funding under the Juncker Plan for Italy;
  - the financial advisor to the Public Administration for a more effective use of domestic and European funds;
- in 2016, through the contribution to SACE of the equity investment in SIMEST, the "Italian Centre for Export and International Expansion" was set up, with the objective of offering Italian businesses an integrated support system to meet their export and international expansion requirements;
- the new 2019-2021 Business Plan was approved in December 2018. The Plan represents a change of pace in aligning CDP's strategy to major global trends and the Sustainable Development Goals set in the UN's 2030 Agenda. A large scale transformation, designed to activate significant resources for enterprises, infrastructure and the local areas, also through new activities and innovative tools.

All CDP's operations are carried out by ensuring the separation of the organisational and accounting activities between Separate Account and Ordinary Account assets, thereby ensuring the Company's long-term economic and financial equilibrium whilst also ensuring returns for shareholders.

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

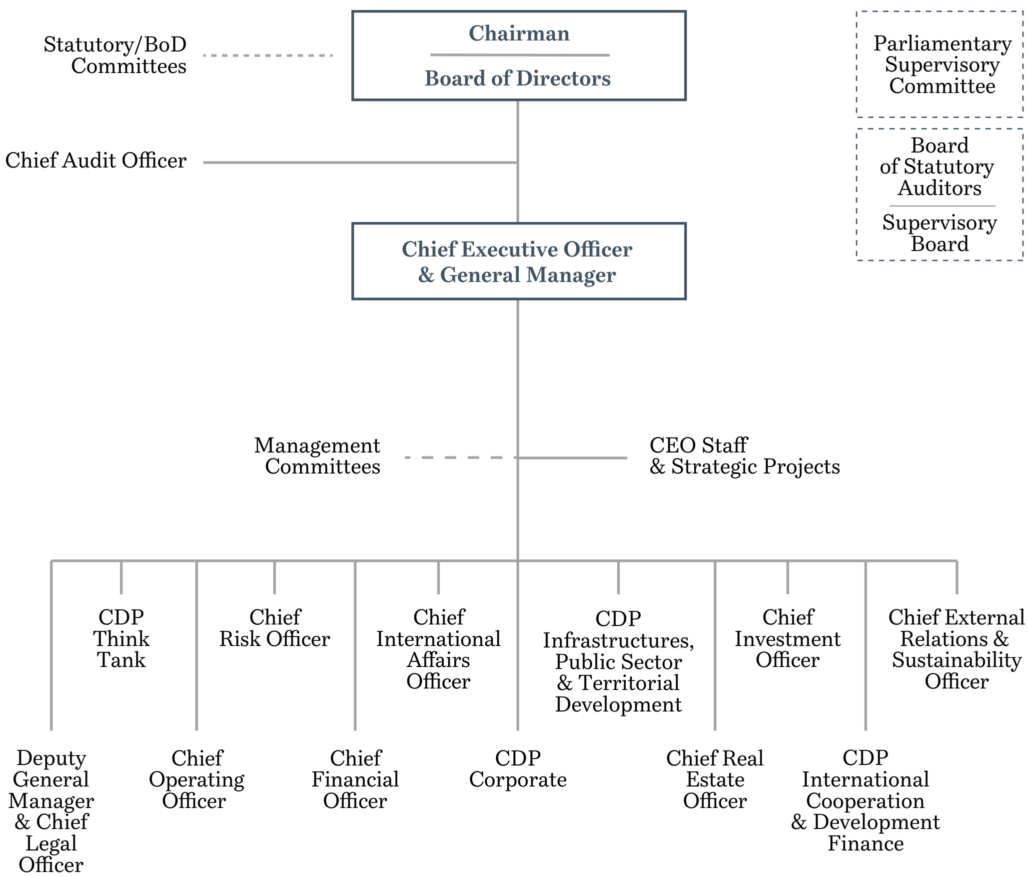
CDP is also subject to oversight by a Parliamentary Supervisory Committee and the Court of Auditors.

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

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

The following structures report to the Chief Executive Officer and General Manager:
- Deputy General Manager and Chief Legal Officer;
- Chief Operating Officer;
- Chief Risk Officer;
- Chief Financial Officer;
- Chief International Affairs Officer;
- CDP Corporate Department;
- CDP Public Sector and Infrastructures Department;
- CDP International Cooperation Department;
- Chief Investment Officer;
- Chief External Relations & Sustainability Officer;
- CDP Think Tank Department;
- Chief Real Estate Officer;
- CEO Staff and Strategic Projects;

The CDP organisational chart, as at 31 December 2019, is as follows:



As at 31 December 2019, CDP employed 871 people, including 95 senior managers, 436 middle managers, 323 office workers and 17 employees seconded from other organisations.

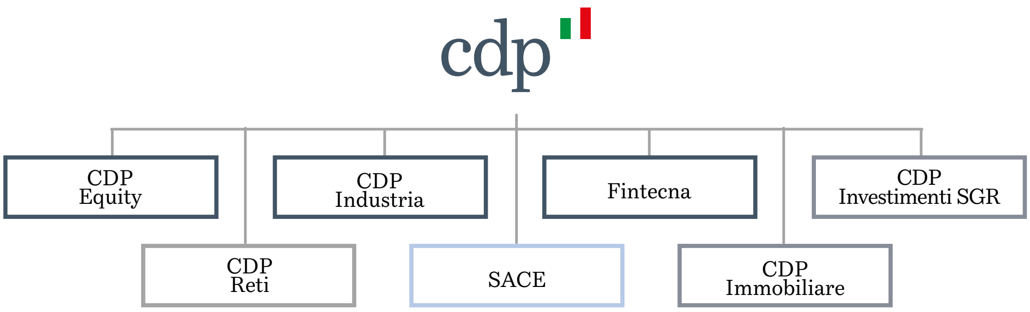
The number of CDP employees increased by 74 with a 4% reduction in the average age

In 2019, CDP employees grew both in terms of number and quality, with 195 new hires against 121 people leaving the organisation.

Compared to last year, the average age of employees decreased by 4%, at around 43 years, and the percentage of employees with a tertiary education (bachelor's or master's degree, doctorate or other post-graduate qualification) increased to 79%.

The companies subject to management and coordination by CDP employed 2,174 people at 31 December 2019, an increase of 3%, or 72 people, on the figure at 31 December 2018.[1]

1.2. Group Companies[2]



SACE Group

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

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

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

At 31 December 2019, the SACE Group employed 994 people, 19 more than at 31 December 2018.

1 The resources were calculated on a pro-forma basis for the entire Group according to the following logic: Resources included: all the current resources, the resources seconded IN the company with a percentage greater than 50%, resources on maternity and parental leave, and the resources seconded OUT of the company with a percentage lower than 50%. Resources excluded: the resources seconded out of the company with a percentage greater than 50%, the resources seconded in the company with a percentage lower than 50%, interns, collaborators, temporary workers, workers on leave and the corporate bodies.

2 In this context, the CDP Group is represented by the companies subject to Management and Coordination by CDP S.p.A.

CDP Equity S.p.A.

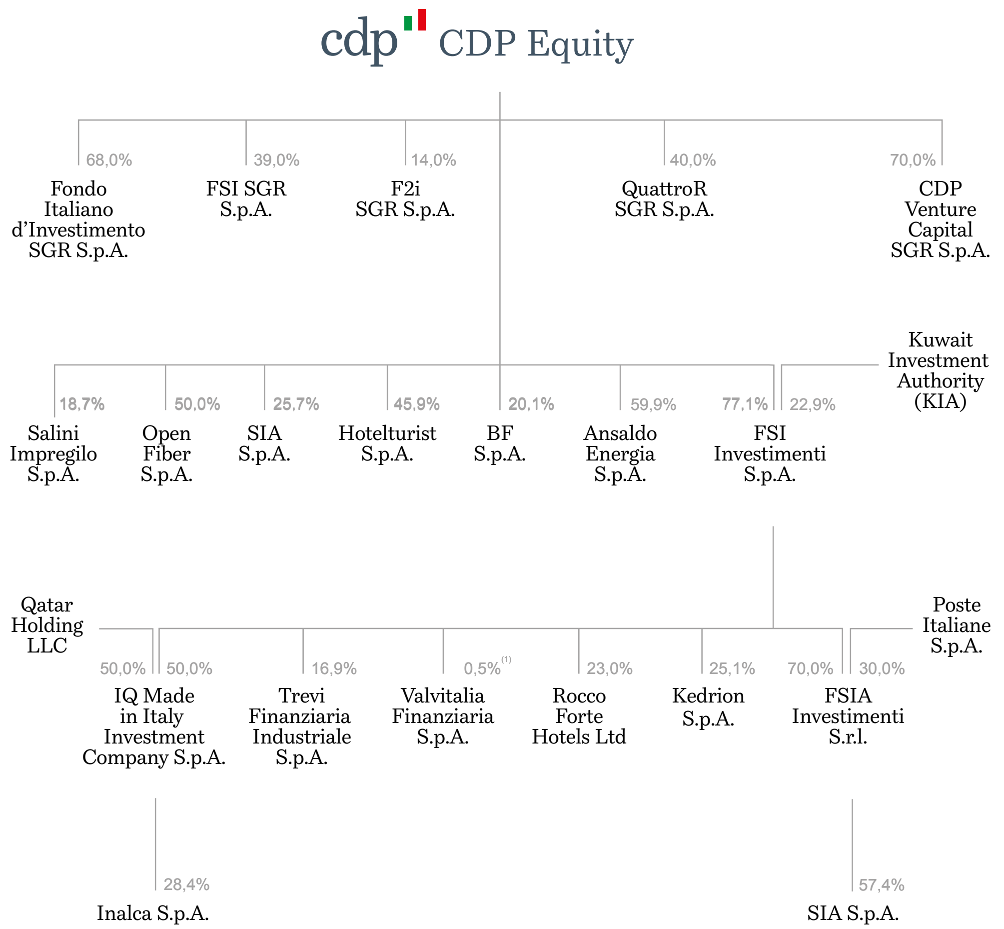
CDP Equity (previously Fondo Strategico Italiano - FSI) was established in 2011 and is wholly owned by CDP.

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

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

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

Specifically, the equity investment portfolio of CDP Equity at 31 December 2019 is broken down as follows:



(1) 49,5% pro forma post conversione Prestito Obbligazionario Convertibile.

At 31 December 2019, CDP Equity employed 39 people, up from 31 December 2018 when it employed 29 people.

Fintecna S.p.A.

Fintecna was established in 1993 for the specific purpose of restructuring recoverable businesses and performing transitional management activities linked to the liquidation of Iritecna to pave the way for its privatisation. In 2002, IRI (in liquidazione) was incorporated into Fintecna together with its residual assets. In 2012, CDP acquired the entire share capital of Fintecna from the MEF.

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

At 31 December 2019, Fintecna employed 102 people, 24 less than at 31 December 2018.

CDP Immobiliare S.r.l.

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

CDP Immobiliare manages the process of development and disposal of its assets, both directly and through special purpose vehicles set up over time. In particular, at 31 December 2019 CDP Immobiliare held equity investments (subsidiaries and associates) in 14 companies, including Residenziale Immobiliare 2004, owner of the former Istituto Poligrafico e Zecca dello Stato and the former Agenzia Delle Dogane Scalo San Lorenzo building complexes in Rome, and Alfiere, the owner of the Torri dell'Eur complex in Rome.

At 31 December 2019, CDP Immobiliare employed 111 people, 5 less than at 31 December 2018.

CDP Investimenti SGR S.p.A.

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

CDPI SGR operates in the real estate investment sector, specifically in the promotion, establishment and management of closed-end funds reserved to qualified investors in specific real estate market segments. At 31 December 2019, CDPI SGR managed the following real estate funds:
- Fondo Investimenti per l'Abitare ("FIA"), focused on the realization of social housing initiatives, through investments in a network of local real estate funds;
- Fondo Investimenti per la Valorizzazione ("FIV"), a real estate umbrella fund dedicated to the acquisition of real estate with unexpressed potential value that can be leveraged through change in use, upgrading or rental;
- Fondo Investimenti per il Turismo ("FIT"), focused on real estate investments in the tourism, hotel, hospitality and recreational sectors through the Fondo Turismo 1 ("FT1"), specialized in aggregating a diversified portfolio by acquiring real estate assets and renting these out to hotel operators;
- FIA 2, focused on real estate investments in housing and private services of public utility in the smart housing, smart working, innovation and training sectors.

At 31 December 2019, the company employed 54 people, two less than on 31 December 2018.

CDP Reti S.p.A.

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

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

At 31 December 2019, the company owned equity investments in Snam (31.04%), Terna (29.85%) and Italgas (26.04%).

At 31 December 2019, CDP Reti employed 3 people, plus 2 people under part-time secondment from the Parent Company, essentially in line with 31 December 2018. To conduct its business, the company also relies on the operational support of CDP, which is provided under service contractual arrangements made at arm's length.

CDP Industria S.p.A.

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

The company is wholly owned by CDP.

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

At 31 December 2019, the Company had no employees. To conduct its business, CDP Industria relies on the operational support of CDP.

2. Market context

2.1 Macroeconomic scenario

According to recent estimates of the International Monetary Fund (IMF), in 2019 the world economy grew year-on-year at a rate of 2.9% (-0.7 percentage points compared to 2018). The global slowdown was determined by the weakening economic activity in advanced economies (up by +1.7%, -0.5 percentage points compared to 2018), and by the weaker performance in emerging economies and developing countries (up by +3.7%, -0.8 percentage points compared to 2018). In particular, in the latter part of the year, the global economy was affected by Brexit uncertainties and China-US trade tensions. In the Eurozone, the slowdown in 2019 was more marked than in advanced economies, with a growth rate of +1.2% (-0.7 percentage points compared to 2018). Also in the USA, GDP growth slowed to 2.3% (-0.6 percentage points compared to 2018).

Italian economy grew by 0.3% in 2019 (-0.5 percentage points compared to 2018)

In this context - which deteriorated significantly in the early months of 2020 due to the global spread of the COVID-19 pandemic - the performance of the Italian economy was relatively weak. IMF data indicate GDP growth rate at +0.2% for 2019 (-0.6 percentage points compared to 2018), slightly lower than the data recently published by ISTAT, which indicate a growth rate of +0.3% (-0.5 percentage points compared to 2018).[3] The Country's growth was affected by the fall in public consumption (-0.4%), against a moderate increase in private consumption (+0.4%). By contrast, exports of goods and services and gross fixed capital formation grew at a rate of +1.2% and 1.4% respectively[4].

Despite the weak economic growth, the Italian labour market continued to show signs of improvement. In fact, the employment rate rose to 59.1% in December (+0.4 percentage points vs. the previous period) and the unemployment rate dropped to 9.8% (0.6 percentage points vs. the previous period), falling below 10% for the first time since 2012. The youth unemployment rate also improved, falling to 28.7% in December 2019 (-3.4% vs. the previous period)[5].

The Harmonised Index of Consumer Prices (HICP) recorded a modest increase on 2019, equal to +0.6% (-0.6 percentage points compared to 2018)[6].

Significant improvement of public finance balances

In this context, in 2019, public finance balances improved significantly compared to the previous period. ISTAT data shows that General Government net borrowing was equal to 1.6% of GDP at the end of 2019 vs. 2.2% in 2018. The primary balance also improved on the previous period, increasing from 1.5% in 2018 to 1.7% in 2019. The change in interest expenditure was also favourable, decreasing from 3.7% of GDP in 2018 to 3.3% of GDP in 2019. The public debt/GDP ratio was unchanged vs. the previous year, at 134.8 percentage points[7].

3 ISTAT, GDP and General Government borrowing, 2 March 2020.
4 IMF, World Economic Outlook Update, January 2020.
5 ISTAT, Employed and Unemployed - provisional data, 30 January 2020.
6 ISTAT, harmonised consumer prices in EU Member States (HICP).
7 ISTAT, GDP and General Government borrowing, 2 March 2020.

2.2 Banking sector and financial markets

The monetary policy of the ECB is accommodative

The monetary policy stance remained extremely accommodative in 2019, with money market interest rates still at very low levels. On average, in 2019 the 3-month Euribor stood at -0.35% and the Eonia rate at -0.39%.

In the government securities market, the spread between the benchmark 10-year Italian government bond and the corresponding German one remained stable in the first half of the year and then recorded a gradual decrease in the third quarter and a slight increase in the last months of 2019. At the end of the year, the spread was equal to 161 basis points, much lower than in the same period of the previous year (-91 basis points), hitting the lowest point between September and October thanks also to the significant easing of fiscal policy uncertainties and the package of expansionary measures adopted in September by the Governing Council of the ECB. At the same time, the Rendistato general index declined progressively to 0.9% at the end of December 2019, falling by around 130 basis points compared to the same month of the previous year.

The Italian stock market recorded a positive trend overall, with the FTSE MIB increasing by more than 28% at the end of December 2019 compared to the same month of the previous year[8].

With regard to the main bank interest rates, in 2019 the average rate on bond funding fell steadily in the period to reach 2.1% at the end of December (-24 basis points compared to the same month of last year). The average rate on household and business deposits was instead practically unchanged at 0.4% at the end of December (around -1 basis point compared to the same month of last year). In terms of lending, the interest rate on loans to households to purchase homes fell sharply, settling at 1.4% at the end of December (-45 basis points compared to the same month of the previous year), while the interest rate on loans to non-financial companies, also at 1.4% at the end of December, changed less markedly (-10 basis points compared to the same month of the previous year).

Loans to the private sector were stable and declining those to the public sector

With regard to bank lending, loans to the private sector[9] remained essentially stable in 2019 (+0.1% year-on-year). In detail, the growth in loans to households, equal to +2.6% year-on-year, was offset by the decrease in loans to non-financial companies, which fell by 1.9% year-on-year. At the same time, bank loans to Public Administration entities fell by 3.6% year-on-year[10]. During the year, the decline in gross bad debts (-27% year-on-year) continued, which had started in 2017, the turning point for the Italian market of non-performing loans. At the end of the year, bad debts stood at around 72 billion euro (about -27 billion euro compared to the value at the end of 2018).

Total bank funding increased

Regarding liabilities, in 2019 the funding of Italian banks continued along the path of positive growth thanks to the good performance of deposits, which more than offset the drop in bonds. In fact, deposits of the private sector[11] increased by 5.3% year-on-year, while bond funding recorded a decrease of -1.5% year-on-year[12].

In 2019, the stock of financial assets held by Italian households is estimated to increase by 3.9% year-on-year, vs. a decrease in 2018 (-3.4%). At the end of 2019, the volume is expected to amount to about 4.3 thousand billion euro[13].

8 Based on Refinitiv Datastream and Eikon data.
9 Net of loans to central counterparties and adjusted to take into account the effects of securitisations and other receivables transferred and derecognised from the banks' financial statements.
10 Year-end percentage change in stock of loans, not adjusted to take into account the effects of securitisations and other receivables transferred and derecognised from the banks' financial statements.
11 Net of deposits of central counterparties and adjusted to take into account the effects of securitisations.
12 Based on Bank of Italy figures.
13 Based on Oxford Economics data, via Refinitiv Datastream.

3. 2019-2021 Business Plan

2019-2021 Business Plan

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

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

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

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

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

4 lines of action envisaged

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

CDP Corporate

€83 billion
for enterprises

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

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

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

CDP Public Sector and Infrastructure

€25 billion
in support of entities
and infrastructures

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

To accelerate the development of infrastructure, the Business Plan envisages the establishment of a dedicated unit - "CDP Infrastructures" - to support local authorities in the planning, development and funding of the related projects. In addition to its traditional role as a lender, CDP also takes on the role of promoter of new strategic projects, involving industrial entities in public-private partnerships. The areas of intervention will be expanded, with a focus on mobility and transport, energy and networks, social initiatives and the environment.

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

CDP International Cooperation

€3 billion
for projects in
developing countries

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

prises by participating in Italian investment funds or those of target countries, even with Italian industrial partners.

Large Strategic Equity Investments

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

Industrial logic and by business sectors

Capital strength and protection of savings

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

Relaunch of funding with a view to sustainability

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

The new business model

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

Human capital, process simplification and automation

CDP for the sustainable development of the country

Through its new Business Plan, CDP intends to make a proactive contribution to the achievement of the goals set by the United Nations' 2030 Agenda, also signed by Italy. The integration of sustainability into CDP's choices will be initiated through a gradual shift of investments towards initiatives with clear and measurable social and environmental impacts. Based on this approach, new investment assessment criteria will be adopted for the first time to take into account social and environmental aspects together with the traditional economic-financial parameters, the aim being to minimise the Environmental, Social and Governance (ESG) risk and maximise the positive impacts for the community and the territory. Therefore, sustainability will no longer be viewed as a positive "side effect" of CDP's investments - which have generated positive externalities in the country for 170 years - but as the founding element of its business strategy.

Focus on the sustainable development of the country

4. CDP Group's activities

4.1 Business performance

2019 new lending, investments and resources at around €35 billion

In 2019, CDP S.p.A.'s new lending, investments and resources amounted to 21.4 billion euro, up by around 30% on 2018.

In the same period, new lending, investments and resources by the CDP Group[14] totalled around 35 billion euro. Resources were allocated to each of the lines of action in the following proportions: 72% of the total to "CDP Corporate", 27% to "CDP Public Sector and Infrastructures" and 1% to "CDP International Cooperation & Development Finance". The slight decline in the Group compared to 2018 is attributable to the Export Hub, which was affected by SACE's failure to complete transactions subject to state reinsurance.

Overall, the Group channelled around 61 billion euro's worth of resources into the economy.

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

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
CDP Corporate	24,918	30,199	(5,281)	-17.5%
CDP Public Sector and Infrastructures	9,278	5,709	3,569	62.5%
CDP International Cooperation	437	112	326	n.s.
Total	**34,633**	**36,019**	**(1,386)**	**-3.8%**

4.1.1 CDP S.p.A.

4.1.1.1 Lending

Consistently with the lines of action defined by the 2019-2021 Business Plan, CDP lending is arranged into the following company Departments:

- CDP Corporate, which pursues the mission of ensuring financial support to the national productive and entrepreneurial fabric for development, innovation and growth also at an international level in a complementary role to the banking system;
- CDP Infrastructures, Public Sector & Territorial Development, which deals with the granting of loans intended for investment by public entities in the territory and support for the construction of infrastructure, also through advisory and promotion activities;
- CDP International Cooperation, aiming to promote initiatives to support developing countries, towards both public or private-sector entities;
- Chief Investment Officer, dedicated to supporting enterprises, infrastructure and the territory through equity investments in companies of significant national interest as well as through the subscription of units in mutual investment funds.

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

CDP Corporate

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

In line with the 2019-2021 Business Plan, CDP Corporate extended its action by promoting new initiatives aimed at facilitating access to CDP's offer from enterprises and creating targeted products to satisfy their needs.

Easier access to the Group products

As regards the first aspect, CDP has increased its territorial presence by combining it with greater monitoring of digital channels and has intensified relations with the Italian entrepreneurial fabric through supply chain agreements and dedicated events. The main initiatives taken in 2019 include:

- the review of the service model, through the creation of a single commercial interface in CDP as a point of access for all Group solutions dedicated to the large enterprise segment;
- the development of a nationwide network, with the opening of the Group's integrated offices in Verona, Genoa and Naples;
- the opening of the Spazio CDP desks at the offices of Fondazione di Sardegna in Cagliari and Sassari;
- the launch of the ICE Flying Desk programme at the offices in Verona, Genoa, Naples, Bologna and Florence;
- the review of the Group's multi-channel model, with the launch of the new website in June and of the single Contact Centre for enterprises in July;
- the strengthening of agreements with partner companies through 3 supply chain projects: with Leonardo in the Defence and Aerospace sector, with Coldiretti and Filiera Italia in the Agri-food sector and with Fincantieri, Saipem and Ansaldo Energia for the Engineering supply chain;
- the launch of "Officina Italia", a permanent focus group with a panel of around 150 enterprises representing the Italian entrepreneurial fabric;
- the strengthening of agreements with third-party networks to consolidate CDP's brokered offer model and increase lending activities with SMEs and Mid-caps. In particular, MoUs were signed with Assoconfidi and 18 Confidi (supervised by the Bank of Italy pursuant to Article 106 of the Consolidated Law on Banking).

Extension and enhancement of the business offer

In addition, 2019 marked the activation of a number of initiatives aimed at creating an offer of products targeted at the needs of enterprises through i) the direct channel, ii) the indirect channel, in cooperation with financial institutions, and iii) alternative financing operations.

With regard to the direct channel, CDP Corporate continued the structuring and preliminary assessment of transactions in support of domestic growth, innovation, exports and international growth, by expanding the financing methods and increasing the number of transactions carried out. In particular:

Increase in the number of financing transactions

- as part of the support to innovation and domestic growth, 34 transactions were entered into during 2019, almost doubling the transactions concluded in 2018 (+90%). These transactions showed a reduction in average volumes per transaction, also due to increased support to the mid-corporate segment, characterised by smaller dimensions;
- with reference to the export and international expansion area, support continued for Italian enterprises also thanks to the first financing transactions in Chinese currency (0.5 billion Renminbi) in favour of branches or local subsidiaries of Italian companies in order to supporting their growth, promoting at the same time the mitigation of exchange rate and interest rate risk.

Completion of actions in sinergy with the banking system

With regard to initiatives in synergy with the banking system, support for enterprises continued in 2019 also thanks to the strengthening of the tools dedicated to financial institutions. In particular:

- liquidity funds continued with the aim of: i) disbursing loans to Enterprises (SME, MIDCAP, Networks & Supply Chain and Capital Goods funds), ii) assisting in the reconstruction and economic recovery of areas hit by natural disasters in favour of which, during 2019, loans were granted for 0.7 billion euro (2012 Earthquake, Natural Disasters and Central Italy Earthquake funds), and iii) supporting the residential real estate market (Housing fund);
- on the subsidised loans front, which primarily draws on CDP funds with state interest subsidies, loans were granted to companies in order to support research, development and innovation, through the Revolving Fund supporting enterprises and investment in research (FRI);
- the range of funding instruments for financial institutions was enriched by including new technical forms of financing. In particular, during 2019, i) a loan of 0.5 billion euro was granted to an Italian bank that will use the funding to grant loans to companies operating in Southern Italy (headcount of up to 3,000 employees) and ii) two treasury lines were granted to the Shanghai branches of as many Italian banking groups, in order to support the granting of loans to Italian companies operating in China or to local companies owned by Italian companies;
- the first capital optimisation guarantee transaction was completed during March 2019 with the SME Guarantee Fund (referred to in Law no. 662/96), within the framework of the EFSI Thematic Investment Platform for Italian SMEs. Following the success of the initiative, CDP signed a new counter-guarantee agreement with the SME Fund for the provision of 80% guarantees on a portfolio of newly originating transactions for a maximum value of 3.8 billion euro. The aim is to support, over a two-year period, the granting of loans up to 5.8 billion euro.

Extension of alternative financing instruments

With reference to alternative financing operations, CDP Corporate extended and strengthened the range of products available to enterprises with the introduction of "basket bonds", innovative complementary instruments to traditional forms of financial support, and through the subscription of units of diversified debt funds. In particular:

- a new initiative was launched to support the process of international expansion of companies participating in the ELITE programme of Borsa Italiana. This initiative (*Export Basket Bond Programme*) envisages the issue of Minibonds by SMEs and Mid-caps for a maximum amount of 0.5 billion euro;
- CDP also took part in the first closing of the "*Elite Basket Bond Lombardia*" programme, which provides for an overall value of issues of up to 0.1 billion euro, in order to finance the development plans in Italy and abroad of Lombardy-based companies;
- with reference to diversified debt funds, CDP completed two investments respectively in the Springrowth fund and in the Anthilia BIT 3 fund.

Shown below is the stock of loans of the CDP Corporate Department at 31 December 2019.

The stock of outstanding debt amounted to 22.1 billion euro, increasing by 8.5% on the figure recorded at the end of 2018, mainly as a result of the disbursements made during the year, which more than offset redemptions and early repayments. The total stock of residual debt and commitments amounted to 34.9 billion euro, marking an increase by 5.9% on the figure recorded at the end of 2018.

CDP Corporate - Stock of loans

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Enterprises	**2,817**	**1,978**	**839**	**42.4%**
Loans	1,630	1,044	585	56.1%
Securities	1,188	934	254	27.2%
Financial Institutions	**12,675**	**13,469**	**(794)**	**-5.9%**
Indirect support to enterprises	2,235	3,578	(1,343)	-37.5%
Residential Real Estate	819	922	(103)	-11.2%
Natural disasters	5,972	5,632	340	6.0%
Financial institutions loans/securities	2,936	2,477	459	18.5%
Other products	713	860	(147)	-17.1%
International Financing	**6,578**	**4,897**	**1,682**	**34.3%**
Loans	6,578	4,897	1,682	34.3%
Total outstanding debt	**22,070**	**20,344**	**1,727**	**8.5%**
Commitments	12,829	12,606	223	1.8%
Total	**34,899**	**32,950**	**1,950**	**5.9%**

Focus on CDP Corporate: Export Basket Bond Programme

Description CDP and Banca Finint launched the 500 million euro issuance programme to support the international expansion of companies belonging to the ELITE programme. During 2019, CDP completed two subscriptions under the programme.

Benefits The funds raised through the issue of bonds will finance the investment plans of Italian companies engaged in international growth processes.

Key figures

62 million/€
of investments financed through the first two subscriptions

31 million/€
of CDP resources invested in the first two issues of the programme

11
companies supported

CDP Infrastructures, Public Sector & Territorial Development

The CDP Infrastructures, Public Sector & Territorial Development Department performs its activity of support to the Public Administration and development of the national infrastructure.

The actions in favour of the Public Administration and local area development concern the financing of public entities and public-law bodies through the offer of products and the development of customer contracts in accordance with the principles of accessibility, equality of treatment, pre-specification of terms and non-discrimination.

In line with the 2019-2021 Business Plan, during 2019 CDP expanded its support to the Public Administration through:

Launch of new liquidity advances product for the payment of public administration payables

- the launch of the new product Liquidity advances in favour of municipalities, metropolitan cities, provinces, regions and autonomous provinces, which made it possible to speed up the payment of payables due to suppliers (an improvement of 21 days, or -35%, in the weighted average time taken to pay invoices received in the first half of 2019[15]). These advances were aimed at the payment of certain, liquid and collectable payables accrued at 31 December 2018, relating to provisions, supplies, contracts and obligations for professional services, recorded in the so-called "Platform of Trade Receivables" for the electronic management of the issue of the certification (referred to in Article 7, paragraph 1, of Decree-Law no. 35 of 8 April 2013, converted, with amendments, by Law no. 64 of 6 June 2013). CDP thus promptly implemented the provisions of the 2019 Budget Law with regard to the financing of trade payables of the Public Administration to enterprises (Article 1, paragraphs 849 to 857, of Law no. 145 of 30 December 2018);
- the extension of the credit access tools offered by CDP, with the introduction of loans in favour of local authorities and regions, intended for the conversion of existing mortgage loans, granted pursuant to art. 41, paragraph 2, of Law no. 448 of 28 December 2001, in order to benefit from the more favourable interest rates currently offered by the market; the intervention enabled the regions that joined in 2019 to save around 70 million euro in terms of lower interest paid during the amortisation period;
- the activation of a loan renegotiation programme aimed at freeing up financial resources in favour of metropolitan cities and the municipalities that are the capitals of the region or the setting for a metropolitan area, which was joined by eight local entities for a total outstanding debt of approximately 3.5 billion euro; the transaction allowed the entities that joined to benefit from overall savings, in terms of lower repayment instalments, equal to approximately 0.4 billion euro until 2023;
- the redefinition of the Project Revolving Fund product that, in addition to expanding the scope of eligible activities, has allowed the entities to access advanced resources to cover environmental impact assessments and the expenses related to the preparation of documents. This tool thus promptly implemented the new provisions introduced by the 2019 Budget Law, supporting the needs of local entities that arise in the planning and project phases in preparation for the execution of public investments (Article 1, paragraphs 171 to 173, of Law no. 145 of 30 December 2018);
- the launch of the new Heating Account Investment Loan product aimed at municipalities, provinces and metropolitan cities. This tool encourages energy efficiency measures in the local area, advancing the resources made available by Gestore dei Servizi Energetici (GSE), which promotes sustainable development in Italy through incentives for renewable sources and energy efficiency;

Completion of interventions in the health sector and in the school building

- the extension of CDP's financial support in favour of Local Health Units and Hospitals, following the definition of a new security framework to guarantee unsecured loans in favour of these entities, to encourage the acceleration of investments in the public health sector;
- the granting of new loans for the financing of school building projects in favour of regions with repayment charges charged to the government budget and funding provided by the European Investment Bank and the Council of Europe Development Bank, granted in the month of December 2019 for a total amount of 1.6 billion euro.

15 Compared with the time recorded in the same period of the previous year. CDP calculations on data provided by the State General Accounting Department - Trade receivables platform.

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

- the full introduction of the Cash Advances product (authorised by Article 1, paragraph 878, lett. a) of Law no. 205 of 27 December 2017) started at the end of 2018 and meant for municipalities with a resident population of up to 5,000 inhabitants that entrust their treasury service to Poste Italiane;
- support to the Municipality of Genoa, in continuity with the similar initiative undertaken in 2018 following the collapse of the Polcevera bridge, through deferral (without charging further interest) the due date of the 2020 repayment instalments of the mortgage loans granted by CDP, to the two payment dates subsequent to the current maturity for each loan;
- support i) to the local authorities of the Emilia-Romagna, Lombardy and Veneto Regions, affected by the May 2012 earthquake, by deferring the loan instalments falling due and/or payable in 2019 with instalments to be repaid in 10 years from 2020 with no additional interest and ii) to the 3 municipalities of the island of Ischia affected by the earthquake of August 2017, for which the payment of the instalments due in 2020 was postponed until the year following the expiry of the original repayment schedule, with no additional interest;

Support to the territories hit by natural disasters

- management of subsidised loans for energy efficiency measures in school and university buildings to draw on the Kyoto Fund, established at CDP (under Article 1, paragraphs from 1110 to 1115, of Law no. 296 of 27 December 2006);
- the signing of two agreements with the Ministry of Infrastructure and Transport concerning the support and technical assistance for the management of the requests for admission to the resources of the "Local Authorities Planning Fund" (referred to in article 1, paragraph 1081, of Law no. 205 of 27 December 2017 and Ministerial Decree 46 of 18 February 2019) and of the "Priority Works Planning Fund" (established by article 202, paragraph 1, of the Public Contracts Code);
- the continuation of the activity of financial support to entities.

CDP's methods of action to support infrastructure were extended in 2019, in line with the 2019-2021 Business Plan, by combining financial support with i) advisory activities for the Public Administration and ii) the promotion of strategic initiatives (in the energy, environment, digital and social areas), including through agreements/partnerships with market operators.

Launch of advisory initiatives in favour of the public administration

In relation to the advisory activity, CDP established the new "Infrastructure Development" unit in 2019 with the aim of introducing a technical, administrative and financial advisory service for the Public Administration capable of covering the entire infrastructure lifecycle (planning, design and construction). For each work subject to assistance, the aim is to identify the most efficient forms of financing, speed up construction and increase the quality level of the design (including through the application of methodologies and construction standards for innovative and sustainable solutions). During 2019, CDP signed implementation protocols with regions, provinces and municipalities interested in this assistance, mainly in the school building, healthcare and transport segments (carried out both through traditional contracts and project finance).

Launch of promotion projects for infrastructure

With regard to the promotion of infrastructure initiatives, in 2019 CDP followed up on the provisions of the Business Plan by launching promotion initiatives, in partnership with leading market operators, with the aim of promoting the construction of infrastructure on the territory.

In the energy transition area, the following agreements are noted in 2019:
- with Snam S.p.A., for the promotion of energy efficiency also in the Public Administration;
- with Eni S.p.A., for the development, among other things, of plants for the production of energy from renewable sources and fuels starting from the treatment of the organic fraction of municipal waste;
- with Eni S.p.A., Terna S.p.A. and Fincantieri S.p.A., for the evaluation, development and construction of plants for the production of tidal energy.

In the social and digital area, the following agreements are noted in 2019:
- the signing of a sponsorship contract to encourage the establishment of "Scuola Italiana di Ospitalità", aimed at supporting the competitiveness and innovation of tourism and hospitality companies in Italy;
- the signing of an agreement with PagoPA S.p.A. aimed at spreading awareness of the services offered by PagoPA and promoting them to priority customers through the CDP Group's local network and communication channels;
- the signing of a memorandum of understanding for the assessment of potential investment opportunities in the enhancement of winter sports infrastructure.

Finally, financial support to companies for the construction of infrastructure works in the local areas continued.

Shown below is the stock of loans of the CDP Infrastructures, Public Sector & Territorial Development Department at 31 December 2019.

The stock of outstanding debt amounted to 78.4 billion euro, decreasing by 2.6% on the figure recorded at the end of 2018, mainly as a result of the redemptions and early repayments, which more than offset the disbursements of 2019. The total stock of residual debt and commitments amounted to 90.0 billion euro, marking a decrease by 0.4% on the figure recorded at the end of 2018.

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

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Infrastructures	**7,144**	**6,923**	**222**	**3.2%**
Loans	4,270	5,369	(1,100)	-20.5%
Securities	2,875	1,553	1,321	85.1%
Public Sector	**71,267**	**73,597**	**(2,329)**	**-3.2%**
Local authorities	25,671	27,451	(1,779)	-6.5%
Regions and autonomous provinces	16,401	16,242	159	1.0%
Other public entities and public - law bodies	1,900	1,890	10	0.6%
Government	27,295	28,014	(719)	-2.6%
Total outstanding debt	**78,412**	**80,519**	**(2,107)**	**-2.6%**
Commitments	11,541	9,806	1,735	17.7%
Total	**89,953**	**90,325**	**(372)**	**-0.4%**

Focus on CDP Infrastructures: Liquidity advances

Description

This product allows Municipalities, Metropolitan Cities, Provinces, Autonomous Provinces and Regions to speed up the payments of payables to suppliers by requesting a liquidity advance from CDP.

Benefits

- for companies: to obtain the settlement of their receivables from local authorities within defined deadlines without having to incur any ancillary costs
- for local authorities: to benefit from loans at an advantageous rate, without generating impacts on public finance balances.

Key figures

0.9 billion/€
of funds provided by CDP

363
local authorities benefited from the initiative

77,000
invoices settled

Improvement of 21 days (-35%) in the weighted average time taken to pay invoices received in the first half of 2019[1]

[1] Compared with the time recorded in the same period of the previous year. CDP calculations on data provided by the State General Accounting Department - Trade receivables platform.

CDP International Cooperation

The CDP International Cooperation Department supports cooperation initiatives and/or those capable of generating a high social-economic impact in developing countries through loans from CDP resources and third-party funds (which can also be used in blending) in favour of public and private counterparties.

Law no. 125/2014 redefined the architecture of Italian cooperation, recognising CDP's role as a financial institution for international cooperation. The 2019 budget law also introduced new measures, in the context of the aforementioned Law no. 125/2014, aimed at further strengthening CDP's role in this area.

Promotion of new financing initiatives

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

With reference to the promotion of new financing initiatives, in 2019 CDP launched the first credit transactions by leveraging on own resources and extending its scope of intervention also to the private sector. These include, in particular:

- the first so-called mixed credit transaction, combining CDP resources with resources from the Revolving Fund for Development Cooperation & Development Finance (FRCS), for a total value of 50 million euro (20 million euro of CDP resources and 30 million euro from the FRCS) in favour of the Central Bank of Tunisia, aimed at supporting access to credit for Tunisian SMEs, with a focus on women and young people, through the granting of credit lines to local financial institutions;
- the lending agreement in favour of Ghana Cocoa Board, a Ghanaian company operating in the cocoa sector. The loan, which involves other Development Finance Institutions and commercial banks, amounts to a total of 600 million dollars. The transaction aims to create 30,000 new jobs and increase local cocoa production by around 35%;
- the finalisation of the first agreements for the granting of loans to multilateral banks to support specific investment programmes in the target countries of international cooperation.

With reference to the expansion of recourse to third-party resources for development cooperation purposes, CDP finalised agreements at European and international level for the implementation of specific intervention programmes. These include, in particular:

- the finalisation of the first guarantee agreement with the European Commission for the Archipelagos - One Platform for Africa - ONE4A initiative, in the context of the new European Union Plan for non-EU investments (External Investment Plan - "EIP"), which provides for the allocation of EU guarantees and technical assistance funds. The initiative is aimed at supporting the growth of high potential African companies and their access to the capital market. Furthermore, negotiations continued with the European Commission for the other EIP initiatives approved at the end of 2018 (EGRE - European Guarantee for Renewable Energy and InclusiFi);

Conclusion of the accreditation to the Green Climate Fund

- the conclusion of CDP's accreditation process to the Green Climate Fund (GCF), a multilateral fund established in 2010 by the United Nations and currently the main global instrument supporting projects to combat global warming. Thanks to this accreditation, CDP will have access for the first time to GCF resources, of which Italy is currently one of the main contributors, and will be able to use these resources, in blending with its own resources, for projects aimed at mitigation and adaptation to climate change in developing countries.

Signature of new international agreements

With reference to the signing of new cooperation agreements, 2019 saw CDP's involvement in the search for new partnerships with leading institutions with the aim of facilitating the development of its operations in developing countries, with a particular focus on economic growth and climate change. These include, in particular:

- the agreement with the United Nations Development Programme ("UNDP"), aimed at promoting the development of joint initiatives dedicated to economic and social growth, the fight against climate change and poverty reduction in emerging economies and developing countries;
- the agreement with Corporación Andina de Fomento (CAF) for the promotion of cooperation initiatives of mutual interest, as part of a broader strategy for developing relations with the Multilateral Financial Institutions;
- the agreement with the Ministry of Finance of the Republic of Angola aimed at supporting the achievement of sustainable development goals in the priority sectors of the African country's economy such as agribusiness, tourism, infrastructure, energy and manufacturing;
- the agreement with Eni for initiatives with a high social-economic and environmental impact in developing countries, in the energy sector and in the fight against climate change;
- the statement of intent relating to the "RenewAfrica" initiative, signed jointly with European financial institutions and companies, aimed at supporting projects in the renewable energy sector in Africa and aiding European private investment.

The new cooperation initiatives, promoted in the context of the 2019-2021 Business Plan, are flanked by traditional support, which takes place through the management of third-party funds (Revolving Fund for Development Cooperation and the Fund established by the Ministry of the Environment and Protection of the Land and Sea - MATTM), in relation to which the following is noted:

Continuation of the support activity through the FRCS

- 85 million euro in favour of the Jordanian Government for the support to the 2016-2025 National Human Resources Development Strategy through the development of pre-school education and the strengthening of technical-professional training in the field of sustainable tourism and the enhancement of Jordan's environment and cultural heritage;
- 65 million euro in favour of the Afghan government for the construction of the Afghanistan-Iran railway corridor, as part of the wider project to improve the transport network within the country, which is essential to facilitate the end of isolation of some areas of the region;
- 30 million euro granted to the Burmese Government to improve the accessibility to electrical services for rural populations and increase skills in the field of electrification by institutions.

Shown below is the stock of loans of the CDP International Cooperation & Development Finance Department at 31 December 2019.

CDP International Cooperation – Stock of loans

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Commitments	20		20	n.s.
Total	**20**		**20**	**n.s.**

Focus on CDP International Cooperation: Tunisia

Description First financing transaction through mixed credit: 50 million euro in favour of the Central Bank of Tunisia, of which 30 million euro from the Revolving Fund for Development Cooperation and 20 million euro from CDP's own resources.

Benefits The initiative will improve the credit access of Tunisian SMEs active in the agriculture and social and solidarity economy sectors by also leveraging CDP resources for the first time. In particular, the resources allocated to these sectors will be focused on youth and female entrepreneurship.

Key figures

50 million/€
granted

20 million/€
CDP's share subscribed

~ 200
business projects supported

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

Chief Investment Officer

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

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

The equity investment portfolio of CDP at 31 December 2019 is broken down as follows:

- Group companies, instrumental to the role of "National Promotional Institution" (i.e. SACE Group, CDP Immobiliare, CDP Investimenti SGR, Fintecna) and functional to acquire and hold, in the long term, equity investments of significant national interest (i.e. CDP Equity, CDP Reti, CDP Industria);
- Listed and unlisted companies from strategic economic sectors (e.g. Eni, Poste Italiane, TIM);
- Investment funds and investment vehicles operating:
  - in support of enterprises along the entire life cycle (e.g. FII Venture, Fondo Innovazione e Sviluppo, FII Tech Growth, FSI I, Fondo QuattroR);
  - in the infrastructure sector, to support the creation of new infrastructure and manage existing infrastructure (e.g. F2i, Inframed, Marguerite);
  - in support of projects involving urban redevelopment, social housing and the renovation of tourist facilities (e.g. Fondo Investimenti per l'Abitare, Fondo Investimenti per la Valorizzazione, Fondo Investimenti per il Turismo).

Equity investments and funds - portfolio composition

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
A. Group companies	**12,494**	**12,089**	**405**	**3.3%**
B. Other equity investments	**19,098**	**18,641**	**457**	**2.5%**
Listed companies	19,049	18,574	474	2.6%
Unlisted companies	49	66	(17)	-25.4%
C. Investment funds and investment vehicles	**2,616**	**2,384**	**231**	**9.7%**
Total	**34,208**	**33,114**	**1,094**	**3.3%**

During 2019, CDP's main investments included:

- the purchase of an additional stake in the capital of Telecom Italia S.p.A. (currently equal to 9.9%), with the aim of supporting the process of value creation launched by the company in a sector of primary interest for the country;
- the capital contribution in CDP Equity, aimed at supporting the creation of a national player with the objective of consolidating the Italian construction sector (i.e. Progetto Italia);
- the establishment of CDP Industria, a vehicle wholly owned by CDP to hold strategic equity investments with a long term industrial approach;
- the acquisition of a stake (of 70%) in the capital of Invitalia Ventures SGR (now CDP Venture Capital SGR) aimed at reinforcing CDP's intervention in the Venture Capital sector;
- the acquisition of a further stake (25%) in the capital of Fondo Italiano d'Investimento SGR (therefore currently 68%) aimed at increasing CDP's ability to direct strategic actions identified within the private equity sector. During 2019, in accordance with the guidelines of the 2019-2021 Business Plan, these equity investments were transferred to CDP Equity; and

- the support, through investments in funds:
  - for the growth, innovation and international expansion of “Enterprises” by investing in Fondo Innovazione e Sviluppo for the purchase of Fonderie Montorso and in Fondo QuattroR for the purchase of Trussardi;
  - for the development of “Infrastructure”, thanks to the investments in Marguerite Fund 2 for the realisation of new infrastructure (e.g. the realisation of submarine fibre cable between Europe and Latin America through Ellalink) and in Secondo Fondo F2i for the consolidation of the Italian port sector, through the investment in Porto di Carrara, and in the renewable energy segment through the purchase of the Mercure plant from the Enel Group;
  - for the “Real Estate” sector, mainly for the investments in Fondo Investimenti per l’Abitare to support of social housing and for the investments in Fondo Investimenti per il Turismo for the purposes of purchasing the Grand Hotel Villa Igiea in Palermo.

Lastly, the change in the equity investment portfolio of CDP at 31 December 2019 reflects the revaluation of the equity investment in Fintecna and the write-downs mainly attributable to CDP Immobiliare resulting from the findings of the impairment test.

Focus on Venture Capital: Launch of Fondo Italiano Innovazione

Description Acquisition of 70% of Invitalia Ventures SGR (now CDP Venture Capital SGR) aimed at reinforcing CDP’s role in support of Venture Capital.

Benefits Contribute to the growth of the Venture Capital ecosystem in Italy.

Key figures

Target allocation of over 1 billion/€

Focus on Private Equity: Acquisition of control of FII SGR

Description Acquisition of a further stake in Fondo Italiano d’Investimento SGR (now equal to 68%) aimed at reinforcing CDP’s role in support of private equity and private debt.

Benefits Contribute to the dimensional growth of small and medium-sized enterprises or to the creation of major entities capable of competing internationally.

Key figures

Target allocation of over 2 billion/€

In particular, the size of the Tech Growth fund was increased from 50 to 123 million euro and that of Fondo Innovazione e Sviluppo was increased from 250 to 390 million euro.
The PE Italia FoF was established with a target size of 600 million euro

4.1.1.2 Finance and Funding Activities

With regard to the investment of financial resources, the following table shows the aggregates for cash and other treasury investments cash equivalents and debt securities.

Stock of finance investment instruments

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Cash and other treasury investments	171,264	167,944	3,320	2.0%
Debt securities	70,994	60,004	10,990	18.3%
Total	**242,258**	**227,948**	**14,310**	**6.3%**

Cash and other treasury investments amounted to 171 billion euro at 31 December 2019, up from the year-end figure for 2018. This aggregate includes the balance on the current account held with the Central State Treasury, which CDP uses to deposit funding in excess of investments made in the Separate Account, which stood at around 150 billion euro, decreasing by approximately 6 billion euro on the figures recorded at the end of 2018.

At 31 December 2019, the securities portfolio showed a balance of approximately 71 billion euro, marking an 18% increase on the figure at the end of 2018 (about 60 billion euro). During the second half of 2019, the HTC portfolio was subject to recomposition for asset liability & management purposes, in compliance with the provisions of the Business Model. With regard to securities classified under the HTCS portfolio, activities on positions in European government securities and corporate securities continued, with a view to diversifying the portfolio and optimising returns. Overall, the portfolio mainly consists of Italian government securities and is held for asset & liability management purposes, investment purposes, and to stabilise CDP's net interest income.

Postal funding

Postal savings constitute a major component of household savings. In detail, the percentage share of postal savings (including bonds pertaining to the MEF) in respect of total Italian household financial assets was substantially stable at 8% at the end of the third quarter of 2019.

CDP postal funding at over €265 billion (+3% on 2018)

At 31 December 2019, postal funding, consisting of passbook savings accounts and postal savings bonds pertaining to CDP, totalled 265,067 million euro, marking a 2.7% improvement on 31 December 2018 (258,040 million euro).

In detail, the carrying amount of passbook savings accounts was 101,844 million euro, while the carrying amount of postal savings bonds, measured at amortised cost, was 163,224 million euro.

CDP stock of postal savings

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Postal savings bonds	163,224	152,266	10,958	7.2%
Passbook accounts	101,844	105,774	(3,931)	-3.7%
Total	**265,067**	**258,040**	**7,027**	**2.7%**

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

Net funding from CDP postal savings bonds saw positive net funding inflows amounting to 7,403 million euro in 2019. This result was mainly due to the good performance of funding from 3x2 bonds (+5,878 million euro), 3x4 bonds (+4,912 million euro) and from the BFP bonds added to the new range of products offered to savers during the year (4x4 bonds, 170-year Fedeltà bonds, 170-year Premium bonds).

Subscriptions of postal savings bonds during the year amounted to 22,544 million euro, up from 19,561 million euro in 2018, mainly concentrated on 3x2 bonds, 3x4 bonds and ordinary bonds. The two products dedicated to CDP's 170th anniversary, to be placed starting from November 2019, raised a total of 1,436 million euro.

In relation to bonds pertaining to the MEF, redemptions came to -6,901 million euro, up from 2018 (-6,576 million euro) due to the higher volume of redemptions on bonds maturing in 2018 and settled in the first quarter of 2019.

With reference to passbook savings accounts, net funding stood at -3,956 million euro in 2019, down from 2018 (-2,823 million euro). This trend is attributable, in particular, to the reduction in net funding on ordinary registered passbooks (60% of total passbook accounts), equal to -1,337 million euro compared to 2018, only partially offset by the growth in net funding on SMART passbook accounts (37% of total passbook accounts), equal to +173 million euro compared to 2018, also thanks to the commercial offers available on the instrument ("Supersmart offers").

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

(millions of euro)	Subscriptions/ Deposits	Redemptions/ Withdrawals	Net funding in 2019	Net funding in 2018	Change (+/-)
Postal savings bonds	22,544	(15,141)	7,403	4,619	2,784
Passbook accounts	89,736	(93,692)	(3,956)	(2,823)	(1,133)
Total	**112,280**	**(108,833)**	**3,447**	**1,796**	**1,651**

The stock of Postal savings bonds pertaining to CDP totalled 163,224 million euro at 31 December 2019, increasing from 152,266 million euro at the end of 2018, as a result of positive net funding amounting to 7,403 million euro and interest accrued on bonds in 2019.

The stock of passbook savings accounts totalled 101,844 million euro at 31 December 2019, decreasing from 105,774 million euro at the end of 2018, as a result of negative net funding recorded during the year.

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

(millions of euro)	31/12/2018	Net funding	Interest	With-holding tax	Transaction costs	Premiums accrued on postal bonds	31/12/2019
Postal savings bonds	152,266	7,403	4,065	(191)	(324)	5	**163,224**
Passbook accounts	105,774	(3,956)	36	(11)			**101,844**
Total	**258,040**	**3,447**	**4,101**	**(203)**	**(324)**	**5**	**265,067**

Note: the item "transaction costs" mainly includes the distribution fee on the subscriptions of 4x4 Postal bonds, 3x4 Postal bonds, 3x2 Postal bonds, 3 Years Plus Postal bonds, Inflation Postal bonds, 170 Years Postal bonds and 4 Years Simple Savings Postal bonds, and the prepayment of the fee for the years 2007-2010. The item "Premiums accrued on postal bonds" includes the separate value of embedded options in bonds indexed to equity indices.

CDP net funding at +€3.4 billion (+92% on 2018)

Total net funding (CDP + MEF) from savings bonds and passbook savings accounts at 31 December 2019 was negative by -3,454 million euro, marking an improvement on 2018 (-4,780 million euro) owing to the increase in net funding from CDP bonds.

Total net postal savings funding (CDP + MEF)

(millions of euro)	Net funding in 2019	Net funding in 2018	Change (+/-)
Postal savings bonds	**502**	**(1,957)**	**2,459**
of which:			
- pertaining to CDP	7,403	4,619	2,784
- pertaining to the MEF	(6,901)	(6,576)	(325)
Passbook accounts	**(3,956)**	**(2,823)**	**(1,133)**
CDP net funding	3,447	1,796	1,651
MEF net funding	(6,901)	(6,576)	(325)
Total	**(3,454)**	**(4,780)**	**1,326**

Focus on Postal Funding: "Il Risparmio che fa scuola"

Description

The "Il Risparmio che fa Scuola" project promoted by CDP and Poste Italiane with the support of the Ministry of Education, Universities and Research aims to disseminate economic and financial knowledge among students of all levels, to educate them and instil a sense of active and aware citizenship in them.

Benefits

The aim is to train the citizens of the future, leading them to reflect on their saving behaviour (financial, environmental, energy and food saving) and on how much this can affect the lives of each of them and of their community.

Key figures

7,000

schools involved in 2019

(29,900 by 2022)

220,000

students involved in 2019

(1,000,000 by 2022)

Focus on Postal Funding: the new digital experience of Postal Savings Bonds and Passbook Savings Accounts

Description

The digital experience of Postal Savings Bonds and Passbook Savings Accounts was further expanded and enhanced through the completion of the range that can be purchased online, the activation of 24/7 services and the launch of the "Salvadanaio Digitale" (Digital Moneybox) to promote and encourage the savings culture.

Benefits

Significant increase in the customer base and operations on the digital channel, and improvement in the purchasing and management experience related to Postal Savings Bonds and Passbook Savings Accounts online and from the App.

Key figures

2.2 billion/€
of savings collected on the digital channel in 2019

100,000
customers active on the digital channel

(2.1x vs 2018)

1 million
passbooks enabled for the digital channel

Non-postal funding

The table below shows CDP's overall position in terms of funding from banks and customers at 31 December 2019, compared with 31 December 2018.

Stock of funding from banks

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
ECB refinancing	2,475	2,475		n/s
Repurchase agreements and deposits	41,628	46,114	(4,486)	-9.7%
EIB/CEB credit facilities	4,005	4,351	(345)	-7.9%
Total	**48,108**	**52,939**	**(4,831)**	**-9.1%**

With regard to the end of 2019, funding through the European Central Bank (ECB) at 31 December 2019, represented by the TLTRO II[16] programme, was stable at 2.5 billion euro.

Short-term funding on the money market through deposits and repurchase agreements reached 42 billion euro at 31 December 2019. This figure is lower than at the end of 2018, given the greater stability and balance of the other short-term sources of funding.

At 31 December 2019, the stock of credit facilities granted by the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) amounted to 4 billion euro, of which around 3.7 billion euro relating to the EIB funding and 0.3 billion euro referred to the CEB funding.

16 Targeted Longer-Term Refinancing Operations.

New EIB drawdowns amounting to €270 million to finance school building and reconstruction projects post - earthquake

In 2019, CDP requested and obtained new disbursements from EIB credit facilities totalling around 310 million euro. Worthy of note was a drawdown amounting to approximately 120 million euro aimed at school building projects and a drawdown amounting to 150 million euro for the financing of reconstruction work following the earthquakes that occurred in the regions of Abruzzo, Lazio, Marche and Umbria (Central Italy Earthquake Fund). Furthermore, during 2019, CDP requested a further 160 million euro drawn on the CEB funding for financing, through the banking system, SMEs for the purchase of machinery, plants, equipment and capital goods (Capital Goods Fund).

In 2019, CDP also entered into new loan agreements with the EIB and CEB for the financing of school building projects for a total amount of 1,555 million euro. CDP also entered into a loan agreement with the EIB for an amount of 200 million euro to be used for financing SMEs and a loan agreement for an amount of 300 million euro for the granting, through the banking system, of subsidised loans to deal with damage caused to private assets and to economic and production activities arising from a series of natural disasters (Disasters Fund).

Stock of funding from customers (excluding postal funding)

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
OPTES and FATIS deposits (liabilities)	12,054	3,087	8,967	n/s
Deposits of Group companies	6,650	5,001	1,648	33.0%
Amounts to be disbursed	4,172	4,502	(330)	-7.3%
Total	**22,876**	**12,590**	**10,286**	**81.7%**

The OPTES (liquidity management transactions on behalf of the MEF) liquidity balance at 31 December 2019 was 12 billion euro, up on the 3 billion euro at 31 December 2018.

With regard to companies subject to management and coordination, cash pooling with the Parent Company's centralised treasury continued, involving irregular deposit arrangements between CDP and its subsidiaries. Centralised treasury deposits at 31 December 2019 rose by 33% compared to the end of 2018, amounting to approximately 6.6 billion euro.

Amounts to be disbursed constitute the part of loans granted by CDP that have not yet been taken up by the beneficiaries, whose disbursement is subject to progress with the investments financed. Total amounts at 31 December 2019 were approximately 4.2 billion euro, slightly down by 7% on the figure recorded at the end of 2018.

Stock of bond funding

New issues amounting to €2.6 billion

The table below shows CDP's overall position in terms of bond funding at 31 December 2019, compared with the figures at 31 December 2018.

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
EMTN/DIP programme	10,021	11,270	(1,249)	-11.1%
Retail bond	2,948	1,466	1,482	101.1%
"Stand-alone" issues guaranteed by the State	3,750	4,500	(750)	-16.7%
Panda Bond	127		127	n/s
Commercial paper	2,796	1,790	1,006	56.2%
Total	**19,641**	**19,025**	**616**	**3.2%**

2nd CDP Social Bond to safety of school buildings

With reference to medium/long-term funding, in the first half of 2019 new bond issues were completed under the "Debt Issuance Programme" (DIP), totalling 950 million euro. These included the issue of a new CDP Social Bond for 750 million euro to finance school building and urban redevelopment projects, with particular focus on safety of buildings and local communities.

New retail issue amounting to € 1.5 billion

With a view to diversifying the sources of funding, in June 2019 CDP carried out a new retail bond issue reserved for individuals resident in Italy, for 1.5 billion euro.

1st "Panda Bond" in support of Italian companies in China

Moreover, at the end of July 2019, the issue of the first 1-billion Renminbi Panda bond (127 million euro) was launched to finance, both directly and through Chinese banks or Chinese branches of Italian banks, branches or subsidiaries of Italian companies established in China, to support their growth. The issue, for institutional investors operating in China, is part of an issuance plan for 5 billion Renminbi approved by the People's Bank of China.

With reference to short-term funding, managed with the objective of optimising the mix of funding and investments, the stock under the "Multi-Currency Commercial Paper Programme" at 31 December 2019 totalled approximately 2.8 billion euro, showing an increase on the figure at 31 December 2018 of approximately 1.8 billion euro.

Social Bond issue

Description Second Social Bond issue by CDP, which follows the 2017 Social Bond Issue and the 2018 Sustainability Bond Issue. The issue was guided by the United Nations Sustainable Development Goals no. 4 ("Quality Education") and no. 11 ("Sustainable Cities and Communities") and confirms CDP's commitment to the country's sustainable development.

Benefits The funds raised through the issue were allocated to construction, safety measures and earthquake-proofing for publicly-owned buildings used for school education and for urban redevelopment, including through initiatives aimed at improving public areas and the services offered to citizens.

Key figures

Amount issued	Duration	Annual coupon
750 million/€	7 years	2.125 %
	(maturity in 2026)	

Panda Bond

Description	First bond issue by an Italian issuer intended for institutional investors operating in China. The transaction is part of the issuance plan for 5 billion Renminbi approved by the People's Bank of China. With the financial resources deriving from the issues CDP intends to finance - directly, through Chinese branches of Italian banks or through Chinese banks - branches or subsidiaries of Italian enterprises established in China, to support their growth.
Benefits	Support to the growth of Italian companies in China.

Key figures

Amount issued	Duration	Annual coupon
1 billion Renminbi	3 years	4.50 %
(approximately €130 million)	(maturity in August 2022)	

4.1.2 Group companies

SACE Group

Support to the export and international expansion goals of italian companies, with a new organisational model and an enhanced offer

During 2019, the SACE Group continued to support the international expansion of companies, with a significant increase in the number of companies served, equal to approximately 11,600 (+9.5% compared to 2018). The initiatives taken in the period include:

- closer proximity to enterprises, thanks to a new organisational model that envisages specific channels for small and medium enterprises, with new positions of "export coach" and proactive support from the centralised Customer Care Hub;
- the enhancement of the offer for SMEs, thanks to the complete digitisation of the products (i) "Company evaluation", (ii) "Export up" (evaluation of a specific operation with possible purchase of insurance cover), (iii) "Subsidised loans" and (iv) "Factoring";
- the simplification of the offer also through the launch of the new integrated SACE SIMEST website, in line with the new Group brand.

Further support was given by the "education to export" programme, which was brought to full capacity in 2019. Dedicated to SMEs and export managers, the programme involved the registration of around 2,200 companies with the offer of online and offline content aimed at strengthening know-how and skills in the field of exports.

The following is also noted:

- the authorisation to open two new offices - Ghana and Saudi Arabia - to support the numerous Italian enterprises operating in the area;
- the finalisation of agreements with private reinsurers - as envisaged in the Business Plan - in order to differentiate the reinsurance instruments enabling the increase in risk-taking capacity in favour of business growth.

Performance highlights - SACE Group (1)

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
SACE				
Total outstanding	**65,115**	**61,078**	**4,037**	**6.6%**
Outstanding guarantees	64,537	60,480	4,058	6.7%
Loans	577	598	(21)	-3.5%
SACE BT				
Total outstanding	**67,154**	**51,937**	**15,217**	**29.3%**
Insurance of short-term loans	10,520	9,703	817	8.4%
Sureties Italy	6,157	6,299	(142)	-2.3%
Other property damage	50,476	35,935	14,541	40.5%
SACE FCT				
Outstanding receivables	1,680	1,521	159	10.5%
SIMEST				
Equity investment portfolio (2)	610	601	9	1.5%

(1) Amounts refer to stock at the date indicated.
(2) Value of SIMEST equity investment portfolio, net of the equity stake in FINEST (5,165 million euro).

SACE's total risk exposure, measured in relation to loans and guarantees provided, stood at 65.1 billion euro (of which 99% referring to the guarantees portfolio), up 6.6% compared with 2018. The main corporate risk sectors are Cruise, Oil&Gas and Chemical/Petrochemical, while the main countries are Qatar, the United States and the United Kingdom.

SACE BT's exposures, amounting to around 67.2 billion euro, increased on 2018 (+29.3%) mainly due to the "Other property damage" and "Credit Insurance" segments. The "Sureties Italy" segment was slightly down.

Outstanding receivables of SACE FCT (approximately 1.7 billion euro) increased by 10.5%.

Finally, following the changes in the portfolio during the year, the equity investment portfolio of SIMEST at 31 December 2019 totalled 610 million euro, up slightly (+1.5%) on year-end 2018.

CDP Equity S.p.A.

Continuation of the activities in support of companies in growth processes

In 2019, CDP Equity continued its activity of managing and enhancing its equity investments portfolio, as well as searching for and evaluating new investment opportunities by extending its range of action in accordance with the guidelines of the Group's Business Plan.

The main transactions during the financial year included: (i) the financial support transaction towards the investee Ansaldo Energia, (ii) the support to Open Fiber's investment plan, (iii) the support to SIA's development strategy, both directly, through the purchase of 25.7% of the share capital from F2i and Hat, and indirectly, through FSIA Investimenti, through the exercise of the option to purchase an additional 7.9%, (iv) the share capital increase entry in Salini Impregilo with an 18.7% equity investment in the company in the context of the so-called "Progetto Italia", aimed at promoting the consolidation and development of the construction sector and (v) the capital increase by FSI Investimenti in Kedrion as part of an operation to open up capital to an investor.

CDP Equity was also involved in two further transactions: (i) the spin-off of the equity investment held in Saipem in favour of CDP Industria, aimed at reorganising the Group's strategic equity investments in an industrial logic, to support their development in a long-term perspective and (ii) the transfer of the equity investments held in 5 asset management companies (F2i SGR S.p.A., FSI SGR S.p.A., QuattroR SGR S.p.A., Fondo Italiano d'Investimento SGR S.p.A. and CDP Venture Capital SGR S.p.A.) from CDP to CDP Equity, aimed at creating an equity hub in support of enterprises.

Performance highlights - CDP Equity (1)

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Dividends and financial interest from shareholders loan	53	37	17	45.5%
Equity investments (2)	3,359	2,921	438	15.0%

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

During 2019, CDP Equity and its investment vehicles recorded dividends and interest income on loans and bonds totalling 53 million euro (+17 million euro on the previous year). The increase is entirely attributable to the interest accrued on the Open Fiber (8.3 million euro) and Ansaldo Energia (8.2 million euro) loans. Dividends from investee companies and interest on the Valvitalia bond were in line with 2018. In particular, dividends were reported for 29.7 million euro from SIA, 1.3 million euro from Kedrion, 0.9 million euro from Rocco Forte Hotels, in addition to interest on the Valvitalia bond for 3 million euro.

The stock of equity investments at 31 December 2019 increased by 438 million euro compared to 31 December 2018 as a result of the investment transactions carried out during the period and the transfer of the equity investments in the 5 asset management companies, net of the spin-off of the equity investment in Saipem in favour of CDP Industria.

Salini Impregilo: Progetto Italia

Description

CDP Equity invested 250 million euro in Salini Impregilo, in the context of a capital increase on an arm's length basis. The total increase, equal to 600 million euro, is aimed at launching Progetto Italia and promoting the consolidation and development of the construction sector in Italy.

Benefits

Consolidation and development of a key sector for the country through the aggregation of several operators on the market. The initiative, open to all industrial entities wishing to participate, takes on a systemic value, contributing to the establishment of a national player capable of competing on the main international markets.

Key figures

250 million/€
in capital increase on an arm's length basis

CDP's share equal to **18.7** %
of the ordinary share capital

~9 billion/€
of revenues and €41 billion of backlog expected by 2021 (after merger with Astaldi)

CDP Immobiliare S.r.l.

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

In 2019, CDP Immobiliare continued to focus on the sale and development of directly and indirectly owned real estate assets.

During the year, investments for development activities amounted to approximately 51 million euro, mainly concentrated on large properties, in the context of initiatives characterized by a significant impact on the territory and by high social value.

In particular: (i) urban development agreements were entered into or supplemented for the former Manifattura Tabacchi of Florence, Naples and Milan and building permits were obtained or extended in relation to three trophy assets located in Rome (former Istituto Poligrafico e Zecca dello Stato, Torri dell'Eur, former Agenzia delle Dogane Scalo San Lorenzo), for the development or disposal thereof, (ii) the re-purposing works were launched on the former Poligrafico e Zecca dello Stato and on Torri dell'Eur, (iii) the redevelopment plan of the former Manifattura Tabacchi in Florence continued, with the completion of the renovation of a first building destined for a fashion school following an intense environmental remediation of the site and (iv) building permits were obtained for a lot destined for a healthcare residence at the former Manifattura Tabacchi in Milan, which allowed the subsequent disposal thereof.

Performance highlights - CDP Immobiliare ([1])

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Sales	49	31	18	58.6%
Real estate assets managed	1,055	1,050	5	0.5%
Debt securities	525	568	(43)	-7.6%

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

In 2019, a total of approximately 49 million euro in real estate assets were sold, both directly and through investee companies, mainly referred to a lot destined for a healthcare residence at the former Manifattura Tabacchi in Milan, to the entire real estate complex of the former Manifattura Tabacchi of Verona, to the former Palazzo delle Poste in Trieste and to residential units (built following the outcome of redevelopment processes of former industrial areas) located in Milan and Turin.

At 31 December 2019, total real estate assets managed, amounting to approximately 1,055 million euro, were essentially stable, due to the combined effect of development work and disposals.

During the year, CDP Immobiliare supported financial restructuring initiatives, mainly related to investee companies characterised by situations of corporate deadlock. In particular, at 31 December 2019, total financial payables, amounting to 525 million euro, were down by 8% on the previous year and included 8 million euro in payables referring to CDP Immobiliare (payables allocated to a number of real estate assets in the direct portfolio) and 517 million euro referring to investees.

Focus on the lease of the former Istituto Poligrafico dello Stato

Description

As part of the re-purposing of one of the most representative properties in Rome, Residenziale Immobiliare, company controlled by CDP Immobiliare, entered into an agreement with ENEL for the construction and subsequent lease of the group's new operating offices.

Benefits

- Redevelopment of a historic building.
- Virtuous example of renovation of historic buildings for office use.
- Catalyst for the commercial development of the surrounding area.

Key figures

Lease of
30,000
square meters, on a total commercial area of approximately 60,000 square meters

Total investments for over
120 million/€

Works expected to be completed by 2022

CDPI SGR S.p.A.

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

During 2019, through the managed funds, CDPI SGR made investments totalling 296 million euro, of which:

- 233 million euro through the FIA fund, for the construction of private social housing projects, such as Santa Marta structure in Venice, a university residence inaugurated during the year;
- 26 million euro through the FIV fund, mainly relating to: (i) the redevelopment of the Ospedali Riuniti di Bergamo complex to adapt the buildings for a Guardia di Finanza Academy, (ii) the demolition and primary urbanisation works on the former Saram in Macerata and (iii) the continuation of the consolidation and restructuring operations on the former Istituto Geologico in Rome;
- 32 million euro through the FT1 fund, attributable mainly to the acquisition and launch of the redevelopment works of the Grand Hotel Villa Igiea property in Palermo and, secondarily, to the restyling and redevelopment of the properties in Ostuni, Pila and Marilleva;
- 5 million euro through the FIA2 fund, intended for the start-up of construction sites for the expansion of the new H-Farm university campus

Performance highlights - CDPI SGR

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
FIV - Real estate assets managed	567	626	(60)	-9.5%
FT1 - Real estate assets managed	121	89	32	36.7%
FIA - Total investments	1,257	1,024	233	22.7%

At 31 December 2019, real estate assets managed by the company on behalf of FIV consisted of 78 assets with a value of approximately 567 million euro. This figure is lower than in 2018 (-9%), mainly as a result of the sales made in the year, net of the capex incurred on the properties in the portfolio.

The real estate assets of the FT1 fund comprise 7 properties for a total value of 121 million euro; the figure increased by +37% on 2018 as a result of the sale and lease back transaction of the Villa Igiea[17] property in Palermo and the execution of the investment plans regarding the properties in Ostuni, Pila and Marilleva, aimed at the restyling of the rooms, the redevelopment of some internal common areas and works on the systems.

With reference to the FIA fund, the capital invested in the 29 social housing funds amounted to 1,257 million euro, marking an increase compared to 2018 (+23%), due to the 233 million euro of investments made in the year to support the offer of social housing and beds.

Focus on the Venice Santa Marta Campus (FIA)

Description Urban redevelopment initiative that led to the inauguration of the main students' halls of residence in Venice, aimed at students of the Ca' Foscari University. The structure, completely built according to energy class A, stands on an abandoned area, former site of the Venice Cotton Mill.

Benefits

- Urban redevelopment initiative.
- Number of beds doubled for university students.

Key figures

20,000 square meters in total

586 beds

31 million/€ of investments by Fondo Erasmo, 60% subscribed by FIA, in addition to 4 million euro funded by the Ministry of Education, Universities and Research

Fintecna S.p.A.

Continuation of the liquidation activities of assets under management

In 2019, Fintecna continued to manage its litigation cases, with efforts focused on optimising its defence strategy by constantly monitoring developments in court cases to assess critical aspects specifically.

As part of the reorganisation process of the CDP Group's equity investments, the following transactions had an impact on Fintecna's equity portfolio: i) spin-off of the equity investment held in CDP Equity (2.87%), in favour of CDP; ii) spin-off of the equity investment held in Fincantieri (71.32%), in favour of CDP Industria and iii) merger by incorporation of the subsidiary Ligestra Due, a vehicle mainly active in the liquidation of Entities, companies and assets, into Fintecna (effective from 1 January 2020).

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

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

17 At 31 December 2019, since the condition precedent linked to the pre-emption of the Ministry of Cultural Heritage and Activities had not yet been fulfilled, the property is recorded under other assets in the balance sheet.

Performance highlights - Fintecna

(no. of disputes; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Labour law disputes	332	431	(99)	-23.0%
Civil/administrative/tax law disputes	93	101	(8)	-7.9%

Regarding labour law disputes (i.e. claims for compensation for health damage arising from occupational illnesses), the reduction in the number compared to year-end 2018 is due to the decrease in the number of new appeals and to the final settlement of a number of disputes.

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

CDP Reti S.p.A.

Continuation of the equity investment portfolio management activity

In 2019, CDP Reti continued to manage its equity investment portfolio.

Performance highlights - CDP Reti

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Equity investments and other investments	5,023	5,023		0.0%
Dividends received	431	406	25	6.3%
Debt securities and other forms of funding	1,695	1,695		0.0%

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

Dividends received from subsidiaries in 2019 totalled 431 million euro (+25 million euro compared to 2018), of which approximately 238 million euro from Snam (+11 million euro compared to 2018), about 49 million euro from Italgas (+5 million euro compared to 2018) and approximately 143 million euro from Terna (+9 million euro compared to 2018). In terms of dividends paid out to shareholders, in 2019 CDP Reti paid a total of 399 million euro (396 million euro in 2018), of which 132 million euro by way of a final dividend for 2018 and 267 million euro by way of an advance[18] dividend on 2019.

At 31 December 2019, debt securities and other forms of funding totalled 1,695 million euro and referred mainly to: (i) the term loan for a total amount of approximately 938 million euro (around 422 million euro from CDP), substantially in line with year-end 2018, and (ii) the bond issue for a total nominal amount of 750 million euro and the related accrued interest, which was originally subscribed by institutional investors for around 412 million euro (55%) and by CDP for approximately 338 million euro (45%).

CDP Industria S.p.A.

With regard to CDP Industria's operations during 2019, reference is made to paragraph 1.2 "Group Companies".

18 The interim dividend of 1,653.13 per each of the 161,514 shares was approved by the Board of Directors on 28 November 2019 on the basis of the company's accounting situation at 30 June 2019, prepared in accordance with IFRS. The company ended the period with a net income of approximately 267 million and available reserves of approximately 3,369 million.

4.2 Income statement and balance sheet results

4.2.1 CDP S.p.A.

Given the challenging macroeconomic context, with weak limited economic growth, CDP's economic and financial performance was still strong in all areas.

4.2.1.1 Reclassified income statement

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

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

Reclassified Income Statement

(millions of euro; %)	2019	2018	Change (+/-)	(%) change
Net interest income	**1,355**	**2,356**	**(1,002)**	**-42.5%**
Dividends	1,424	1,362	62	4.5%
Other net revenues (costs)	770	88	682	n/s
Gross income	**3,549**	**3,807**	**(258)**	**-6.8%**
Write-downs	119	(277)	396	n/s
Staff costs and other administrative expenses	(176)	(215)	39	-18.3%
Amortisation and other operating expenses and income	(3)	(3)	(0.3)	11.1%
Operating income	**3,489**	**3,312**	**177**	**5.3%**
Provisions for risks and charges	(50)	(34)	(16)	48.8%
Income taxes	(703)	(738)	36	-4.8%
Net income	**2,736**	**2,540**	**196**	**7.7%**

Growth in net income to €2.7 billion (+8% vs 2018)

Net interest income amounted to 1,355 million euro, down on 2018 due to the significant reduction in market rates, which negatively affected the return on assets. On the liabilities front, in 2019 the following actions continued: (i) the relaunch of postal funding with CDP's positive net funding of 3.4 billion euro, and (ii) diversification of funding, with new bond issues for approximately 2.6 billion euro, of which 1.5 billion euro of retail bonds, 0.75 billion euro of social bonds and 0.1 billion euro of Panda Bonds.

Dividends totalled 1,424 million euro, up 5% compared to 2018, thanks to the higher dividends of Poste, Eni and Fintecna, which more than offset the lower contribution from SACE.

"Other net revenues", amounting to 770 million euro, grew significantly compared to 2018 thanks to active securities portfolio management, including with an ALM view, only partially offset by the reduction in profits on trading and hedging activities and indemnities for early repayments.

The cost of risk, positive in the amount of 119 million euro, benefited from: (i) recoveries on some credit positions of large amounts, which more than offset the impairment losses on the other components of the loan portfolio and (ii) the recovery on the equity investment in Fintecna, partially offset by the impairment of the equity investment in CDP Immobiliare and the fair value adjustment of UCI units in the portfolio.

Staff costs and administrative expenses amounted to 176 million euro, down (-18%) from the 215 million euro recorded in 2018, which however had been affected by the provisions allocated to the "Fondo di Solidarietà del Credito" (solidarity fund for the credit sector) for the launch of the voluntary early retirement scheme amounting to 55 million euro. Net of this item, the increase compared to 2018 is mainly attributable to the planned headcount strengthening plan, in terms of both number and skills.

Lastly, income tax for the period amounted to 703 million euro. This amount is made up, among others, (i) of current taxes for the period (IRES, related additional tax and IRAP), (ii) of the increase in deferred tax liabilities essentially due to the irrelevance of the positive valuations of foreign currency items, (iii) of the decrease in the credit for deferred tax assets, essentially attributable to the changes in the provisions for risks, the recoveries on loans to banks and the realisation of capital losses, as well as (iv) of the income deriving from a change in current taxes from the previous years.

Net income for the year was 2,736 million euro, up by approximately 8% from 2,540 million euro in 2018.

4.2.1.2 Reclassified balance sheet

Reclassified balance sheet

The reclassified balance sheet of CDP at 31 December 2019 is presented below.

Assets

Assets in CDP's reclassified balance sheet at 31 December 2019 included the following items:

Reclassified balance sheet - Assets

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Cash and cash equivalents	171,262	167,944	3,317	2.0%
Loans	100,981	101,293	(312)	-0.3%
Debt securities	70,998	60,004	10,995	18.3%
Equity investments and funds	34,208	33,114	1,094	3.3%
Assets held for trading and hedging derivatives	1,981	882	1,099	n/s
Property, plant and equipment and intangible assets	383	344	40	11.6%
Accrued income, prepaid expenses and other non-interest-bearing assets	5,242	5,642	(400)	-7.1%
Other assets	796	793	3	0.4%
Total assets	**385,851**	**370,015**	**15,836**	**4.3%**

Total assets amounted to 386 billion euro, up by 4% compared to the end of 2018, when total assets stood at 370 billion euro.

Cash and cash equivalents amounted to 171 billion euro, up by 2% compared to the figure recorded at the end of the previous year. This item includes the treasury account balance of 150 billion euro at 31 December 2019.

Loans to customers and banks, totalling 101 billion euro, were essentially stable compared to the end of 2018, due to the combination of the increase in loans in direct support of enterprises, including for international expansion, and the reduction in the stock of loans to public entities and financial institutions.

Debt securities amounted to 71 billion euro, up by 18% on the year-end figure for 2018, mainly due to investments in government securities.

At 31 December 2019, the carrying amount of equity investments and funds was 34 billion euro, up by 3% compared to 2018. This was mainly due to the increased equity investment in Telecom Italia S.p.A. (TIM), with the aim of supporting the process of value creation launched by the company in a sector of primary interest for the country, and to the investments in funds/vehicles.

Assets held for trading and hedging derivatives amounted to 2 billion euro, up compared to the figure at the end of 2018 (+1.1 billion euro). This item includes the fair value (where positive) of hedging derivative instruments, including operational hedges that do not qualify as hedges for accounting purposes.

The balance of Property, plant and equipment and intangible assets amounted to 383 million euro, of which 353 million euro relating to property, plant and equipment and the remainder to intangible assets. Specifically, the increase in the item is attributable to considerable investments during 2019, which exceeded the depreciation and amortisation of existing assets during the same period.

At 31 December 2019, the balance of Accrued income, prepaid expenses and other non-interest bearing assets was 5.2 billion euro, down by 7% compared to the value at the end of 2018 (5.6 billion euro).

Lastly, the item "Other assets", which includes current and deferred tax assets, payments on account for withholding tax on passbook savings accounts and other residual assets, equal to 796 million euro, was essentially stable from the 793 million euro recorded at the end of 2018.

Liabilities

At 31 December 2019, the liabilities in CDP's reclassified balance sheet were as follows:

Reclassified balance sheet - Liabilities and equity

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Funding	355,693	342,595	13,098	3.8%
of which:				
- postal funding	*265,067*	*258,040*	*7,027*	*2.7%*
- funding from banks	*48,108*	*52,939*	*(4,831)*	*-9.1%*
- funding from customers	*22,876*	*12,590*	*10,286*	*81.7%*
- bond funding	*19,641*	*19,025*	*616*	*3.2%*
Liabilities held for trading and hedging derivatives	2,830	753	2,077	n/s
Accrued expenses, deferred income and other non-interest-bearing liabilities	474	474		0.0%
Other liabilities	789	753	36	4.8%
Provisions for contingencies, taxes and staff severance pay	1,115	646	469	72.6%
Equity	24,951	24,794	156	0.6%
Total liabilities and equity	**385,851**	**370,015**	**15,836**	**4.3%**

Total funding at 31 December 2019 was approximately 356 billion euro, up 4% from the figure recorded at the end of 2018.

Within this item, postal funding of 265 billion euro increased by 3% compared to the figure at the end of 2018, as a result of CDP's positive net funding of 3.4 billion euro and interest accrued in the period in favour of savers.

Funding from banks, equal to 48 billion euro, decreased compared to 53 billion euro at the end of 2018, mainly as a result of the decline in repurchase agreements.

Funding from customers stood at 23 billion euro, up compared to the end of 2018, mainly due to the increased funding from OPTES transactions.

Bond funding, equal to approximately 20 billion euro, increased by +3% on the December 2018 figure, thanks to new bond issues totalling approximately 2.6 billion euro, of which 0.75 billion euro of social bonds, 1.5 billion euro of retail bonds and 0.1 billion euro of Panda Bonds, and to the increase in Commercial Paper, only partly offset by the maturities of EMTN securities recorded in the period.

The balance of Liabilities held for trading and hedging derivatives amounted to 2,830 million euro, up compared to 753 million euro at the end of 2018. This item includes the fair value (where negative), of hedging derivative instruments, including operational hedges that do not qualify as hedges for accounting purposes.

At 31 December 2019, the balance of Accrued expenses, deferred income and other non-interest-bearing liabilities was 474 million euro, in line with the figure at the end of 2018.

With regard to other significant items, there was (i) an increase in the balance of Other liabilities, equal to 789 million euro, at 31 December 2019 (+5% compared to the end of 2018), and (ii) an increase in the balance of Provisions for contingencies, taxes and staff severance pay, equal to 1,115 million euro at the end of December 2019 (646 million euro at the end of 2018).

Lastly, equity amounted to 25 billion euro at 31 December 2019, up by +1% on the end of 2018, as a result of net income for the year, which more than offset the payment of the 2019 dividends.

4.2.1.3 Indicators

Growth in profitability and credit quality stable at high levels

Main indicators (reclassified figures)

(%)	31/12/2019	31/12/2018
Structure ratios (%)		
Funding/Total liabilities	92%	93%
Equity/Total liabilities	6%	7%
Postal Savings/Total funding	75%	75%
PERFORMANCE RATIOS (%)		
Spread on interest-bearing assets and liabilities	0.5%	0.8%
Cost/income ratio	4.9%	6.2%
Net income/Opening equity (ROE)	11%	10%
Risk ratios (%)		
Coverage of bad loans (1)	50%	51%
Net non-performing loans/Net loans to customers and banks (2) (3)	0.1%	0.1%
Net adjustments to loans/Net exposure (2) (3)	**n.a.**	**0.02%**

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

Structure ratios related to liabilities were substantially in line with 2018, with postal funding weighing heavily on total funding by around 75%.

With regard to performance ratios, we note (i) a reduction in the spread between interest-bearing assets and liabilities due to the lesser return of financial assets as a result of the decline in market rates to all-time lows, (ii) a very low cost/income ratio (4.9%) and down from 2018, (iii) an 11% return on equity (ROE), up compared to 2018, as a result of the growth in net income for the period.

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

4.2.1.4 Outlook of operations

To really support the country's economic, social and environmental growth, ensuring the full protection of household savings, in 2020 CDP will continue the implementation of the Business Plan along the four lines of action forming its business operations: Corporate; Infrastructures, Public Sector & Territorial Development; International Cooperation; Large Strategic Equity Investments.

After the end of the financial year, during March 2020, the new Covid-19 virus, originating in China, spread to many countries around the world, with the World Health Organization consequently defining the epidemic as a "pandemic situation" on 11 March 2020.

At the date of preparation of this report, given the uncertainties on the spread and persistence of the health emergency and on the evolution of the macroeconomic framework and financial markets, it is not possible to quantify the potential impact of these events on the financial position and results of CDP and of the Group. Therefore, it cannot be ruled out that the slowdown of the economy in Italy and in the Eurozone may have impacts on CDP's future earnings; in particular, CDP's main business counterparties, such as enterprises and entities of the Public Administration, as well as some investee companies, in particular those operating in the most impacted sectors, could be affected by the current emergency situation, with effects that are currently difficult to estimate.

4.2.2 Group companies

The accounting situation of the companies of the CDP Group as at 31 December 2019 is presented below from a management accounting standpoint. For detailed information concerning balance sheet and income statement performance, refer to the financial statements of the Group's companies, which contain full accounting information and analyses of the companies' operating performances.

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

Considering the main economic and financial dynamics described below, it is necessary to bear in mind that:
- with accounting effect as of 31 December 2019, the scope of consolidation on a line-by-line basis included, among others, the companies belonging to the SIA group, the Ansaldo Energia group, Fondo Italiano di Investimento SGR, FSIA Investimenti, Toscana Energia, Quadrifoglio Modena and Alfiere;
- the consolidated income statement includes the contribution of Toscana Energia and Quadrifoglio Modena limited to the fourth quarter, as the purchase date of the two investees was identified on 1 October 2019 and, as regards the subsidiary Alfiere, the contribution is limited to the second half of the year due to the date on which control was acquired;

- following the introduction of IFRS 16 with effect from 1 January 2019, according to the methods and with the effects described in the specific paragraph set out in the notes to the financial statements "Impact of first-time adoption (FTA) of IFRS 16", the companies of the CDP Group recognised, at 31 December 2019, rights of use of 0.4 billion euro under their tangible assets, and lease liabilities of 0.4 billion euro under their liabilities, which were not included in the comparison data; charges for amortisation of rights of use of 57 million euro and interest expense for lease liabilities of 6 million euro were recognised in the consolidated income statement, against a reduction in administrative expenses due to lower rental charges.

4.2.2.1 Reclassified consolidated income statement

Net income of €3.4 billion (-21.3% vs 2018)

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

Reclassified Income Statement

(millions of euro; %)	2019	2018	Change (+/-)	(%) change
Net interest income	**1,208**	**2,258**	**(1,050)**	**-46.5%**
Gains (losses) on equity investments	447	1,120	(673)	-60.1%
Net commission income (expense)	95	101	(6)	-5.9%
Other net revenues (costs)	646	(113)	759	n/s
Gross income	**2,396**	**3,366**	**(970)**	**-28.8%**
Profit (loss) on insurance business	164	73	91	n/s
Profit (loss) on banking and insurance operations	**2,560**	**3,439**	**(879)**	**-25.6%**
Net recoveries (impairment)	17	(126)	143	n/s
Administrative expenses	(7,910)	(7,412)	(498)	6.7%
Other net operating income (costs)	12,681	11,920	761	6.4%
Operating income	**7,348**	**7,821**	**(473)**	**-6.0%**
Net provisions for risks and charges	(113)	(5)	(108)	n/s
Net adjustments to PPE and intangible assets	(2,246)	(2,042)	(204)	10.0%
Other	(13)	18	(31)	n/s
Income taxes	(1,565)	(1,459)	(106)	7.3%
Net income for the year	**3,411**	**4,333**	**(922)**	**-21.3%**
Net income (loss) for the year pertaining to non-controlling interests	1,627	1,442	185	12.8%
Net income (loss) for the year pertaining to the Parent Company	**1,784**	**2,891**	**(1,107)**	**-38.3%**

The Group's net income for the year ended 31 December 2019 was equal to 3,411 million euro, down compared to 2018, mainly due to the dynamics of the interest margin and the lower contribution of the companies accounted for using the equity method.

(millions of euro; %)	2019	2018	Change (+/-)	(%) change
Interest and commission expense on payables to customers	(5,227)	(5,121)	(106)	2.1%
Interest expense on payables to banks	(172)	(167)	(5)	3.0%
Interest expense on securities issued	(658)	(648)	(10)	1.5%
Interest income on debt securities	1,553	1,406	147	10.5%
Interest income on financing	5,706	6,761	(1,055)	-15.6%
Interest on hedging derivatives	(140)	(99)	(41)	41.4%
Other net interest	146	126	20	15.9%
Net interest income	**1,208**	**2,258**	**(1,050)**	**-46.5%**

Net interest income was 1,208 million euro, a sharp decrease compared to the previous financial year due to the significant reduction in market rates, which negatively affected the return on assets. The balance of the item relates mainly to the Parent Company, whose positive balance was partly offset by the expenses connected with the debt of Snam, Terna, Italgas and Fincantieri.

The result of the measurement according to the equity method of investees over which the Group has significant influence or which are subject to joint control, included under “Gains (losses) on equity investments”, was 447 million euro, against 1,120 million euro reported in 2018. This value mainly reflects the result of the measurement with the equity method of:

- Eni (-162 million euro, compared to +873 million euro in 2018);
- Poste Italiane (+385 million euro, compared to +436 million euro in 2018);
- SAIPEM +2 million euro (-60 million euro in 2018);
- Ansaldo Energia (-243 million euro), including the effect of the re-measurement at fair value following the assessment of control over the investee (-239 million euro in 2018);
- FSIA +329 million euro (+18 million euro in 2018), including the effect of the re-measurement at fair value following the assessment of control over SIA.

Net commission income (expense), amounting to 95 million euro, remained basically unchanged with respect to the previous financial year.

(millions of euro; %)	2019	2018	Change (+/-)	(%) change
Net gain (loss) on trading activities	31	20	11	55.0%
Net gain (loss) on hedging activities	(111)	(43)	(68)	n/s
Gains (losses) on disposal or repurchase financial transactions	743	(28)	771	n/s
Net gain (loss) on financial assets and liabilities carried at fair value	(17)	(62)	45	-72.6%
Other net revenues (costs)	**646**	**(113)**	**759**	**n/s**

Other net revenues/costs were up by about 759 million euro, mainly as a result of gains on disposal of debt securities held by the Parent Company belonging to the portfolio of investments measured:

- at amortised cost (income of 633 million euro);
- at fair value through other comprehensive income (income of 111 million euro).

(millions of euro; %)	2019	2018	Change (+/-)	(%) change
Gross Premiums	660	819	(159)	-19.4%
Change in premium reserve	(60)	(233)	173	-74.2%
Premiums paid in reinsurance	(243)	(275)	32	-11.6%
Effect of consolidation	(49)	(108)	59	-54.6%
Net premiums	**308**	**203**	**105**	**51.7%**
Net other income (expense) from insurance operations	(143)	(139)	(4)	2.9%
Effect of consolidation	(1)	9	(10)	n/s
Profit (loss) on insurance business	**164**	**73**	**91**	**n/s**

Profit (loss) on insurance business of 164 million euro includes net premium income and other income and expense for the companies operating in the insurance sector. Using the data relating to the previous financial year as a basis for comparison, the following is noted:

- a decrease in gross premiums of 159 million euro;
- a substantial invariance in other insurance income/expenses which reflects the decrease in the negative change of the balanced provision for outstanding claims compared to last year due to lower recoveries.

Overall, the banking and insurance components resulted in profit on banking and insurance operations of 2,560 million euro, a decrease of 879 million euro on the previous financial year (3,439 million euro).

(millions of euro; %)	2019	2018	Change (+/-)	(%) change
Profit (loss) on banking and insurance operations	**2,560**	**3,439**	**(879)**	**-25.6%**
Net recoveries (impairment)	17	(126)	143	n/s
Administrative expenses	(7,910)	(7,412)	(498)	6.7%
Other net operating income (costs)	12,681	11,920	761	6.4%
Operating income before adjustments to PPE and intangible assets	**7,348**	**7,821**	**(473)**	**-6.0%**
Net adjustments to PPE, intangible assets	(2,246)	(2,042)	(204)	10.0%
Operating income after adjustments to PPE and intangible assets	**5,102**	**5,779**	**(677)**	**-11.7%**

Administrative expenses increased to 7,910 million euro. This was mainly due to:

- the Fincantieri group (5,453 million euro, compared to 5,033 million euro in 2018), as a result of increased production volumes during the year;
- the companies operating in the gas transport, distribution, re-gasification and storage sector (1,434 million euro, compared to 1,285 million euro in 2018), partly as a result of business combinations carried out during the year;
- the companies of the Terna group (583 million euro, compared to 646 million euro in the previous financial year).

Other net operating income (costs) of 12,681 billion euro mainly include the revenues from the core business of the Snam, Italgas, Terna and Fincantieri groups. The 761 million euro increase in this item is mainly due to the higher turnover of the four companies, specifically, of Fincantieri for 331 million euro, Snam for 132 million euro, Italgas for 267 million euro and Terna for 29 million euro.

There was an increase in net adjustments to property, plant and equipment and intangible assets, mainly attributable to the Snam, Terna, Fincantieri and Italgas groups which, as of 2019, include the amortisation of rights of use recorded following the introduction of IFRS 16.

The CDP Group's effective tax rate for 2019 was 31.5% (25.2% in 2018).

4.2.2.2 Reclassified consolidated balance sheet

Consolidated assets

The asset side of the reclassified consolidated balance sheet at 31 December 2019 is presented below, in comparison with the figures as at 31 December 2018:

Reclassified consolidated balance sheet

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Assets				
Cash and cash equivalents and other treasury investments	170,934	170,362	572	0.3%
Loans	105,664	104,898	766	0.7%
Debt securities, equity securities and units in collective investment undertakings	84,719	70,603	14,116	20.0%
Equity investments	18,952	20,396	(1,444)	-7.1%
Trading and hedging derivatives	499	812	(313)	-38.5%
Property, plant and equipment and intangible assets	52,547	46,464	6,083	13.1%
Reinsurers' share of technical reserves	1,002	852	150	17.6%
Other assets	14,407	10,696	3,711	34.7%
Total assets	**448,724**	**425,083**	**23,641**	**5.6%**

Group assets totalled over 448 billion euro, up by 5.6% (24 billion euro) compared to the figure recorded at the end of the previous financial year.

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

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

The equity investments item, which stood at 19.0 billion euro, decreased by 1.4 billion euro, mainly for the following reasons:

- Eni - the decrease deriving from net income for the year pertaining to the Group (including the effect of consolidation entries), equal to -162 million euro, and the change in valuation reserves, equal to 18 million euro. Added to these effects is the impact of the reversal of the dividend and other changes for a total value of -783 million euro;
- Poste Italiane - the positive effect of 385 million euro (including the effect of consolidation entries) deriving from net income for the year, as well as the effects of the change in valuation reserves, the reversal of the dividend and other changes, totalling 98 million euro;
- consolidation on a line-by-line basis of FSIA and Ansaldo Energia, following the ascertained control over both investees that, at 31 December 2018, had a value of 651 million euro and 439 million euro respectively.

Assets held for trading and hedging derivatives decreased by 38.5% (equal to 0.3 billion euro) on the previous financial year, falling from 0.8 billion euro to 0.5 billion euro. This item includes the fair value (where positive) of hedging derivative instruments, including operational hedges that do not qualify as hedges for accounting purposes.

Property, plant and equipment and intangible assets totalled 53 billion euro, recording an increase (6 billion euro) compared to the previous financial year. This change was primarily due to:

- the 3.5 billion euro contribution of the companies of the SIA group and of the Ansaldo Energia group, including the effect of the temporary allocation to goodwill of the higher value of equity investments compared to their corresponding shares of equity;
- investments made by the Terna, Snam, Italgas and Fincantieri groups, offset by decreases associated with the respective purchase price allocation processes. In addition, in the amount of 0.4 billion euro, the increase is attributable to the recognition of rights of use following the adoption of IFRS 16.

At 31 December 2019, the reinsurers' share of technical provisions was 1 billion euro, marking a 17.6% increase compared to the previous financial year. This value is affected by the increased disposals carried out in 2019, to support the development of the business. Around 82% of the reinsurance commitments were ceded to the Ministry for the Economy and Finance (MEF) pursuant to the Agreement between SACE and the MEF approved with Italian Prime Minister's Decree of 20 November 2014, registered at the State Audit Court on 23 December 2014. A share of 16% was ceded to the private reinsurance market, represented by the main counterparties active at a global level. Lastly, a marginal share (3%) was represented by reinsurance cessions with other ECA in accordance with the bilateral agreements in force.

Other assets increased to 14.4 billion euro (+34.7% on 2018) and mainly include the contribution of Fincantieri (4.7 billion euro), Snam (2.4 billion euro), CDP (2.1 billion euro), Terna (1.6 billion euro), Italgas (1.1 billion euro), Ansaldo Energia group, which contributes to the overall balance for 1.6 billion euro, and the increase in the adjustment value of the financial assets subject to macrohedging held by the Parent Company for 1.3 billion euro.

Consolidated liabilities

The liability side of the reclassified consolidated balance sheet at 31 December 2019 is presented below, in comparison with the figures as at 31 December 2018:

Growth in funding (+5%) and total liabilities (+5.6%)

Reclassified consolidated balance sheet

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Liabilities and equity				
Funding	385,719	367,226	18,493	5.0%
of which:				
- postal funding	*265,067*	*258,040*	*7,027*	*2.7%*
- funding from banks	*60,082*	*63,859*	*(3,777)*	*-5.9%*
- funding from customers	*18,705*	*7,795*	*10,910*	*n/s*
- bond funding	*41,865*	*37,532*	*4,333*	*11.5%*
Liabilities held for trading and hedging derivatives	3,145	908	2,237	n/s
Technical reserves	2,812	2,675	137	5.1%
Other liabilities	13,591	10,986	2,605	23.7%
Provisions for contingencies, taxes and staff severance pay	7,347	6,556	791	12.1%
Total equity	36,110	36,732	(622)	-1.7%
Total liabilities and equity	**448,724**	**425,083**	**23,641**	**5.6%**

The CDP Group's total funding stood at 386 billion euro at 31 December 2019, up by 5% on the end of 2018.

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

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Due to central banks	**2,484**	**2,487**	**(3)**	**-0.1%**
Due to banks	**57,598**	**61,372**	**(3,774)**	**-6.1%**
Current accounts and demand deposits	23	36	(13)	-36.1%
Fixed-term deposits	1,815	953	862	90.5%
Repurchase agreements	41,197	45,591	(4,394)	-9.6%
Other loans	12,301	12,695	(394)	-3.1%
Other payables	2,262	2,097	165	7.9%
Funding from banks	**60,082**	**63,859**	**(3,777)**	**-5.9%**

The following components contributed to funding levels:

- funding from banks, down compared to the previous financial year, mainly as a result of the decline in the Parent Company's repurchase agreements;
- funding from customers, the increase in which was mainly due to the increase in the balance held by the Parent Company through OPTES transactions;
- bond funding, mainly composed of bonds issued under the EMTN programme, retail bond issues, "Stand alone" issues by the Parent Company guaranteed by the Government and bonds issued by Snam, Terna and Italgas. The balance of this item, up 11.5% compared with the previous year, reflects the following transactions carried out in the period:
  - new bond issues totalling approximately 2.6 billion euro, of which 0.75 billion euro of social bonds, 1.5 billion euro of retail bonds and 0.1 billion euro of Panda Bonds, and the increase in Commercial Papers, only partly offset by the maturities of EMTN securities recorded in the period;
  - the bond issues of the subsidiary Snam recorded an increase of 0.6 billion euro compared to 31 December 2018 mainly as a result of the issue: (i) of the Climate Action Bond, with a nominal amount of 500 million euro, at fixed rate and with maturity on 28 August 2025; (ii) of a private placement with a nominal amount of 250 million euro, at fixed rate and with maturity on 7 January 2030; (iii) of a dual tranche bond with a nominal amount of 700 and 600 million euro, respectively, for a total of 1.3 billion euro, at fixed rate with maturity on 12 May 2024 and 12 September 2034, respectively. These changes were partly offset by: (i) the repayment of a fixed-rate bond due on 18 January 2019, of a nominal amount equal to 519 million euro; (ii) the repayment of a fixed-rate bond due on 24 April 2019, of a nominal amount equal to 225 million euro; (iii) the repayment of a 10 million Japanese yen bond due on 25 October 2019, of a nominal amount equal to 83 million euro on maturity; (iv) the repurchase on the market of fixed-rate bonds for a nominal value totalling 597 million euro with an average coupon rate of 1.3% and residual maturity of around 3.9 years. The total disbursement arising from the repurchase of the securities as part of the Liability Management transaction, concluded in December 2019, amounted to a total of 626 million euro, including the commissions paid to intermediaries and accrued interest (5 million euro in total);
  - as regards Italgas, the increase in bond funding, amounting to 0.4 billion euro, is related principally (i) to two new bonds, issued in July 2019 and in December 2019, with a nominal amount of 600 million euro and 500 million euro, respectively, partially offset by a reduction related to the buyback transaction of two previous bonds for a total nominal amount of 650 million euro;
  - with regard to Terna, the increase in bond issues (+0.6 billion euro) is attributable to three fixed-rate bond issues in euro launched during 2019, amounting to a total of 1,250 million euro, and the redemption in October of the 600 million euro bond issue launched on 3 July 2009;
  - the line-by-line consolidation of the Ansaldo Energia group contributes 0.6 billion euro to the overall balance.

Excellent bond funding performance (+11.5%)

Liabilities held for trading and hedging derivatives totalled 3.1 billion euro, up by 2.2 billion euro compared with the previous financial year. The change is attributable to the greater negative value of the hedging derivatives subscribed by the Parent Company.

Technical provisions refer solely to the SACE group and include reserves intended to cover, as far as they can be reasonably foreseen, the commitments taken with reference to the group's insurance business. At 31 December 2019, the item in question (including the effect of consolidation entries) was around 2.8 billion euro, essentially unchanged compared with the previous financial year.

Other liabilities, which totalled approximately 13.6 billion euro, include not only the other liabilities of the Parent Company, but also significant balances relating to other Group companies, such as total trade payables (6.4 billion euro) and contract work in progress (2.0 billion euro). The increase of 2.6 billion euro is mainly attributable to Italgas (0.3 billion euro), Snam (0.2 billion euro), Terna (0.5 billion euro), the Ansaldo Energia group (1.4 billion euro) and the SIA group (0.2 billion euro).

Provisions for contingencies, taxes and staff severance pay stood at approximately 7.3 billion euro at 31 December 2019, up 0.8 billion euro mainly as a result of greater provisions for risks and charges of the Parent Company and the contribution of the Ansaldo Energia group, consolidated on a line-by-line basis as of 31 December 2019.

Equity amounted to approximately 36.1 billion euro at 31 December 2019 and is presented below in comparison with the previous financial year. Equity pertaining to the Group and that pertaining to non-controlling interests was basically unchanged with respect to the previous financial year, reflecting:
- changes in terms of equity investments and the scope of consolidation, analytically described in the notes to the consolidated financial statements;
- the uptrends deriving from the positive result for the period and the downtrends linked to the payment of dividends and to the change in the value of treasury shares held in the Parent Company's portfolio.

(millions of euro; %)	31/12/2019	31/12/2018	Change (+/-)	(%) change
Group's Equity	23,550	24,056	(506)	-2.1%
Non-controlling interests	12,560	12,676	(116)	-0.9%
Total equity	**36,110**	**36,732**	**(622)**	**-1.7%**

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

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

Reclassified income statement by business segment

(millions of euro)	Companies subject to management and coordination				Companies not subject to management and coordination	Total
	Support for the economy	International expansion	Other segments	Total (*)		
Net interest income	**1,377**	**138**	**13**	**1,528**	**(320)**	**1,208**
Dividends	1,424	3	450	14	2	16
Gains (losses) on equity investments		1	1	2	429	431
Net commission income (expense)	77	50	6	133	(38)	95
Other net revenues (costs)	726	(1)	30	755	(109)	646
Gross income	**3,604**	**191**	**500**	**2,432**	**(36)**	**2,396**
Profit (loss) on insurance business		164		164		164
Profit (loss) on banking and insurance operations	**3,604**	**355**	**500**	**2,596**	**(36)**	**2,560**
Net recoveries (impairment)	72	(39)	(9)	24	(7)	17
Administrative expenses	(181)	(165)	(95)	(441)	(7,469)	(7,910)
Other net operating income (costs)	7	7	13	27	12,654	12,681
Operating income	**3,502**	**158**	**409**	**2,206**	**5,142**	**7,348**
Net provisions for risks and charges	(50)	3	27	(20)	(93)	(113)
Net adjustment to property, plant and equipment and intangible assets	(15)	(9)	(34)	(58)	(2,188)	(2,246)
Other			5	5	(18)	(13)
Income (loss) for the year before tax	**3,437**	**152**	**407**	**2,133**	**2,843**	**4,976**
Income taxes						(1,565)
Net income for the year						**3,411**

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

Key reclassified balance sheet figures by segment

(millions of euro)	Companies subject to management and coordination				Companies not subject to management and coordination	Total
	Support for the economy	International expansion	Other segments	Total		
Loans and cash and cash equivalents	267,614	2,512	965	271,091	5,507	276,598
Equity investments		9	58	67	18,885	18,952
Debt and equity securities and units in collective investment undertakings	79,568	4,211	168	83,947	772	84,719
Property, plant and equipment/ technical investments	347	94	1,583	2,024	37,331	39,355
Other assets	278	130	119	527	10,192	10,719
Funding	349,625	1,322	1,418	352,365	33,354	385,719
- of which: bonds	*19,962*	*532*	*417*	*20,911*	*20,954*	*41,865*

The financial data reported above were prepared considering the contribution of the four segments already net of the effects of consolidation entries, but without the elimination of dividends, which has instead been performed in the column aggregating the three segments "Support for the economy", "International expansion" and "Other sectors". The contribution of the three combined segments, which present a profit before tax of 2.1 billion euro, is collectively represented by the Parent Company and the companies subject to management and coordination, net of their investments, included in "Companies not subject to management and coordination". The latter had a profit before tax of 2.8 billion euro.

4.2.2.4 Consolidated statement of reconciliation

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

Reconciliation between equity and net income of the Parent Company and consolidated equity and net income

(millions of euro)	Net income for the period	Share capital and reserves	Total
Parent Company's financial data	**2,736**	**22,214**	**24,950**
Balance from financial statements of fully consolidated companies	2,349	28,875	31,224
Consolidation adjustments:			
- Carrying amount of directly consolidated equity investments		(23,243)	(23,243)
- Differences of purchase price allocation	(361)	7,948	7,587
- Dividends from fully consolidated companies	(802)	802	
- Measurement of equity investments accounted for with the equity method	185	8,587	8,772
- Dividends of companies measured with the equity method	(1,061)	(10,719)	(11,780)
- Elimination of intercompany transactions	(46)	(210)	(256)
- Reversal of measurements in the separate financial statements	238	483	721
- Value adjustments	(4)	(95)	(99)
- Deferred tax assets and liabilities	64	(1,892)	(1,828)
- Other adjustments	113	(51)	62
- Non-controlling interests	(1,627)	(10,933)	(12,560)
Group's financial data	**1,784**	**21,766**	**23,550**

5. Corporate governance

Communications & engagement, media relations and sustainability

Communications & Engagement

A new Group identity, in line with the Company mission

With the 2019-2021 Business Plan CDP has truly made a change of pace that, on the communications front, has seen the implementation of a new external relations plan whose main objective is the creation of a new Group identity consistent with CDP's mission.

To guarantee the plan's full execution, the reorganisation of the structure envisages the creation of new units including: the Content Factory, responsible for ensuring the monitoring and uniformity of the messages conveyed inside and outside the company through all communications channels; the Web and Digital Communications unit to strengthen communications through digital channels; the People and Stakeholder Engagement unit which will encourage dialogue with employees and stakeholders. With regard to activities, a particular boost was given to the development of local communications and the communication of strategy and equity operations.

At the same time, the team was also reinforced thanks to the arrival of new professionals, some even from Group companies and subsidiaries, all in an effort to foster synergistic collaborations with them.

On 2 June – Italian Republic Day – new Group communications assets were deployed, some for the first time. In fact, on that occasion CDP launched its new brand identity which evokes Italy and growth to align the Group's image with its mission. This was followed by the start of the rebranding process, which began with a simplification of the brand's architecture and involved all communications tools. Concurrently, an institutional advertising campaign was launched to consolidate the new identity and promote the subsequent bond issue.

Following a rationalisation and simplification of the Group's range of products and services, the first product catalogues targeting businesses and public administrations were created and digital communications systems were introduced, like newsletters and direct marketing.

Digital channels underwent an extensive redesign with the objective of offering stakeholders a digital multidevice platform for immediate access to information, CDP services and financed projects. Some of the main projects launched in 2019 include the new responsive website, completely renewed in its structure and content, and a new social identity that amplifies contact with stakeholders and contributes to building the Group's reputation.

An extensive programme of national and local events

In an effort to convey its commitment and proximity to enterprises and local communities, CDP has developed a new storytelling initiative that includes broadcasting success stories on digital channels and placing plaques on works created thanks to the contribution of CDP and Group companies.

Again, with the aim of strengthening the Group's identity, an ambitious calendar of events was launched at both local and central level.

In particular, three of the CDP Group's new integrated territorial offices were inaugurated in Verona, Genoa and Naples, and the first CDP corners were opened at banking foundations. In parallel, CDP organised numerous other events throughout the country like Officina Italia, Spazio Imprese and Spazio PA to promote listening and dialogue with local businesses and local entities and to create training opportunities on products, initiatives and innovation processes.

Furthermore, several major national and international institutional events were organised. Among these was the inaugural event celebrating CDP's 170th anniversary, featuring the participation of Italian President Mattarella and the country's highest ranking officials. The event was an example of an integrated approach to communications. In fact, an advertising campaign dedicated to the kick-off of the celebrations and new postal savings bonds was also launched for the occasion, celebrating CDP's historic role as a postal savings issuer and a lever for the country's sustainable development. At that same event, CDP made available an array of digital tools, like the cdp.it/170 mini-site and the new Instagram profile, along with traditional tools such as the photograph album illustrating CDP's 170 years of history and the celebratory stamp.

Finally, the Group Convention was held at the end of the year with over 2,000 people attending, an opportunity to share the results achieved one year after the launch of the Business Plan and to develop ideas and projects for the CDP Group's future, all the way to 2030.

Media relations

Dialogue with all media based on a proactive approach

Starting in the last months of 2018 and during 2019, the Media Relations office refocused its efforts on starting a dialogue with all the media based on a proactive approach, essentially changing direction with respect to the recent past.

The new approach was immediately aimed at strengthening and expanding relations with the press. With a transparent, constant flow of communications – both when proposing individual initiatives and responding to critical issues – it was possible to set up a communications system capable of making the CDP Group's scope of activities progressively clearer to the media, particularly in light of the new Business Plan, as well as explain the rationale and objectives of individual operations currently under way.

The Media Relations area has taken care of every aspect of strengthening relations with the press and acting as a point of reference for the entire scope of activities and equity investments of the CDP universe thanks to the frequent and continuous contacts it has made, its prompt responses to all press requests and a detailed description of the numerous transactions communicated.

This new approach was adopted in the presence of a significant expansion of the target media, together with a greater frequency of one-to-one meetings with journalists, and has helped strengthen awareness among the press of the Group's mission and areas of intervention. The result is clearly evident in the generous return in terms of press coverage, but above all in a substantial improvement in quality, clarity and completeness of content and key messages, always focused on illustrating the 2019-2021 Business Plan.

Finally, it should be stressed that this commitment has made it possible to establish a more collaborative approach with the press, which in turn has led to more effective management and more complete and correct information, even in critical situations.

Sustainability

Sustainability at the heart of the CDP Group's strategic choices

With the 2019-2021 Business Plan CDP has set off in a new direction, placing sustainability at the heart of its strategic choices. This orientation includes, among other things: (i) an Impact Assessment of CDP-funded projects on sustainable development employing methods consistent with international standards, and the concurrent development of its own methodology for assessing the impacts of the CDP Group's operations; (ii) the launch of a structured process to listen to its stakeholders, in order to define the strategic priorities reported in the Non-Financial Statement ("NFS") and in the next (and first) Sustainability and Impact Report; (iii) a Plan of Corporate Social Responsibility initiatives aimed at promoting cultural change within the CDP Group; (iv) the implementation of business development activities in a sustainable manner; and (v) the definition of Sustainability Regulations (i.e. Regulations, Processes and Procedures) designed to incorporate sustainability in CDP's business and operations.

As part of the Impact Assessment, starting in the second half of 2019 the impact of initiatives financed by CDP on sustainability was assessed using methods consistent with international standards. Moreover, an assessment model was defined and developed to adapt to the mixed characteristics of the CDP Group's operations.

To give stakeholders more of a voice, the first CDP Multi-stakeholder Forum was held on 28 November 2019, where more than 60 representatives of the main stakeholders came to make their requests and priorities known with respect to the relevant issues of CDP's strategy. The Forum had a threefold objective: promote the actions taken and commitments made by CDP as it more fully develops its role, strategies and the context it operates in; strengthen CDP's ability to listen to and engage with its stakeholders; and offer concrete proposals for the continuous improvement of its ability to respond to the real needs of the country.

Furthermore, during 2019 the new materiality matrix was also defined, a tool that makes it possible to identify "material" issues, i.e. the most important issues for the company and external stakeholders. In addition to being an essential tool for non-financial reporting, the matrix also represents a strategic lever to create greater internal awareness of sustainability, guide corporate strategies and achieve full transparency with respect to stakeholders.

Finally, a new data collection process was put in place for the purpose of annual sustainability reporting (Non-Financial Statement and Sustainability and Impact Report). This process involves the appointment of a person responsible for sustainability in each professional category of the Group, with the task of ensuring the reliability, accuracy and completeness of the data.

A new corporate social responsibility plan for a more responsible and sustainable way of life

As part of its Corporate Social Responsibility initiatives, a number of projects have been launched to raise awareness among employees of the need for a more responsible and sustainable lifestyle. These include:

- the Zero Plastics initiative, which provided for the elimination of disposable plastic products (plastic cups, bottles and water dispensers) from the premises of Group companies, their replacement with environmentally friendly products and the gift of a steel water bottle to all employees.
- the Paperless Project, with the goal of substantially reducing the production of printed documents and the use of paper in the company to contain consumption and reduce CDP's ecological footprint. The project also includes the planting of 100 trees to offset the CO_2 emissions related to the consumption of paper and toner in 2018.
- Paper Recycling Days, dedicated to recycling paper, a circular economy initiative linked to the disposal of waste paper which also provided for the planting of a further 10 trees in the CDP Forest;.
- the Health and Wellness Project, which promoted the first flu vaccination campaign for all employees.

Activities to develop business in a more sustainable manner included:
- participation in the European initiative for the transition to a circular development model — called Joint Initiative on Circular Economy (JICE) — together with the EIB and the main National Promotional Institutions.
- management of the ESG (Environmental, Social and Governance) rating update process issued by VIGEO through the collection and processing of information and data on CDP's non-financial performance, which resulted in a significant increase in the score compared to 2017, for an overall performance that is defined as solid.

Moreover, during 2019 the drafting of the Sustainability Regulations also began, in line with CDP's strategic priorities and regulatory framework and the definition of processes and procedures for identifying roles and responsibilities with regard to sustainability.

Finally, in order to strengthen the cooperation to promote sustainable development, the "CDP Group Sustainability Manifesto" was signed by all the CEOs of the Group companies at the year-end convention. Defining 4 commitments and 17 concrete and distinctive actions, the document illustrates the current challenges of sustainability and provides a guide on how to seize the opportunities offered by greater attention to environmental, social, economic and governance aspects.

Institutional relations

Presentation of the business plan to the parliamentary groups

In 2019, the institutional relations with: i) national and central institutions (Government, Parliament, the Parliamentary Supervisory Committee on CDP's separate account, independent authorities and other national administrations); ii) local institutions (Regions, Metropolitan Areas, Provinces, Municipalities, and Bank Foundations); and iii) the reference stakeholders (trade associations, institutional investors, foundations, universities, and think tanks) were subject to coordinated management and development.

The institutional activities carried out at national level included meetings for the purpose of introducing the 2019-2021 Business Plan to the major parliamentary groups (the Five Star Movement, the League and the Democratic Party), and meetings between CDP's senior management and the main institutional stakeholders, including Government representatives, the Presidents of the Italian Parliament and Senate, the main parliamentary representatives (Committee Chairmen) and the Independent Authority Presidents. A parliamentary hearing on International Development Cooperation was also organised.

Approval of proposed Group regulations

The company units were also supported in order to facilitate their dialogue with the related institutional representatives, regarding the projects part of the 2019-2021 Business Plan (Real Economy Project, dialogue with Ministry of the Environment, Land and Sea for Hydrogeological Instability projects, and the Social Security Product Project). The institutional dialogue and the related strategies were also implemented as regards the Group's energy transition-related projects (waste-to-fuel, sea energy, and renewables), which involve the establishment of joint ventures with other Group companies, particularly concerning the dialogue with the independent Regulatory Authorities and the competent Ministries.

Institutional support was also provided for the establishment of the National Innovation Fund.

The latest government budget package included the following measures of interest to the CDP Group:
- CDP cash advances to Local Entities for the payment of certain, liquid and collectable debts accrued at 31 December 2019;
- extension of the interest grants to financial intermediaries for export support.

The work of the Parliamentary Supervisory Committee on CDP's separate account involved the organisation – following the election of the parliamentary members and the appointments of the so-called "lay" members – of the inaugural meeting of the Committee for the 18th Legislature, together with the subsequent meeting.

Event on 170 years of CDP

The organisation of the inauguration event marking the 170th anniversary of the founding of CDP included the preparation of the institutional guest lists, including the other company units' guest lists. Relations were managed with the invited institutional representatives, together with the event ceremony, which was attended, among others, by the President of the Republic, the Prime Minister, ten Ministers, four Independent Authority Presidents, and numerous Members of Parliament, including four Committee Chairmen.

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

With regard to the institutional activities carried out at local level, meetings for the presentation of the 2019-2021 Business Plan were organised between CDP's senior management and the main Local Entity stakeholders, which led to the subsequent signing of "City Plans" with several Italian Municipalities and Regions (Naples, Turin, Perugia, Genoa, Florence, the Venice Municipality and the Veneto Region, the Sicily Region, and the Piedmont Region).

Identification of best practices with ANCI

Support was provided, in cooperation with the other company structures involved, for CDP's participation in the 36th Assembly of the ANCI (*Associazione Nazionale Comuni Italiani* - National Association of Italian Municipalities). During the event a collaboration agreement was signed between CDP, the ANCI and the IFEL (Institute for Finance and Local Economy) Foundation for the development of projects of common interest.

Synergies with ACRI and banking foundations serving the local areas

The activities carried out in relation to the banking foundations included participation in the meetings of the Support Committee and the launch of a project, in collaboration with the Italian Banking Foundations Association ACRI (*Associazione di Fondazione e di Casse di Risparmio*), for the opening of CDP Group information spaces at the premises of the foundations.

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

Stakeholder monitoring for greater involvement in CDP activities

With regard to the monitoring of relations with stakeholders and associations, an initial mapping was conducted of CDP's potential stakeholders, for the private, association and financial segments. Contacts were initiated for the presentation of the Group and the 2019-2021 Business Plan, aimed at broadening the range of CDP's stakeholders and promoting their involvement in projects of significant interest. This work also formed part of the preparations for the opening of the local offices, the Multistakeholder Forum and the Officina Italia meetings, as well as the completion of the overall database of invitations for the opening event of the celebrations of the 170th anniversary of the foundation of CDP.

In collaboration with the other company functions involved, support was provided in the drafting and signing of memorandums of understanding with important stakeholders such as *Coldiretti/Filiera Italia*, ADEPP, *Alleanza delle Cooperative* and Leonardo Company, for the development of projects of common interest. Dialogue was also initiated with the major association stakeholders regarding agreements to be signed in early 2020 (e.g. Confindustria, Confcommercio and Assoporti), in addition to the promotion of the Group's instruments for the production sectors (pharmaceuticals, batteries, and agri-food).

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

The activities also involved participation in the working group of the National Economic and Labour Council (*Consiglio Nazionale Economia e Lavoro* - CNEL) for the drafting of the Seventh Annual Report on the quality of services provided by central and local government entities to citizens and businesses, for the year 2018, to be presented to Parliament on 15 January 2020.

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

Human Resource Management

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

In 2019, human resources were managed in line with the strategic guidelines of the Business Plan, which generated a considerable discontinuity compared to the past, requiring the adaptation of company skills and the strengthening of human resources attraction, retention and engagement tools. This was done through significant investment in new hires, aimed primarily at recruiting new skills currently not present in CDP, including engineers and industrial planners, to support the growing operations of the business functions. The selection and hiring were also conducted as part of newly introduced initiatives like internal recruiting days and the CDP Graduate Programme launched in the second half of 2019.

With regard to training and development, 2019 saw the start of the onboarding process aimed at accelerating the hiring and commitment of the new resources, the strengthening of vertical and transversal training programmes, as well as the launch of numerous people engagement initiatives including moments of sharing with the front lines and top management to promote knowledge of CDP, networking and the development of new ideas. As far as cross-cutting training is concerned, coaching courses were offered to managers in addition to other educational initiatives designed for employees in general, like off-site team building activities. Furthermore, in 2019 the first initiatives formally addressed to all CDP's investee companies were launched: the "Finance and Markets" course (17 sessions lasting 7 months) and the first Corporate MBA (lasting 2 years). Many of the cross-cutting initiatives were designed with the involvement of all the other Group companies with the aim of strengthening a unified culture by standardising the systems and practices adopted. Finally, during 2019, the first workshops were conducted to redefine CDP's value system, with a view to raising sensitivity and awareness in terms of expected behaviour.

In 2019, more than 200 resources were welcomed and managed in CDP via Hiring, Internships and Secondment. To further cultivate existing professional skills and increase job rotation both internally and within the Group, in 2019 over 130 mobility initiatives were organised and managed to encourage the sharing of skills and experience, enabling the colleagues involved to develop their professional profile and disseminate values, culture and managerial styles. With regard to welfare, the new projects developed have enabled the company to align itself with current best practices through the launch of the Flexible Benefits programme, the introduction of a portal entirely dedicated to welfare and the launch of further initiatives offering employees the possibility of benefiting from discounts and special prices. In order to facilitate the work-life balance, in 2019 the trade union agreement on smart working – launched in 2018 – was signed, which established an extension of the initiative that will allow participants to work with greater autonomy and flexibility.

The employer branding strategy is being refined through the launch of specially designed initiatives. In particular, 14 career days were held during 2019 at some of Italy's leading universities in order to boost the CDP Group's visibility in the country in accordance with the Business Plan's strategic guidelines.

Industrial relations

For the banking sector, 2019 was characterised by negotiations for renewal of the National Collective Bargaining Agreement applied to Cassa Depositi e Prestiti employees.

Within the Group, climate of collaboration and sharing policies companies

Within the Company, the entire year passed without tensions, in a climate of cooperation and sharing of corporate policies in line with the intention of consolidating positive relations with the Trade Union Representatives of the company and the region.

With regard to the trade union agreements signed during 2019, the following should be noted:
- an agreement was signed to extend Smart Working to a greater number of CDP employees, thereby consolidating the use of this agile work tool and policies for work-life balance;
- to implement the provisions of art. 48 of the National Collective Bargaining Agreement and art. 16 of the Supplementary Corporate Contract, an agreement was signed for the payment of the company bonus related to the results achieved in 2018. Pursuant to art. 1, paragraph 186 of Italian Law 208/2015, the possibility for personnel to convert the bonus into Flexible Benefits and supplementary pension plans was introduced;
- in accordance with Italian Law no. 388/2000, in order to strengthen the development of the skills of the company's human capital, agreements were signed for access to co-financing recognised by the bilateral body "Fondo Banche Assicurazioni" as part of company training plans.

During the year and together with all the subsidiaries concerned, at the request of the RSAs the procedure pursuant to art. 17 of the National Collective Bargaining Agreement was initiated with regard to any impacts on the CDP Group staff related to the launch of a programme to rationalise and increase the efficiency of spaces and workplaces.

Within the Group, during the year the competent corporate function was involved in providing important support to companies subject to management and coordination in the definition of certain company agreements and in liaising with national and territorial trade union bodies. Of particular note is the migration of the collective bargaining applied to CDP Ventures SGR staff and the participation in the sector's solidarity funds to accompany early retirement for CDP Immobiliare and SACE employees.

Assessment of remuneration of directors with specific responsibilities

At the meeting held on 24 October 2019 and subsequently at the CDP Shareholders' Meeting held on 8 November 2019, following the resignation of Massimo Tononi, the Board of Directors appointed Giovanni Gorno Tempini as Chairman of the Board of Directors.

Although Giovanni Gorno Tempini took office, in accordance with regulatory requirements[19] the policy adopted for the remuneration of the Chairman of the Board of Directors and that of the Chief Executive Officer remained unchanged in 2019.

In fact, in view of the duties assigned by the Articles of Association and the Board of Directors to Mr Gorno Tempini, at its meeting of 18 December 2019, the Board of Directors approved the proposal for a resolution of the Remuneration Committee concerning the determination of the remuneration of the Chairman of the Board of Directors.

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

Unchanged the policies adopted for the remuneration of the Chairman of the Board of Directors and the CEO

As a consequence, the following remuneration components were recognised:

Chairman of the Board of Directors

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

Chief Executive Officer[20]

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

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

Three-year incentive component: a further three-year component - the LTI (Long Term Incentive) - is paid only if, in each of the three years, the objectives set for the year in question have been achieved.

Severance indemnity: in keeping with the best practices of reference markets and in continuity with the previous term, a severance indemnity is envisaged for the Chief Executive Officer, also paid in advance upon request or initiative of the Company (except for situations of just cause or voluntary resignation), equal to the algebraic sum of the fixed and variable remuneration, to the fullest extent provided for (including the pro rata amount of the LTI), due for one year of office.

Benefits: in line with the previous term, the Chief Executive Officer receives benefits in the form of insurance cover.

IT Systems and Internal Projects

CDP's new 2019-2021 Business Plan has considerably expanded the Group's scope of operations, with significant impacts on ICT, which is one of the key factors for making many of the Plan's initiatives possible.

A mindset that continuously stimulates innovation

In this context, in 2019 CDP developed a vision of ICT transformation with the aim of evolving from a traditional model of ICT services management to an agile and fully digital model capable of fostering a culture and mindset that continuously stimulate innovation.

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

Concurrent with the internal transformation, for processes, technologies and skills broad support was guaranteed to the Business Plan initiatives through the implementation of ICT services to develop new tools, simplify processes and improve productivity. In particular, it should be noted that:

- the implementation of a CRM to support CDP's commercial, marketing, relationship and institutional activities has been launched;
- CDP's information assets on the Enterprise Data Hub platform based on Big Data technology and integrated with a Data Quality Management layer able to ensure data consistency and quality have been further developed. The company's information assets are being supplemented with CDP group data and advanced analysis tools in self-service mode are being implemented;
- the IT security controls have been reinforced through a series of actions, including the establishment of a 24-hour Security Operations Centre for the centralised collection and analysis of security events, the strengthening of perimeter protection and the implementation of an awareness plan involving all personnel;
- a process digitisation programme has been launched with the aim of automating and making business processes more efficient, as well as progressively reducing the use of paper;
- the chain of collection and payment systems is being re-engineered in order to bring CDP into compliance with the Eurosystem's Vision 2020 on T2-T2S Consolidation and upgrade the current technology platforms;
- the Anacredit project for the collection of granular credit data relating to loans and guarantees for counterparties identified as legal entities has been completed. Furthermore, IFRS 16 has been adopted for the representation of leases;
- the CDP website was completely renewed, and at the same time an important initiative to digitise the company's products was launched in order to respond more effectively to the needs of customers at a Group level through a targeted, more accessible product offering;
- the new offices in Verona, Genoa and Naples have been outfitted in terms of technology through the creation of a model office that can be replicated in other locations opening in 2020;
- a programme was launched to develop the new Finance system, extending it to new products (credit, securities financing and exchange traded funds) and new business functions (operational limit management, advanced market data acquisition);
- in terms of innovative technologies, some prototypes were developed in the areas of blockchain, artificial intelligence and machine learning.

In the area of business products, activities have been launched to manage the contribution of resources made available by third parties to the SME Fund ("Fundraising"), the management of the amendment to the ABI-CDP agreements on Mandatory Early Redemption, the management of the new product for public bodies "Development Cohesion Fund". Moreover, the renegotiations for the municipalities, provinces and metropolitan cities have been carried out and made operational.

Finally, the implementation of the new loans system (Galileo) is progressing with the aim of replacing the current legacy mainframe-based systems with a new architecture based on open-source and innovative technologies.

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

Internal Control System

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

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

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

First level controls (line controls) are conducted by operational and administrative structures. These controls are built into organisational procedures and are designed to ensure that operations are carried out correctly.

Second level controls (risk management controls) are carried out by separate organisational units and are designed to help establish risk measurement methods and verify that the operational limits set for the various departments are respected, as well as verify that operational activities and results achieved by production units comply with their allocated risk objectives and performance targets, and ensuring that the risk governance polices are properly implemented and that the internal practices and rules comply with applicable regulations.

Internal audit: a permanent, independent and objective function

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

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

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

The Internal Audit function provides an independent and objective assessment of the completeness, adequacy, functionality and reliability of the CDP Group's organisational structure and overall internal control system, and assesses the proper functioning of the processes, the safeguard of assets, the reliability and integrity of the accounting and operational information, as well as compliance with internal and external regulations and management guidelines.

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

Issues identified during each audit engagement are immediately reported to the relevant operational units so they can implement corrective actions. The Internal Audit function notifies Management, the Board of Directors Risk Committee, the Board of Statutory Auditors, the Supervisory Body, the Chairman and Chief Executive Officer of improvements that can be made to the risk management policies, the instruments used to measure risk, and the various company procedures.

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

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

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

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

Financial and operational risk management systems

In 2019, CDP continued the process of strengthening and updating the risk management methods and systems.

Management of credit risk, rating and scoring

To measure credit risk, CDP uses a proprietary portfolio model, which takes into account, among others, exposures to public entities in the Separate Account. The model is a "default mode" model, i.e. it considers credit risk based on the losses associated with the possible default of borrowers rather than the possible deterioration in credit quality indicated by an increase in spreads or rating changes. Since it adopts a default-only approach, the model is multi-period and simulates the distribution of losses from defaults over the entire life of outstanding transactions. This allows to capture the effect of migrations between credit ratings, not limited to default. This credit model allows for the calculation of a variety of risk metrics (VaR, TCE[21]) both for the entire portfolio and for single borrowers or business lines. It is used for assessing the risk-adjusted performance in the Ordinary Account and for loans to private borrowers in the Separate Account, with the exclusion of the liquidity funds in support of the economy via the banking system.

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

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

Internal ratings play an important role not only in the credit-granting and credit-monitoring process, but also in the decision-making process as a whole. In particular, internal concentration limits are defined in terms of the internal rating and may lead to the need for an analysis of the

21 Value at Risk at a given confidence level (e.g. 99%) represents an estimate of the level of loss that is exceeded only with a probability equal to the complement (to 100%) of the confidence level (e.g. 1%). The Tail Conditional Expectation (TCE) at a given confidence level represents the expected value of the losses ("extreme") that exceed the VaR.

loan operation by the CRO and/or the Internal risk committee, the need to submit the proposal to the Board of Directors to grant a specific exemption or, in some cases, the inadmissibility of the transaction. The internal rating is normally updated on a yearly basis, unless events or information cause the need for a prompt change to the assigned rating.

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

Management of operational, liquidity and interest rate risk

Interest rate and inflation risk are measured using the AlgoOne suite by Algorithmics (now part of SS&C Technologies), mainly adopted to analyse the possible changes in financial statement items as a result of interest rate movements. During the financial year, a version of the software was migrated in order to keep the system in line with the latest functional and technological standards available on the market, as well as to increase its analysis and simulation potential. The system can carry out sensitivity analyses and stress tests, in addition to calculating the VaR in the banking book. For Postal Funding products, CDP uses investor behaviour scenarios in its models.

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

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

With regard to the risk profile of derivatives, of securities and of securities financing transactions, the Risk Management Function uses the front office application, Murex. This system allows for the specific monitoring of positions of the mark-to-market evaluation (also for the exchange of collateral margins). Furthermore the system provides several sensitivity and scenario analyses, which can be applied with regard to interest rate risk, counterparty risk, the analysis of the securities portfolio and hedge accounting.

With reference to operational risks CDP has developed a proprietary application (LDC) for the collection of internal data relating to both operating losses already occurred and recorded in the income statement, as well as operational risk events that did not generate an actual loss (near miss events). This application enables the centralized, secure management of the following activities:
- collection of internal operational loss data;
- accounting reconciliation of collected data;
- data validation;
- preparation of record layout to be sent to DIPO.

Apart from reducing the cost and the risk related to manual data management, this tool also guarantees the (i) integrity, confidentiality and availability of the information collected, as well as (ii) the traceability of the entire process, thanks to the user identification system, and (iii) a high level of control, thanks to a customizable system of automated messages and alerts.

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

In the area of money-laundering risk management, CDP has updated its Group policies and internal procedures in implementation of the Bank of Italy regulations issued during the year, as well as the Italian regulations transposing the 5th Anti-Money Laundering Directive. Specifically, to suitably address the increased complexity resulting from the changes in the regulatory landscape, several project activities have been carried out to strengthen the IT systems supporting the due diligence and monitoring processes, in order to enable the simplification of processes, the sharing of information at Group level, the automation of controls and the traceability of the assessments made, whilst ensuring sufficient levels of effectiveness and efficiency.

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

CDP's 231 Model: dynamic, specific and applied

CDP, in January 2006, has adopted an Organisation, Management and Control Model (hereinafter also "Model 231") pursuant to Italian Legislative Decree no. 231/2001, which identifies the Company areas and operations that are most exposed to the risk of criminal activities as defined in the Decree, the principles, rules and regulations for the Internal Control System introduced to supervise significant operating activities. This document is the result of the assessment of the corporate structure and operations of CDP, with the primary purpose of providing the Company with a Model that constitutes a protection from administrative liability in case predicate offences are committed by senior managers, employees or individuals acting on behalf of CDP and in its name.

The document consists of:

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

The Board of Directors, in the meeting held on 31 January 2019, approved the new version of the General Section of the 231 Model and the annex to the General Section containing the "List and description of the administrative crimes and offences envisaged by Legislative Decree no. 231/01". These documents were revised in order to:

- implement the new whistleblowing regulations introduced by Law no. 179/2017, including the implementation of the IT platform for the management of whistleblowing reports;
- incorporate the updated regulatory framework on the prevention of risk of crime of the collective entity.

A review of the entire Model will be carried out in 2020 in order to incorporate: *(i)* recent organisational and process changes in CDP; *(ii)* the latest regulations governing the administrative liability of entities; *(iii)* the results of the follow-up of the action plan.

Supervisory functions of the Board of Statutory Auditors

In compliance with the provisions of Article 6, paragraph 4-*bis*, the functions of the Supervisory Body have been assigned to the Board of Statutory Auditors, a collegiate body composed of five standing members, and two alternates, appointed by the shareholders' meeting. The Chairman of the Board of Statutory Auditors acts as Chairman of the SB.

The causes of ineligibility and forfeiture envisaged for statutory auditors by the applicable regulations and Articles of Association apply to the members of the Supervisory Body.

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

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

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

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

The CDP Group is aware that financial reporting plays a central role in establishing and maintaining positive relationships between the Company and its stakeholders. The internal control system, which oversees the company's reporting processes, is set up - including at Group level - in such a way as to ensure that reporting is reliable[22], accurate[23], dependable[24] and timely regarding Financial Reporting and the ability of relevant company processes on this point to produce this information in compliance with the applicable accounting standards.

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

The company's control system is structured to comply with the model adopted in the CoSO Report[25], an international reference model for the establishment, update, analysis and assessment of the internal control system. This model requires the achievement of the business objectives as a result of the integrated presence and correct operation of the following elements that, based on their characteristics, operate at organisational unit level and/or operating/administrative process level:

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

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

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

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

accounting procedures in the strict sense, business, management, control and support processes with a significant impact on the accounts are also taken into consideration.

At Group level, a Policy is in force that defines the methodological framework and operational instruments that the Parent Company, CDP, and the CDP Group companies are required to comply with for the application of Law no. 262/05, for the purposes of both individual and consolidated company reporting. The control model is based on an initial company-wide analysis of the control system in order to verify that the environment is, generally speaking, organised to reduce the risk of error or improper conduct with regard to the disclosure of accounting and financial information.

This analysis is undertaken by verifying the presence of elements, ranging from adequate governance systems to ethical and integrity-based standards of conduct, effective organisational structures, clear assignment of powers and responsibilities, an appropriate risk management policy, disciplinary systems for personnel, and effective codes of conduct.

At the process level, the approach consists of an assessment phase to identify specific potential risks which, if the risk event were to occur, could prevent the rapid and accurate identification, measurement, processing and representation of corporate events in the accounts. This process involves the development of risk and control association matrices that are used to analyse processes on the basis of their risk profiles and the associated control activities.

The process level analysis is structured as follows:
- an initial phase for the identification of the potential risks and the definition of the control objectives in order to mitigate those risks;
- the second phase involving the identification and assessment of the controls designed to mitigate potential risks (Test of Design – ToD);
- a third phase consisting of the identification of areas of improvement identified for the control.

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

The monitoring phase in CDP is structured as follows:
- sampling of the items to be tested;
- test execution (Test of Effectiveness – ToE);
- weighting of any anomalies detected and related assessment.

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

The residual risk is measured based on the following formula:

RI – OA = RR

where:

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

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

If anomalies are found in the ToDs and ToEs, a plan of corrective actions is produced and the anomalies are reported to the process owners, providing:
- a detailed description of the anomaly detected;
- the corrective action proposals identified, specifying: the deadline for implementation, the priority and the offices responsible.

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

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

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

To enable the Manager in charge with preparing the Company's financial reports and the management bodies delegated by the Parent Company to issue the certification pursuant to Article 154-*bis* of the Consolidated Law on Finance, specific information flows to the Manager in charge with preparing the financial reports of the Parent Company have been established, which, in addition to the operational flows for Law no. 262/2005 cycle, also envisage the sending of (i) the final report on the internal control system for financial reporting from the managers in charge with preparing the Group companies' financial reports to their respective boards of directors; and (ii) the intercompany "chain" certification system, regarding the data and information provided for the preparation of the consolidated financial statements of the Parent Company.

Independent Auditors

The 2019 financial statements of CDP are audited by the Independent Auditors PricewaterhouseCoopers S.p.A. ("PwC"), which are responsible for verifying, during the year, that the company accounts have been properly kept and that the accounting events have been recorded correctly in the accounting entries, and ascertaining that the financial statements for the year and the consolidated financial statements match the accounting books and the verifications made, and that said documents comply with supervisory provisions. The Independent Auditors issue an opinion on the parent company and consolidated financial statements, and on the half-yearly condensed consolidated financial statements.

The independent auditors are appointed by the Shareholders' Meeting in ordinary session, acting on a reasoned proposal put forward by the control body.

The current independent auditors were appointed in execution of a resolution of the May 2011 Shareholders' Meeting, which engaged that firm to audit the financial statements and accounts for the 2011-2019 period.

As the expiry of the current engagement approaches, during 2018 CDP launched preparatory activities to proceed with the selection procedures to identify the new independent auditor. The decision to bring the selection process forward by one year compared to the natural expiry of the audit engagement (approval of the 2019 financial statements) firstly arises from the need to respect the new limits introduced by Regulation (EU) no. 537/2014 of 16 April 2014 to ensure the independence of the auditor, which forbid public-interest entities – such as CDP and various subsidiaries – to grant, in the financial year immediately prior to the start of the new audit period, some types of engagements to the subject which is then granted the new audit engagement (so-called cooling-in period). In this context, CDP assessed the potential need for structuring, with the involvement of the audit committees (i.e. Board of Statutory Auditors) of CDP and the subsidiaries included in the "CDP Group" (for the limited purposes of granting the audit assignment, this means all the subsidiaries included in CDP's scope of consolidation), a single tender procedure (the "Single Procedure") aiming, where possible and considering the interest of each of the subsidiaries, to identify a single auditor for the CDP Group.

At the end of the selection process, carried out pursuant to Legislative Decree no. 50 of 18 April 2016 (Procurement Code), the Board of Directors of CDP submitted for the approval of the Shareholders' Meeting on 19 March 2019 the reasoned proposal of the Board of Statutory Auditors of CDP, in its capacity as Internal Control and Auditing Committee, to grant the audit engagement for the period 2020-2028 to the independent auditors Deloitte & Touche S.p.A..

Manager in charge with preparing the Company's financial reports

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

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

Article 24 – CDP's Articles of Association

1. Subject to the prior opinion of the Board of Statutory Auditors, the Board of Directors appoints the Manager in charge with preparing the Company's financial reports for a period of time not shorter than the term of office of the Board of Directors and not longer than six financial years, to perform the duties assigned to such manager under Article 154-*bis* of Legislative Decree no. 58 of 24 February 1998.
2. The Manager in charge with preparing the Company's financial reports must meet the integrity requirements established for the directors and cannot hold the offices indicated in Article 15, paragraph 4 *quater*, of the Articles of Association.
3. The Manager in charge with preparing the Company's financial reports shall be chosen in accordance with criteria of professional experience and competence from among the managers who have global experience of at least three years in the administrative area at consulting firms or companies or professional firms.
4. The Manager in charge with preparing the Company's financial reports can be replaced by the Board of Directors only for due cause, having obtained the prior opinion of the Board of Statutory Auditors.
5. The appointment of the Manager in charge with preparing the Company's financial reports shall lapse if that manager does not continue to meet the requirements for the office. The Board of Directors shall declare this disqualification within thirty days from the date on which the Board becomes aware of the failure to meet the requirements.

In order to ensure that the Manager in charge with preparing the Company's financial reports has resources and powers commensurate with the nature and complexity of the activities to be performed and with the size of the Company, and to ensure that such manager is able to perform the duties of the position, including in relations with other bodies and functions of the Company, the Board of Directors has approved the "Internal Rules for the Function of the Manager in charge with preparing the Company's financial reports", which were updated in October 2018.

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

- the adequacy and the actual application of the administrative and accounting procedures for the preparation of the condensed half-yearly report, the Parent Company financial statements and the consolidated financial statements;
- the compliance of the documents with IAS/IFRS;
- the matching of the documents with the accounting books and records;
- that the documents are suitable to provide a true and fair view of the financial position, performance and cash flows of the issuer and the companies included in the scope of consolidation;
- the reliability of the content of the report on operations and the interim report on operations.

In addition to holding a senior management position reporting directly to top management, the Manager in charge with preparing the Company's financial reports may also:

- access without restriction all company information considered relevant to the performance of his duties;
- interact on a regular basis with the Company's administrative and control Bodies;
- audit any company process that impacts the reporting process;
- undertake, in the case of companies included in the scope of consolidation and subject to management and coordination by the Parent Company, specific initiatives necessary or useful to the performance of activities associated with the performance of the Manager's duties at the Parent Company;
- make use of other company units to design and amend processes (Organisation and Processes);
- have at his disposal dedicated personnel and independent powers of expenditure within an approved budget.

In order to guarantee an effective, systematic and prompt flow of information, the Manager in charge with preparing the Company's financial reports periodically reports to the Board of Directors with regard to: (i) any critical issues arisen while performing his/her tasks; (ii) any plans and actions defined to overcome any issues found; (iii) the appropriateness of the means and methods for using the resources made available to the Manager in charge with preparing the Company's financial reports; (iv) the use of the assigned budget, and (v) the suitability of the administration and accounting internal control system.

The Manager in charge with preparing the Company's financial reports informs without delay the Board of Statutory Auditors about possible anomalies, deficiencies and critical issues regarding the administrative/accounting system, when deemed to be particularly relevant. Moreover, upon request of the Board of Statutory Auditors, he/she provides information[26] and assistance by taking part in the meeting of the Board when invited.

Always upon request, he reports on the activity performed and on the relevant results to the Supervisory Body pursuant to Legislative Decree no. 231/01, in order to establish a fruitful exchange of information with said body and improve the control actions in the areas deemed to be under greater potential risk. The Manager in charge with preparing the Company's financial reports liaises with the Independent Auditors in order to establish constant communication and exchange the information regarding the assessment and effectiveness of the controls regarding the administrative and accounting processes.

Insider Register

Cassa Depositi e Prestiti S.p.A. (CDP) has adopted the "Register of persons with access to CDP inside information" (hereinafter the "Register") in compliance with the requirements of European Regulation no. 596/2014 (and the related implementing regulations), which includes the reference regulatory framework concerning market abuse.

The Register - which has been established by CDP since 2009 as an issuer of debt securities traded on regulated markets - is divided into separate sections, one for each piece of inside information. A new section is added to the Register every time a new piece of inside information is identified. Each section of the Register only reports the details of the people with access to the inside information contemplated in the section. There is also an additional section in the Register which contains the details of people who always have access to all inside information ("Permanent Access Holders").

The Register is computerised and password protected, and the notes pertaining to each section are in chronological order. Each note is tracked and cannot be changed.

26 This information can be summarised as follows:
- main changes, occurred in the reference period, to the methods adopted to carry out the activity of management and control of the process of preparation of the accounting documents;
- any critical issues found and the results of the testing activity.

Management of the Register is governed by internal CDP rules also establishing the regulations and procedures for keeping and updating the Register.

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

Code of Ethics

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

The principles and provisions enshrined in the Code provide a cornerstone for all activities undertaken in pursuit of the company's mission. Accordingly, in-house and external relations must be conducted in accordance with the principles of honesty, moral integrity, transparency, reliability and sense of responsibility.

The principles and provisions of the Code are disseminated primarily through publication on the corporate intranet and a copy of the Code is also given to all new employees. In addition, the individual employment contracts contain a clause stating that compliance with the Code is an essential part of the contractual obligations and is also governed by a disciplinary code.

Governance Structure

To ensure an efficient system of information and consultation and better assess the matters under its responsibility, the Board of Directors relies on 5 Statutory/Board Committees, or provided for by the Articles of Association, or composed of one or more board directors.

The company's organisational structure also consists of 5 Managerial Committees of CDP and 5 Managerial Committees of the Group, tasked with providing advice on operational matters as support for the management of the company and/or the CDP Group companies subject to management and coordination.

1. Statutory/Board Committees of CDP

Support Committee for non-controlling shareholders

The Support Committee for Non-Controlling Shareholders is a statutory committee established to provide support to the non-controlling shareholders.

Composition and responsibilities

The Support Committee for the Non-Controlling Shareholders has 9 members, appointed by the non-controlling shareholders. The Committee is appointed with the quorum and voting majorities required by the regulations applicable to the ordinary Shareholders' Meeting and its term ends on the date of the Shareholders' Meeting convened to appoint the Board of Directors.

The following information is provided to the Committee:
- detailed analysis on the Company's liquidity level, financing, equity investments, planned investments and disinvestments and most significant corporate transactions;
- updates on the forecast and actual accounting data, the independent auditors' reports and the internal auditing reports relating to the organisation and functioning of the Company;
- the minutes of the Board of Statutory Auditors' meetings.

The Committee held 11 meetings in 2019.

Board Risk Committee

The Board Risk Committee is a statutory and board committee tasked with the functions of control and providing guidance in relation to risk management and the internal control system.

Composition and responsibilities

The Board Risk Committee is chaired by the Vice Chairman of the Board of Directors. The Committee is also composed of at least two and up to three members of the Board of Directors, in addition to the Chief Risk Officer and the Chief Audit Officer.

The Committee held 22 meetings in 2019.

Strategic Committee

The Strategic Committee is a statutory and board committee established to support the organisation and coordination of the Board and to support the strategic supervision of the Company's activities.

Composition and responsibilities

The Committee is composed of the Chairman of the Board of Directors, the Vice Chairman of the Board of Directors and the Chief Executive Officer and General Manager.

The Committee held 11 meetings in 2019.

Related Parties Committee

The Related Parties Committee is a board committee that is required, where envisaged, to provide a preliminary reasoned opinion on CDP's interest in carrying out transactions with Related Parties, as well as on the convenience and on the substantive and procedural correctness of the relevant conditions.

Composition and responsibilities

The Related Parties Committee is composed of three non-executive directors, and at least two of them are independent.

The preliminary, non-binding opinion of the Related Parties Committee must be provided to the body responsible for deciding on the transaction in good time for it to be able to adopt the decision.

The significant transactions for which the Related Parties Committee expressed a conditional or negative opinion or an opinion with reservations are specifically reported by the Board of Directors at the next Shareholders' Meeting.

The Committee held 2 meetings in 2019.

Remuneration Committee

The Remuneration Committee is a board committee responsible for drawing up proposals on remuneration.

Composition and responsibilities

Warranty of adjusted and effective mechanisms of coordination and governance at CDP Group level

The Remuneration Committee is composed of three members appointed by the Board of Directors.

The Remuneration Committee prepares proposals on the determination of remuneration of corporate officers, based on the specific positions held, and - where certain conditions are met - on the remuneration of other bodies prescribed by law or by the Articles of Association or established by the Board (Committees).

The Committee's proposals are submitted to the Board of Directors for approval after obtaining the opinion of the Board of Statutory Auditors.

The Committee held 3 meetings in 2019.

2. Managerial Committees of CDP and the Group

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

There are 10 Managerial Committees and they are called upon to discuss and examine Company and/or Group operational matters for their specific areas of responsibility (e.g., risks, loans, sales, and financing).

6. Relations of the Parent Company with the MEF

Relations with the Central State Treasury

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

During 2018, the MEF, with decree dated 28 November 2018, pursuant to Article 17-*quater* of Decree Law no. 18 of 14 February 2016, converted by Law no. 49 of 8 April 2016, reviewed the method of remuneration of the treasury current account no. 29814, which since the second half of 2018 has equalled the weighted average (using weightings at 25% and 75%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs.

The operating aspects relating to the methods of managing and reporting the cash flows concerning the Treasury current account no. 29814 are governed by the memorandum of understanding between the Ministry of the Economy and Finance – State General Accounting Department and Cassa Depositi e Prestiti S.p.A.

Agreements with the MEF

In accordance with the above-mentioned Ministerial Decree, CDP continued to manage the administrative and accounting aspects of the relationships transferred to the MEF at the end of 2003. These activities are governed by two agreements with the MEF that set out the guidelines for the exercise of the functions performed by CDP and the fees due for such services.

The first agreement, renewed on 23 February 2018, with a three-year duration from 1 January 2018 until 31 December 2020, governs the methods by which CDP manages existing relations as at the transformation date, resulting from the Postal Savings Bonds transferred to the MEF (Article 3.4.c) under the above mentioned Ministerial Decree). Based on this agreement, in addition to settling cash flows and managing relations with Poste Italiane, CDP provides the following services to the MEF:
- financial reporting;
- periodic provision of information, both actual information and forecasts, on bond redemptions and stocks;
- monitoring and management of the Treasury accounts established for the purpose.

The second agreement, which was renewed on 10 April 2015 until 31 December 2019, concerns the management of the loans and relations transferred to the MEF pursuant to Article 3.4, a), b), e), g), h) and i) of the above mentioned Ministerial Decree. Here, too, guidelines were provided to help with the management activities by monitoring such activities. In line with Article 4.2 of the aforementioned Ministerial Decree, CDP's role as defined by this agreement includes carrying out disbursement, payment, and credit collection transactions, representing the MEF in legal and other matters, also in court, fulfilling obligations, and exercising powers and rights in the management of relations connected with the transferred activities. CDP also provides the MEF with the following services:
- drafting of a detailed report on the activities performed;
- periodic provision of information on developments in the transferred loans and relationships, both actual and forecast;
- monitoring and management of the Treasury accounts established for this purpose.

The MEF paid CDP 2.6 million euro in 2019 for the performance of these services.

On 12 April 2013, an addendum to the above agreement was signed in order to ensure the immediate implementation of the provisions of Decree Law no. 35 of 8 April 2013, regarding the release of payments for Public Administration trade payables. As a result of the regulatory provisions introduced in Article 13, paragraphs 1, 2 and 3 of Decree Law no. 102 of 31 August 2013, on 11 September 2013 a supplementary deed to the Addendum already entered into between CDP and the MEF needed to be signed to establish the criteria and methods of access to the payment of the cash advances for 2014, which was then followed by 4 additional deeds in relation to the provisions under Article 13, paragraphs 8 and 9, of Decree Law no. 102 of 31 August 2013, Articles 31 and 32 of Decree Law no. 66 of 24 April 2014 and Article 8, paragraphs 6, 7 and 8, of Decree Law no. 78 of 19 June 2015.

In March 2012, CDP signed the Agreement between the Bank of Italy and the Counterparties permitted to participate in transactions on behalf of the Treasury (OPTES) and since then it is included stably between the counterparties permitted to take part in the above-mentioned transactions. CDP primarily participates in transactions performed by the Bank of Italy, with prior authorisation of the MEF, via bilateral negotiation.

CDP continued its management activity for the Government Securities Amortisation Fund, whose transfer from the Bank of Italy to CDP is governed by Article 1, paragraph 387, of Law no. 190 of 23 December 2014 (Stability Law 2015 - Provisions for the annual and multiannual state budget). The Fund's management methods are governed by the "Agreement for the management of the Government Securities Amortisation Fund" signed by CDP and the MEF on 30 December 2014, approved and made effective with decree of the Treasury Department no. 3513 of 19 January 2015. On 24 March 2016, CDP and the MEF signed the "Agreement amending the agreement for the management of the Government Securities Amortisation Fund" with which the mechanism for the calculation of the remuneration of the existing deposits on the Fund was reviewed.

On 23 December 2015, a new agreement was finalised for the financial, administrative and accounting management of the off-balance sheet Revolving Fund for Cooperation and Development through which the MEF assigned CDP:
- the financial, administrative and accounting management of the Revolving Fund, pursuant to Article 26 of Law no. 227/1977, relating to: (i) concessional loans pursuant to Article 8 of Law no. 125/2014, which can be granted to finance specific bilateral cooperation projects and programmes; and (ii) subsidised loans pursuant to Article 27, paragraph 3, of Law no. 125/2014;
- the financial, administrative and accounting management of the Guarantee Fund pursuant to Article 27, paragraph 3, of Law no. 125/2014 for subsidised loans granted to Italian enterprises to ensure the financing of their equity investments, for the establishment of joint enterprises in partner countries.

An annual lump sum expenditure reimbursement of 1 million euro has been established for the performance of the service.

Management on behalf of the MEF

The main assets managed are the loans granted by CDP and transferred to the MEF, the residual debt of which came to 3,482 million euro at 31 December 2019, compared with 4,242 million euro at the end of 2018. In addition, there are the cash advances granted for the payment of Public Administration trade payables (Decree Law no. 35 of 8 April 2013, Decree Law no. 66 of 24 April 2014, and Decree Law no. 78 of 19 June 2015), the residual debt of which came to 5,715 million euro at 31 December 2019, compared with 5,912 million euro at the end of 2018. The liabilities include the management of Postal Savings Bonds assigned to the MEF, which at 31 December 2019 totalled 61,615 million euro, compared with 65,281 million euro at 31 December 2018.

In accordance with the above mentioned Ministerial Decree, CDP continues to manage a number of programmes established under specific legislative provisions, financed primarily with state funds. The funds allocated to these programmes are deposited in non-interest-bearing Treasury accounts held in the name of the MEF, and CDP is authorised to use them for the purposes envisaged in the laws establishing the programmes.

Major programmes include the following: residential building, which had funds amounting to 2,664 million euro at 31 December 2019 on the dedicated current accounts; and the territorial agreements and area contracts, which had funds amounting to 424 million euro.

7. Information on the consolidated non-financial statement of the CDP Group

For information regarding the consolidated non-financial statement pursuant to Legislative Decree no. 254 of 30 December 2016, see the separate document “2019 Sustainability Report”, approved by the Board of Directors and published together with this annual report.

02

2019 separate financial statements

Form and content of the separate financial statements at 31 December 2019

The separate financial statements at 31 December 2019 have been prepared in accordance with applicable regulations and consist of:
- Balance Sheet
- Income Statement
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Separate Financial Statements

The Notes to the Separate Financial Statements consist of:
- Introduction
- Part A - Accounting policies
- Part B - Information on the balance sheet
- Part C - Information on the income statement
- Part D - Comprehensive income
- Part E - Information on risks and related hedging policies
- Part F - Capital
- Part G - Business combinations
- Part H - Transactions with related parties
- Part I - Share-based payments
- Part L - Operating segments
- Part M - Disclosure of leases

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

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

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Separate financial statements at 31 December 2019

BALANCE SHEET

	Assets (euro)	31/12/2019	31/12/2018
10.	Cash and cash equivalents	2,945	4,968
20.	Financial assets measured at fair value through profit or loss:	2,877,621,143	2,764,648,580
	a) Financial assets held for trading	132,354,188	71,025,547
	c) Other financial assets mandatorily measured at fair value	2,745,266,955	2,693,623,033
30.	Financial assets measured at fair value through other comprehensive income	12,132,370,946	11,463,816,657
40.	Financial assets measured at amortised cost:	337,105,174,693	323,523,877,889
	a) Loans to banks	27,030,998,423	20,179,064,614
	b) Loans to customers	310,074,176,270	303,344,813,275
50.	Hedging derivatives	381,346,407	679,154,031
60.	Fair value change of financial assets in hedged portfolios (+/-)	1,467,342,668	131,580,898
70.	Equity investments	30,708,619,338	30,316,282,467
80.	Property, plant and equipment	352,570,349	322,660,563
90.	Intangible assets	30,778,670	20,946,199
	- *of which: goodwill*		
100.	Tax assets	470,532,581	480,439,453
	a) current tax assets	78,805,161	1,044,283
	b) deferred tax assets	391,727,420	479,395,170
120.	Other assets	325,097,376	312,075,968
	Total assets	**385,851,457,116**	**370,015,487,673**

Liabilities and equity (euro)		31/12/2019	31/12/2018
10.	Financial liabilities measured at amortised cost:	356,166,295,137	342,568,459,670
	a) due to banks	30,219,811,671	30,429,338,747
	b) due to customers	305,895,813,522	293,196,243,128
	c) securities issued	20,050,669,944	18,942,877,795
20.	Financial liabilities held for trading	128,929,516	70,980,902
30.	Financial liabilities designated at fair value		500,023,869
40.	Hedging derivatives	2,682,554,691	656,432,622
50.	Adjustment of financial liabilities in hedged portfolios (+/-)	18,698,844	26,033,402
60.	Tax liabilities:	285,024,331	394,012,110
	a) current tax liabilities	105,092,507	284,550,223
	b) deferred tax liabilities	179,931,824	109,461,887
80.	Other liabilities	789,434,298	753,397,724
90.	Staff severance pay	962,548	1,035,773
100.	Provisions for risks and charges:	828,826,174	250,773,280
	a) guarantees issued and commitments	219,382,082	120,441,569
	c) other provisions	609,444,092	130,331,711
110.	Valuation reserves	902,073,725	539,854,697
140.	Reserves	15,371,824,233	15,341,579,796
150.	Share premium reserve	2,378,517,244	2,378,517,244
160.	Share capital	4,051,143,264	4,051,143,264
170.	Treasury shares (-)	(489,110,970)	(57,220,116)
180.	Net income (loss) for the year (+/-)	2,736,284,081	2,540,463,436
	Total liabilities and equity	**385,851,457,116**	**370,015,487,673**

INCOME STATEMENT

Items (euro)		2019	2018
10.	Interest income and similar income	6,988,054,591	7,849,429,210
	- *of which: interest income calculated using the effective interest rate method*	*7,242,285,057*	*8,074,651,562*
20.	Interest expense and similar expense	(4,462,007,713)	(4,266,256,100)
30.	**Net interest income**	**2,526,046,878**	**3,583,173,110**
40.	Commission income	391,782,321	396,384,656
50.	Commission expense	(1,483,724,319)	(1,537,340,203)
60.	**Net commission income (expense)**	**(1,091,941,998)**	**(1,140,955,547)**
70.	Dividends and similar revenues	1,423,995,543	1,362,386,971
80.	Profits (losses) on trading activities	(22,386,973)	2,852,174
90.	Fair value adjustments in hedge accounting	(31,274,015)	(16,694,547)
100.	Gains (losses) on disposal or repurchase of:	743,604,178	16,977,220
	a) financial assets measured at amortised cost	632,736,830	53,948,941
	b) financial assets measured at fair value through other comprehensive income	110,867,348	(36,952,465)
	c) financial liabilities		(19,256)
110.	Profits (losses) on financial assets and liabilities measured at fair value through profit or loss:	(7,804,414)	(30,007,376)
	a) financial assets and liabilities designated at fair value	23,869	1,527,286
	b) other financial assets mandatorily measured at fair value	(7,828,283)	(31,534,662)
120.	**Gross income**	**3,540,239,199**	**3,777,732,005**
130.	Net adjustments/recoveries for credit risk relating to:	76,749,381	(65,137,062)
	a) financial assets measured at amortised cost	80,839,149	(64,114,115)
	b) financial assets at fair value through other comprehensive income	(4,089,768)	(1,022,947)
140.	Gains/losses from changes in contracts without derecognition	(496,967)	(2,199,115)
150.	**Financial income (expense), net**	**3,616,491,613**	**3,710,395,828**
160.	Administrative expenses:	(177,078,353)	(216,233,304)
	a) staff costs	(110,968,473)	(153,068,946)
	b) other administrative expenses	(66,109,880)	(63,164,358)
170.	Net accruals to the provisions for risks and charges:	(60,517,547)	(42,286,102)
	a) guarantees issued and commitments	(10,304,725)	(8,505,950)
	b) other net accruals	(50,212,822)	(33,780,152)
180.	Net adjustments to/recoveries on property, plant and equipment	(9,057,661)	(4,352,487)
190.	Net adjustments to/recoveries on intangible assets	(5,678,147)	(3,198,155)
200.	Other operating income (costs)	13,329,498	6,303,373
210.	**Operating costs**	**(239,002,210)**	**(259,766,675)**
220.	Gains (losses) on equity investments	61,346,965	(172,032,794)
250.	Gains (losses) on disposal of investments	(43,487)	(4,042)
260.	**Income (loss) before tax from continuing operations**	**3,438,792,881**	**3,278,592,317**
270.	Income tax for the year on continuing operations	(702,508,800)	(738,128,881)
280.	**Income (loss) after tax on continuing operations**	**2,736,284,081**	**2,540,463,436**
300.	**Net income (loss) for the year**	**2,736,284,081**	**2,540,463,436**

STATEMENT OF COMPREHENSIVE INCOME

	Items (euro)	2019	2018
10.	**Net income (loss) for the year**	**2,736,284,081**	**2,540,463,436**
	Other comprehensive income net of tax not transferred to income statement	**61,837,532**	**(270,092,787)**
20.	Equity securities designated at fair value through other comprehensive income	61,837,532	(270,092,787)
	Other comprehensive income net of taxes transferred to income statement	**300,381,496**	**(243,914,971)**
120.	Cash flow hedges	(8,951,269)	(11,922,482)
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	309,332,765	(231,992,489)
170.	**Total other comprehensive income net of tax**	**362,219,028**	**(514,007,758)**
180.	**Comprehensive income (items 10 + 170)**	**3,098,503,109**	**2,026,455,678**

STATEMENT OF CHANGES IN EQUITY: CURRENT FINANCIAL YEAR

(euro)	Balance at 31/12/2018	Changes in opening balance	Balance at 01/01/2019	Allocation of net income for previous year: Reserves	Allocation of net income for previous year: Dividends and other allocations
Share capital:					
a) ordinary shares	4,051,143,264		4,051,143,264		
b) preference shares					
Share premium reserve	2,378,517,244		2,378,517,244		
Reserves:					
a) income	15,341,579,796		15,341,579,796	985,756,577	
b) other					
Valuation reserves:					
a) financial assets measured at fair value through other comprehensive income	366,417,141		366,417,141		
b) cash flow hedge	5,865,554		5,865,554		
c) other reserves					
- revaluation of property	167,572,002		167,572,002		
Equity instruments					
Treasury shares	(57,220,116)		(57,220,116)		
Net income (loss)	2,540,463,436		2,540,463,436	(985,756,577)	(1,554,706,859)
Equity	**24,794,338,321**		**24,794,338,321**		**(1,554,706,859)**

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

STATEMENT OF CHANGES IN EQUITY: PREVIOUS FINANCIAL YEAR

(euro)	Balance at 31/12/2017	Changes in opening balance	Balance at 01/01/2018	Allocation of net income for previous year: Reserves	Allocation of net income for previous year: Dividends and other allocations
Share capital:					
a) ordinary shares	4,051,143,264		4,051,143,264		
b) preference shares					
Share premium reserve	2,378,517,244		2,378,517,244		
Reserves:					
a) income	14,908,258,103	(424,964,162)	14,483,293,941	858,285,855	
b) other					
Valuation reserves:					
a) financial assets measured at fair value through other comprehensive income	765,568,961	102,933,456	868,502,417		
b) cash flow hedge	17,788,036		17,788,036		
c) other reserves					
- revaluation of property	167,572,002		167,572,002		
Equity instruments					
Treasury shares	(57,220,116)		(57,220,116)		
Net income (loss)	2,203,445,268		2,203,445,268	(858,285,855)	(1,345,159,413)
Equity	**24,435,072,762**	**(322,030,706)**	**24,113,042,056**		**(1,345,159,413)**

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

Changes for the period								
	Equity transactions							
Changes in reserves	Issue of new shares	Purchase of own shares	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Comprehensive income 2018	Equity at 31/12/2018
								4,051,143,264
								2,378,517,244
								15,341,579,796
							(502,085,276)	366,417,141
							(11,922,482)	5,865,554
								167,572,002
								(57,220,116)
							2,540,463,436	2,540,463,436
							2,026,455,678	**24,794,338,321**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(euro)	2019	2018
A. OPERATING ACTIVITIES		
1. Operations	**6,642,352,905**	**6,860,800,960**
- net income for the year (+/-)	2,736,284,081	2,540,463,436
- gains (losses) on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit or loss (-/+)	(10,531,452)	33,844,400
- gains (losses) on hedging activities (-/+)	31,274,015	16,694,547
- net impairment adjustments (+/-)	(57,249,106)	69,285,079
- net value adjustments to property, plant and equipment and intangible assets (+/-)	14,735,808	7,550,642
- net provisions and other costs/revenues (+/-)	70,649,643	104,328,200
- unpaid charges, taxes and tax credits (+/-)	(250,529,014)	565,421,893
- writedowns/writebacks of equity investments (+/-)	(61,346,965)	172,416,713
- other adjustments (+/-)	4,169,065,895	3,350,796,050
2. Cash generated by/used in financial assets	**(21,772,248,987)**	**4,412,153,725**
- financial assets held for trading	(47,426,219)	9,511,566
- other financial assets mandatorily measured at fair value	(59,958,223)	(516,224,315)
- financial assets measured at fair value through other comprehensive income	(64,784,901)	(2,320,597,677)
- financial assets measured at amortised cost	(21,766,649,050)	7,396,503,504
- other assets	166,569,406	(157,039,352)
3. Cash generated by/used in financial liabilities	**10,405,998,554**	**(635,322,549)**
- financial liabilities measured at amortised cost	10,759,688,815	(589,324,711)
- financial liabilities held for trading	51,831,401	(47,159,376)
- financial liabilities designated at fair value	(500,023,869)	
- other liabilities	94,502,207	1,161,538
Cash generated by/used in operating activities	**(4,723,897,528)**	**10,637,632,136**
B. INVESTMENT ACTIVITIES		
1. Cash generated by	**10,000**	**3,664,987**
- sale of equity investments		3,664,987
- sale of property plant and equipment	10,000	
2. Cash used in	**(354,751,172)**	**(116,356,400)**
- purchase of equity investments	(326,207,499)	(80,826,593)
- purchase of property, plant and equipment	(13,370,360)	(22,785,012)
- purchase of intangible assets	(15,173,314)	(12,744,795)
Cash generated by/used in investing activities	**(354,741,172)**	**(112,691,413)**
C. FINANCING ACTIVITIES		
- dividend distribution and other allocations	(2,514,569,355)	(1,345,159,412)
Cash generated by/used in financing activities	**(2,514,569,355)**	**(1,345,159,412)**
CASH GENERATED/USED DURING THE YEAR	**(7,593,208,055)**	**9,179,781,311**

RECONCILIATION

Items (*)	2019	2018
Cash and cash equivalents at beginning of the year	**158,719,986,509**	**149,540,205,198**
Total cash generated/used during the year	(7,593,208,055)	9,179,781,311
Cash and cash equivalents: effects of changes in exchange rates		
Cash and cash equivalents at end of the year	**151,126,778,454**	**158,719,986,509**

(*) The cash and cash equivalents reported in the statement of cash flows comprise the balance of item 10 “Cash and cash equivalents”, the balance on the current account held with the Central State Treasury and the positive balance on the current accounts reported under item 40 “Financial assets measured at amortised cost”, net of current accounts with a negative balance reported under item 10 of Liabilities “Financial liabilities measured at amortised cost”.

Notes to the separate financial statements

Introduction

Form and content of the financial statements

As in previous years, CDP's separate financial statements have been prepared according to the provisions of the Bank of Italy, as applicable, specified in the "Credit and Financial Supervision" circular issued on 22 December 2005, in the 6th update of 30 November 2018, on the "Bank financial statements: presentation formats and rules", which regulates the preparation of the financial statements of banks according to the IFRS.

With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2006 financial year, to adopt the IAS/IFRS in preparing the financial statements of EU companies that issue equity or debt securities on a regulated market in the European Union.

Italian Legislative Decree 38 was then issued on 28 February 2005 in order to govern the application of:
- the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB);
- the International Accounting Standards (IAS) issued by the IASC (International Accounting Standards Committee), and the interpretation sources adopted by the International Financial Reporting Interpretations Committee (IFRIC, formerly SIC - Standing Interpretations Committee).

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

The financial statements clearly present, and give a true and fair view of, the company's financial performance and results of operations for the year, correspond with the company's accounting records and fully reflect the transactions conducted during the year.

Basis of presentation

The balance sheet, the income statement and the other financial statements are expressed in units of euro, whereas the tables in the notes to the financial statements are stated in thousands of euro, unless otherwise specified.

Items with zero balances for both the current and prior financial year have been excluded. In the income statement, income is indicated as positive numbers, while expenses are shown in brackets.

The figures of the items, sub-items, and the "of which" specifications in the other financial statements and in the tables of the notes to the financial statements have been rounded as appropriate, while ignoring the fractions of amounts equal to or less than 500 euro and raising fractions greater than 500 euro to the next highest thousand.

The rounded amounts for the various items are the sum of the rounded balances of sub-items.

(*) The cash and cash equivalents reported in the statement of cash flows comprise the balance of item 10 "Cash and cash equivalents", the balance on the current account held with the Central State Treasury and the positive balance on the current accounts reported under item 40 "Financial assets measured at amortised cost", net of current accounts with a negative balance reported under item 10 of Liabilities "Financial liabilities measured at amortised cost".

Comparison and disclosure

As detailed below, the notes to the financial statements provide all of the information required by law, as applicable to CDP, as well as any supplemental information deemed necessary in order to give a true and fair view of the company's financial performance and standing.

The tables and other details required by the Bank of Italy, as applicable to CDP, have been numbered in accordance with the parts and sections specified in Annex "A" of the supervisory instructions issued by the Bank of Italy.

In regard to the requirements by the afore-mentioned Circular 262/2005 in the section F – Capital, we note that, in line with the Italian and EU regulatory framework, the CDP Group is not subject to prudential supervision.

Pursuant to Art. 5, Decree Law no. 269, 30 September 2003, on the transformation of CDP into a joint-stock company, the provisions of Title V, Legislative Decree no. 385, 1 September 1993 ("Consolidated Law on Banking") for intermediaries in the list referred to in Art. 106 of the same legislative decree, "taking into account the characteristics of the supervised entity and the special regulations applicable to the separate account […]" shall apply to CDP.

On this point, it should be noted that since 2004 the Bank of Italy has been exercising mainly "informational" supervision over CDP, conducted by using management data based on sectorial legislation, geared to acquiring aspects of knowledge and assessment on the business and organisation of CDP.

The separate financial statements show data for the previous financial year for comparison purposes.

Tables with zero amounts both for the reporting period and for the comparison year were omitted.

Auditing of the financial statements

The separate financial statements of CDP S.p.A. are subject to statutory audit pursuant to Legislative Decree 39/2010 by the independent auditing firm PricewaterhouseCoopers S.p.A., following award of the audit engagement for the 2011-2019 period by the Shareholders' Meeting of 25 May 2011.

In view of the expiry of the audit engagement awarded to PricewaterhouseCoopers S.p.A., starting from the second half of 2018, CDP began the procedure for selecting the new independent auditors for the nine-year period 2020-2028. At the end of that process, the Shareholders' Meeting of CDP S.p.A., held in ordinary session on 19 March 2019, awarded the above-mentioned audit engagement to Deloitte & Touche Spa.

Annexes to the separate financial statements

The financial statements of CDP include annex 1.1 "Accounting separation statements" showing the contribution of the Separate Account and the Ordinary Account to CDP's results and annex 1.2 "Disclosure pursuant to Law 124 of 4 August 2017, Article 1, paragraphs 125-129".

Part A - Accounting policies

A.1 - General information

Section 1 - Declaration of compliance with the International Financial Reporting Standards

These separate financial statements at 31 December 2019 have been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, in force at 31 December 2019 and endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Journal L 243 on 11 September 2002.

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

More specifically, on 30 November 2018, the Bank of Italy published the 6th update to circular no. 262/2005 (“Bank financial statements: presentation formats and rules”), which incorporates the changes introduced by IFRS 16 “Leases”. In particular, the update of the Circular also took into account the consequent changes in other international accounting standards, including IAS 40 regarding investment property, introduced to guarantee the overall consistency of the accounting framework[27], the amendment to IFRS 12 “Disclosure of Interests in Other Entities”, which clarifies that the disclosure obligations envisaged for equity investments also apply to investments held for sale, and the additional disclosure in the notes on credit risk with details referring to financial assets classified as “non-current assets and disposal groups held for sale” pursuant to IFRS 5.

This update to circular no. 262/2005 is applied from 1 January 2019.

The IFRS applied for preparation of these financial statements are found in the list given in “Section 4 – Other issues”.

Section 2 - General preparation principles

The separate financial statements of CDP include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows (prepared according to the “indirect method”), and these notes to the separate financial statements, as well as the directors’ report on operations.

The financial statements and tables in the notes to the separate financial statements present not only the net amounts for the current financial year, but also the corresponding comparative values for the previous financial year.

The balance sheet, the income statement and the statement of comprehensive income do not contain items having a zero amount in the reference financial year and the previous financial year.

In the income statement, the statement of comprehensive income, and the tables of the notes to the separate financial statements, revenues are indicated without sign, while costs are shown in brackets.

For the purposes of interpretation and to provide support in applying the financial reporting standards, the following documents have also been considered, although they have not been endorsed by the European Commission:
- Conceptual framework for financial reporting;
- Implementation Guidance and Basis for Conclusions;
- SIC/IFRIC interpretations;
- interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board, OIC) and the Italian Banking Association (ABI);
- documents issued by the EBA, ESMA and Consob concerning the application of specific IFRS rules.

27 The sphere of application of IAS 40 was extended, which now includes investment property leased amongst investment property. The rights of use acquired through leasing connected to investment properties are therefore governed by this standard, with the exception of some specific provisions, which refer to IFRS 16 (such as for example the rules on classification and initial recognition).

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

These financial statements have been prepared in accordance with the provisions of IAS 1 - "Presentation of financial statements":

- Going concern basis: pursuant to the provisions of joint Bank of Italy/Consob/Isvap Document No. 2 of 6 February 2009 concerning disclosures on the going concern basis and in compliance with the requirements on the same issue contained in IAS 1 Revised and recommendations made in the ESMA's Public Statement 71-99-1290 of 11 March 2020,, CDP has conducted an assessment of the company's ability to continue to operate as a going concern, considering all available information over a medium-term time horizon. Based on an analysis of the information and the results achieved in previous financial years, CDP feels that it is appropriate to prepare its financial statements on a going concern basis;
- Accruals basis: operations are recognised in the accounting records and in the financial statements of CDP (except for the disclosure about cash flows) when they accrue, regardless of the payment or collection date. Costs and revenues are taken to profit or loss in accordance with the matching principle;
- Materiality and aggregation: all items containing assets, liabilities, revenues and expense of a similar nature and with similar characteristics are presented separately in the financial statements, unless they are immaterial;
- Offsetting: no assets have been offset with liabilities, nor income with expenses, unless expressly required or allowed by the instructions of the Bank of Italy or by an accounting standard or a related interpretation;
- Frequency of reporting: CDP prepares these financial statements and makes the related disclosures, on an annual basis. No changes occurred with respect to the reporting date, which remains at 31 December of each year;
- Comparative information: comparative information is disclosed in respect of the previous financial year. Comparative information, at the same reporting date, is provided for each document comprising the financial statements, including the notes thereto. The comparative information does not take into account the effects of IFRS 16, adopted as of 1 January 2019, using the "Modified Retrospective Approach" as set out in paragraphs C5 b and C8 b (ii).

Use of estimates

The application of International Financial Reporting Standards in preparing the separate financial statements requires CDP to make accounting estimates that are considered reasonable and realistic according to the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities, costs, revenues, and the disclosures on contingent assets and liabilities as of the reporting date, as well as the amounts reported for revenues and costs for the reference financial year.

Changes in the conditions underlying the judgements, assumptions and estimates used could also have an impact on the financial statement items and future earnings results.

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

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

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

The main areas in which management is required to make subjective assessments are:

- the calculation of impairment losses on loans, equity investments and, in general, other financial assets;
- the measurement of other non-financial assets (goodwill, property, plant and equipment, including the value in use of assets acquired through leases and intangible assets);
- the use of measurement techniques to determine the fair value of financial instruments not quoted on an active market;
- the estimate and assumptions used in assessing the recoverability of deferred tax assets and interpretative issues concerning tax treatment;

- the estimate of the liabilities arising from defined-benefit company pension and other post-retirement benefit obligations;
- the quantification of provisions for risks and charges;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products.

The description of the accounting policies used for the main financial statement items provides details on the main assumptions and assessments used in preparing the financial statements.

Section 3 - Events subsequent to the reporting date

During the period between the reporting date of these financial statements and their approval by the Board of Directors on 2 April 2020, no events occurred that would require an adjustment to the figures presented in the financial statements at 31 December 2019.

After the end of the financial year, during March 2020, the new COVID-19 virus, originating in China, spread to many countries around the world, with the World Health Organization consequently defining the epidemic as a "pandemic situation" on 11 March 2020.

In Europe, at the date of preparing this report, Italy represents one of the worst hit countries. This has led to considerable pressure on the country's health system and the consequent enactment of a series of measures by the Government (adoption by the Prime Minister of the Decrees of 4, 8, 9 March 2020 and of the "Cura Italia" Decree Law on 17 March 2020), which have introduced restrictive and unprecedented measures to the activities of the Public Administration, the economy in general and the daily life of Italian citizens, as well as substantial economic measures to support families, workers and businesses.

In a scenario where the virus does not stop spreading in the short term, this pandemic development could also significantly affect the global outlook for future growth, influencing the general macroeconomic framework and financial markets.

On this point, CDP's Directors deemed that the trend of the emergency along with uncertainties surrounding further developments in terms of impact on the productive, economic and social fabric of the country does not allow — at present — any approximation of a reasonable quantification of the Company's 2020 performance.

It is not excluded that the possible continuation of the current health emergency may result in short-term losses in margins, which at present cannot be reliably estimated with the elements available.

In accordance with IAS 10, this circumstance is not deemed to lead to any adjustment to the balances in the financial statements at 31 December 2019, since the fact itself and its consequences occurred after the reporting date, nor a factor of uncertainty as to the Company's ability to continue to operate as a going concern.

Section 4 - Other issues

IFRSs endorsed at 31 December 2019 and in force since 2019

As required by IAS 8 - Accounting policies, changes in accounting estimates and errors, details of the new international financial reporting standards, or amendments to standards already in force, whose application became mandatory from 1 January 2019, are provided below:

- Commission Regulation (EU) 2019/412 of 14 March 2019, published in Official Journal L 73 of 15 March 2019, amending Commission Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 12 and 23 and International Financial Reporting Standards (IFRS) 3 and 11. Companies should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2019. The main amendments concerned:
  - IAS 12 "Income taxes". Accounting for income taxes consequences of dividend payments;
  - IAS 23 "Borrowing costs". The company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale;
  - IFRS 3 "Business combinations". The company remeasures its previously held interest in a joint operation when it obtains control of the business;
  - IFRS 11 "Joint arrangements". The company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- Commission Regulation (EU) 2019/402 of 13 March 2019, published in Official Journal L 72 of 14 March 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no.

1606/2002 of the European Parliament and of the Council with regard to the international accounting standard IAS 19. The objective of the amendments is to clarify that, after a defined-benefit plan amendment, curtailment or settlement occurs, an entity should apply the updated assumptions from the remeasurement of its net defined benefit liability (asset) for the remainder of the reporting period. Entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2019.
- Commission Regulation (EU) 2019/237 of 8 February 2019, published in Official Journal L 39 of 11 February 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council with regard to the international accounting standard IAS 28. The amendments clarify that any entity that does not apply the equity method to financial instruments in associate companies or joint ventures should apply IFRS 9 to long-term equity interests without taking into account any adjustments made to their carrying value. Entities apply these amendments retroactively, starting from financial periods that start on or after 1 January 2019. Early application is permitted.
- Commission Regulation (EU) 2018/1595 of 23 October 2018, published in the Official Journal L 265 of 24 October 2018, adopting IFRIC 23, which explains how to reflect uncertainty in accounting for income taxes.
- Commission Regulation (EU) 2017/1986 of 31 October 2017, published in the Official Journal L 291 of 9 November 2017, adopting IFRS 16 – Leases, which aims to improve financial reporting on lease contracts. Companies shall apply IFRS 16, at the latest, as from the commencement date of their first financial year starting on or after 1 January 2019[28].

New accounting standards and interpretations issued and endorsed by the European Union, but not yet in force (date of entry into effect for financial years beginning from 1 January 2020)

Listed below are the new standards and interpretations already issued and endorsed, but not yet in force and therefore not applicable to the preparation of the financial statements at 31 December 2019:
- Commission Regulation (EU) 2020/34 of 15 January 2020, published in Official Journal L 12 of 16 January 2020, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council with regard to the International Accounting Standard (IAS 39) and the International Financial Reporting Standards (IFRS) 7 and 9. Entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2020.
- Commission Regulation (EU) 2019/2014 of 29 November 2019, published in Official Journal L 318 of 10 December 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with regulation (EC) no. 1606/2002 of the European Parliament and of the Council with regard to the International Accounting Standards (IAS) 1 and 8. Entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2020.
- Commission Regulation (EU) 2019/2075 of 29 November 2019, published in Official Journal L 316 of 6 December 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with regulation (EC) no. 1606/2002 of the European Parliament and of the Council with regard to the International Accounting Standard (IAS) 1, 8, 34, 37 and 38, the International Financial Reporting Standards (IFRS) 2, 3 and 6, the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) 12, 19, 20 and 22 and the Interpretation of Standing Interpretations Committee (SIC) 32. Entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2020.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at the reporting date of 31 December 2019

Certain accounting standards, interpretations and amendments had been issued by the IASB but not yet endorsed by the European Union at the approval date of these financial statements:
- IFRS 17 Insurance Contracts (issued on 18 May 2017);
- Amendment to IFRS 3: Business Combinations (issued on 22 October 2018);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020).

28 European Commission Regulation (EU) 2018/498 of 22 March 2018, published in the Official Journal L 82 of 26 March 2018, adopting the Amendments to IFRS 9 - Financial Instruments - Prepayment Features with Negative Compensation has been applied by CDP since 1 January 2018.

Transition to IFRS 16

Regulatory provisions

Starting from 1 January 2019, the new IFRS 16, issued by the IASB in January 2016 and endorsed by the European Commission through Regulation No. 1986/2017, replaces IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases — Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease", and at the same time has regulated new requirements for the accounting of leases.

IFRS 16 applies to all leases except for the following which are already covered by other standards:
- leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources (IFRS 6 - Exploration for and Evaluation of Mineral Resources);
- leases of biological assets held by lessees (IAS 41 - Agriculture);
- service concession agreements (IFRIC 12 - Service Concession Arrangements);
- intellectual property licences granted by the lessor (IFRS 15 - Revenue from Contracts with Customers);
- rights held by the lessee under licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights (IAS 38 - Intangible Assets).

The most important aspect of this new standard is the introduction of a single model for the recognition of lease agreements by the *lessee* that is based on the right-of-use model, with the consequent elimination of the distinction between operating and finance leases[29] provided for by IAS 17: all lease agreements must, therefore, be accounted for in the same way by recognising an asset and a liability. The right of use of the leased asset is recognised in the asset side of the balance sheet (right-of-use asset) while the liability relating to the lease payments still due to the lessor is recognised in the liability side of the balance sheet (lease liability)[30]. Charges relating to the depreciation of the right-of-use asset, and interest expense on the lease liability in place of the lease payments previously shown under administrative expenses, are recognised in the income statement.

Under the new standard, a lease is defined as a contract that conveys the final lessee the right to use an asset for a period of time in exchange for consideration. What is now of fundamental importance is the right to control the use of the asset, which must be assessed for each individual contract.

Furthermore, to determine whether the right of use of an asset is conveyed, the following specific conditions must be met or be present:
- there is an identified asset;
- the right to substantially obtain all the economic benefits arising from the use of the identified asset;
- the right to decide how the asset is to be used.

The assessment of whether a contract is, or contains, a lease is made at the start of the contract and must be reassessed when there is a change in the terms and conditions of the contract.

The adoption of IFRS 16 for the financial statements of CDP also takes into account the provisions of Circular no. 262 of 22 December 2005 - 6th update, to the extent they are material and applicable.

CDP's choices

With the support of a leading consultancy firm, CDP has launched a specific project aimed at identifying the contracts that are subject to the new standard and introducing the related accounting treatment, both on first-time adoption and when fully implemented, as well as determining any IT and organisational actions required. Several organisational units were involved in the project, including Administration, Financial Statements and Reporting; Asset & Liability Management; Property Management; Demand Management and Planning and Management Control; ICT, as well as other units representing Group companies subject to management and coordination.

The analysis carried out has made it possible to identify real estate as the prevalent case for the application of the principle, the values of which represent almost 100% of the assets recorded during the first application (some contracts on printers and office machinery contribute marginally).

29 This distinction still applies for leases from the lessor's perspective.
30 "Lease liability" in accordance with Circular no. 262 of 22 December 2005 – 6th update.

Upon first-time adoption, CDP applied the new standard under the "Modified Retrospective Approach" as set out in paragraphs C5 b and C8 b (ii). This approach allows recognition of the cumulative effect of the application of the standard on the first-time adoption date without restating the comparative information.

Specifically, this approach provides for recognition of the following measurements:
- the lease liability calculated as the present value of the remaining payments due on the lease, discounted at the lessee's incremental borrowing rate at the date of initial application (IFRS 16.C8. a);
- the right-of-use asset equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application (IFRS 16.C8. b.ii).

CDP has decided to adopt some of the practical expedients and recognition exemptions provided by the standard. In particular:
- exclusion of leases with a total or remaining lease term of 12 months or less;
- exclusion of leases with an underlying asset value of 5,000 euro or less at the date of purchase;
- exclusion of the initial direct costs incurred to measure the right-of-use asset at the date of initial application;
- exclusion of leases of intangible assets (IFRS 16.4).

With regard to the discount rate, CDP decided to adopt an incremental borrowing rate which represents the rate of interest that a lessee "would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment". The incremental borrowing rate was established following an analysis of the leases identified, for which no implicit interest rate could be determined.

Given its characteristics and the requirements of the standard, the BTP curve was used to determine the discount rate.

Impact of first-time adoption (FTA) of IFRS 16

As a result of CDP's decision to adopt the "Modified Retrospective Approach" upon first-time adoption, no impact on the book equity was recognised at 1 January 2019.

"Property, plant and equipment" includes rights of use for 19.8 million euro (of which 12.8 million euro classified as "investment property", relating to buildings where CDP acts as sub-lessor under operating subleases) and "financial assets measured at amortised cost" includes lease receivables of 16.5 million euro (relating to buildings where CDP acts as sub-lessor under financial subleases). Total lease liabilities recognised upon FTA amounted to 36.3 million euro. Consequently, the balance sheet items affected by the adoption of IFRS 16 changed as follows from 31 December 2018 to 1 January 2019:
- property, plant and equipment increased from 322.7 million euro to 342.4 million euro,
- financial assets measured at amortised cost went from 323,523.9 million euro to 323,540.4 million euro,
- other assets were reduced by about 13 thousand euro due to their inclusion in the rights of use,
- financial liabilities measured at amortised cost went from 342,568.5 million euro to 342,604.8 million euro.

Reconciliation statements are provided below:

Reconciliation of IAS 17 operating lease commitments at 31 December 2018 and IFRS 16 lease liabilities at 1 January 2019

(thousands of euro)	01/01/2019
Commitments for undiscounted operating leases applying IAS 17 at 31 December 2018	**50,941**
Exceptions to recognition pursuant to IFRS 16	**(370)**
- short-term leases	(298)
- leases low value	(72)
Other changes	**(8,957)**
- non- deductible VAT	(8,957)
Undiscounted operating lease liabilities	**41,614**
Discounting effect	(5,311)
Discounted lease liabilities for operating leases applying IFRS 16 at 1 January 2019	**36,303**
Lease liabilities for finance applying IAS 17 at 1 January 2019	
Total Lease Liabilities applying IFRS 16 at 1 January 2019	**36,303**

Reconciliation of IFRS 16 discounted operating lease liabilities and IFRS 16 right-of-use assets at 1 January 2019

(thousands of euro)	01/01/2019
Operating property, plant and equipment:	**6,931**
a) Land	
b) Buildings	6,847
c) Movables	
d) Furniture artistic heritage of value	
e) Electrical plant	84
f) Other	
Investment property:	**12,844**
a) Land	
b) Buildings	12,844
Rights of use acquired through the lease (Right-of-use Assets)	**19,775**
Prepaid expenses (at 31/12/2018) reconciled to Right-of-use	(13)
Financial assets measured at amortised cost - subleasing	16,541
Rights of use acquired through the lease not adjusted for prepayment and subleasing at 1 January 2019	**36,303**
Discounted Lease liabilities for operating leases applying IFRS 16 at 1 January 2019	**36,303**
Impacts on Equity at 1 January 2019	

With regard to the determination of lease liabilities, the weighted average incremental borrowing rate applied was 2.76%.

Recognition criteria

The accounting policies for right-of-use assets recognised under property, plant and equipment are illustrated below. Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (underlying asset) for a period of time in exchange for consideration.

When the lease commences, the lessee recognises:
- an asset which consists of the right to use the asset underlying the lease, which is the sum of the financial liability resulting from the lease, the payments made on or before the commencement date of the lease (net of any lease incentives received), the initial direct costs, and any (estimated) costs of dismantling and/or removing the asset underlying the lease;
- a financial liability resulting from the lease that corresponds to the present value of the payments due under the lease. The discount rate to be used is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used.

If a lease agreement contains non-lease components (e.g. the provision of services, such as ordinary maintenance, which is to be recognised in accordance with IFRS 15), the lessee shall account for the lease components separately from the non-lease components and allocate the consideration under the agreement to the different components based on their stand-alone prices.

The lease term is determined taking into account:
- any period covered by an option to extend the lease, if it is reasonably certain that the option will be exercised;
- any period covered by an option to terminate the lease, if it is reasonably certain that the option will not be exercised.

For short-term leases (with a term of 12 months or less) that do not include an option to purchase the underlying asset by the lessee and leases where the underlying asset is of low value, the charge is recognised in the income statement on a straight-line basis over the lease term.

During the lease term, the lessee must:
- measure the right-of-use asset at cost, less accumulated depreciation and accumulated impairment determined and accounted for in accordance with the provisions of IAS 36 "Impairment of Assets", adjusted to take account of any restatement of the lease liability;
- increase the liability resulting from the lease transaction following the accrual of interest expense calculated at the interest rate implicit in the lease, or, alternatively, at the incremental borrowing rate, and reduce it by the amount of payments of principal and interest.

The right-of-use asset under a lease is derecognised at the end of the lease term.

The national fiscal consolidation mechanism

CDP and some of the Group's Italian companies joined the so-called "national fiscal consolidation" mechanism regulated by articles 117-129 of the Consolidated Income Tax Law ("TUIR"). It consists of an optional tax system, according to which aggregate net taxable income or loss of each subsidiary that has joined the national fiscal consolidation mechanism — inclusive of any tax withholding, deductions and tax credits — is transferred to the Parent Company, for which a single taxable income or a single tax loss is carried forward.

The tax consolidation scope was extended during 2019 to include CDP Industria S.p.A., Ligestra due S.r.l., Pentagramma Romagna S.p.A. and Pentagramma Perugia S.p.A.

The tax consolidation scope as at 31 December 2019 thus included CDP and the following companies: i) CDP Equity S.p.A., Bonafous S.p.A. and Cinque Cerchi S.p.A. (for the three-year period 2018-2020); ii) CDP Reti S.p.A., Fincantieri S.p.A., Fincantieri Oil & Gas S.p.A., Isotta Fraschini Motori S.p.A., SACE S.p.A., SACE BT S.p.A., SACE Fct S.p.A., SACE SRV S.r.l., SIMEST S.p.A., FSI Investimenti S.p.A., FSIA Investimenti S.r.l., CDP Investimenti SGR S.p.A. (for the three-year period 2019-2021); iii) Fintecna S.p.A. and CDP Immobiliare S.r.l. (for the three-year period 2017-2019); vi) CDP Industria S.p.A., Ligestra due S.r.l., Pentagramma Romagna S.p.A. and Pentagramma Perugia S.p.A. (for the three-year period 2019-2021).

Other information

The Board of Directors' meeting on 2 April 2020 approved CDP's draft financial statements for 2019, authorising their publication and disclosure, in accordance with the timing and procedures established by the current regulations applicable to CDP.

Due to requirements relating to the preparation of the consolidated financial statements, in accordance with Article 2364 of the Italian Civil Code and the Articles of Association, approval of the financial statements of CDP and acknowledgement of the consolidated financial statements of the CDP Group by the Shareholders' Meeting will take place within 180 days after the end of the financial year.

A.2 - The main financial statement items

The separate financial statements at 31 December 2019 have been prepared by applying the same accounting standards as those used for preparation of the separate financial statements for the previous financial year, reflecting the amendments endorsed and in force with effect from the financial year 2019, as described in Section 4 – Other issues, A.1 General Information.

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

1 - Financial assets measured at fair value through profit or loss (FVTPL)

The item “Financial assets measured at fair value through profit or loss” includes:
a) “Financial assets held for trading” represented by debt securities, equities, loans, units of UCIs included in an Other/Trading business model, and also derivatives not designated under hedge accounting;
b) “Financial assets designated at fair value” represented by debt securities and loans, measured at profit and loss in accordance with IFRS 9 (i.e. the fair value option), which allows a financial asset to be irrevocably measured through profit or loss if, and only if, this will eliminate or significantly reduce an accounting mismatch;
c) “Other financial assets mandatorily measured at fair value” represented by debt securities, equity securities, units of UCIs and loans, i.e. those assets other than those measured at fair value through profit or loss, which do not meet the requirements for classification at amortised cost, at fair value through other comprehensive income or which are not held for trading. They are substantially represented by those financial assets whose contractual terms provide for periodic flows that are not represented only by principal repayments and interest payments on the principal to be returned (thus characterised by the failure to pass the SPPI test), or those assets that do not comply with the business model terms of the portfolio measured at amortised cost or at fair value through other comprehensive income.

Financial assets held for trading, as indicated, include financial derivatives not designated under hedge accounting, operational hedging derivatives, as well as embedded derivatives in complex financial contracts, the host contract of which is a financial liability, which were recognised separately because:
- the financial characteristics and risks are not strictly correlated to the characteristics of the underlying contract;
- the embedded instruments, even when separated, meet the definition of derivative;
- the hybrid instruments that they belong to are not measured at fair value with their related values recognised through profit or loss.

Operational hedging derivatives are those derivatives which are not part of effective hedge accounting but are held to meet operational hedging requirements where the company wishes to standardise the measurement criterion with respect to the assets and/or liabilities associated with them.

As with all financial assets held for trading, the fair value of which can assume both positive and negative values, derivatives are classified among Financial assets held for trading if their fair value is positive and among Financial liabilities held for trading if their fair value is negative.

Other financial assets mandatorily measured at fair value also include units of UCIs subscribed by CDP with the aim of implementing initiatives geared to supporting the economy in the long term. Given the nature of these initiatives, these financial assets are held within a Held to Collect business model, but because of their structure and also in relation to the clarifications provided by the IFRIC, their contractual terms do not enable them to pass the SPPI test.

Financial assets measured at fair value through profit or loss are initially recognised on the execution date for derivative contracts, at the settlement date for debt securities, equities, and units of UCIs, and at the disbursement date for loans. An exception is represented by those securities whose delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, which generally equals the transaction price, net of transaction costs or income that are immediately recognised through profit or loss.

Subsequent measurement is at fair value, with recognition of the measurement results in the item “Profits (losses) on trading activities” in the income statement in relation to financial assets held for trading, including those relating to derivatives associated with the fair value option, or in the item “Profits (losses) on financial assets and liabilities measured at fair value through profit or loss” as regards other types. The fair value is determined based on the official prices as of the reporting date if the financial instruments are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the afore-mentioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

The interest arising from debt securities and loans classified as Financial assets measured at fair value through profit or loss are included in interest income and similar income, an item that also includes the positive and negative differentials and margins of operational hedging derivatives. The positive and negative differentials and margins of trading derivatives are included in the "Profits (losses) on trading activities". Dividends and similar revenues of equity instruments classified among the "Financial assets measured at fair value through profit or loss" (including revenue from units of UCIs) are included in the item "Dividends and similar revenues".

Reclassifications to other categories of financial assets are not permitted, unless, as regards financial assets held for trading, the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

Financial assets measured at fair value through profit or loss are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if no type of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, involves keeping the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

2 - Financial assets measured at fair value through other comprehensive income (FVOCI)

The item "Financial assets measured at fair value through other comprehensive income" includes financial assets represented by debt securities and loans that meet both of the following conditions:
- the financial asset is held within a Business Model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition under this item is also extended to equity instruments, considered as such in compliance with the provisions of IAS 32, which are not held for trading and for which the option, granted by the standard, of classifying the subsequent changes in the fair value of the instrument within the valuation reserves has been irrevocably exercised, with recognition through other comprehensive income (FVTOCI option[31]).

Initial recognition of the item under examination occurs on the settlement date for debt securities and equities and on the disbursement date for loans.

Financial assets measured at fair value through other comprehensive income are initially recognised at fair value, which generally corresponds to the transaction price, including any expenses and income attributable to the transaction.

Subsequent to the initial recognition, financial instruments traded in active markets are measured at their fair value determined on the basis of official prices on the reporting date. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, and values recorded in recent similar transactions. For equity securities not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the afore-mentioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

31 Fair Value Through Other Comprehensive Income option.

The profits and losses resulting from changes in fair value of debt instruments and loans are recognised in the statement of comprehensive income and recorded in the item Valuation reserves, in equity, until the financial asset is derecognised.

If the financial assets in question are derecognised, the cumulative gains or losses, previously recognised in the comprehensive income, are transferred from equity to the income statement.

Gains and losses on foreign exchange are included in the income statement among the Profits (losses) on trading activities.

Interest on the debt instruments and on receivables is recognised in the income statement according to the amortised cost method, which is based on the effective interest rate, i.e. the rate that discounts the estimated future receipts (and any payments) during the expected life of the financial instrument at the gross carrying value of the financial asset.

These instruments are also subject to tests on the significant increase in credit risk (impairment) under IFRS 9, with consequent recognition in profit or loss of an impairment loss to cover the expected losses. In particular, an expected loss for the 12 months following the reporting date is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (impaired exposures).

For financial assets that are performing (stages 1 and 2) impairment is calculated as a function of the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related impairment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

Losses and recoveries arising from the impairment process are included under the item "Net adjustments/recoveries for credit risk".

No reclassifications to other categories of financial assets are allowed, unless the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

With reference to equity instruments, their inclusion in the item Financial assets measured at fair value through other comprehensive income is linked to the irrevocable option adopted by the company holding the instrument. In particular, CDP includes in that item the investments that are made with strategic objectives over the long term.

The exercise of this option entails using different recognition rules from those described above for debt securities, because:

- the amounts recognised in the valuation reserve are never reclassified through profit or loss, even when they are derecognised;
- all exchange rate differences are recognised in the equity reserve and are therefore charged to comprehensive income;
- IFRS 9 does not envisage impairment rules for these equity instruments.

Only dividends from these equity instruments are recognised in the income statement.

Financial assets measured at fair value through other comprehensive income are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if no type of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, involves keeping the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

3 - Financial assets measured at amortised cost

The item “Financial assets measured at amortised cost” includes debt securities and loans that meet both of the following conditions:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Specifically, the following items are recognised:

- loans to banks (current accounts, deposits, security deposits, debt securities, repo transactions and other loans). This includes operating receivables associated with the provision of business and financial services. This also includes the amounts receivable from Central Banks (such as the reserve requirement), other than demand deposits included in “Cash and cash equivalents”;
- loans to customers (current accounts, mortgage loans, factoring, debt securities, repo transactions and other loans). It also includes receivables due from Italian post offices and variation margins with clearing houses in respect of derivatives transactions, in addition to operating receivables associated with the provision of business and financial services. The item also includes cash and cash equivalents held with the Central State Treasury.

Loans disbursed using funds provided by the State or other government agencies and intended for particular uses and operations required and regulated by special laws (“loans with third-party funds in administration”) are recognised under this item, provided that the loans and funds accrue interest respectively in favour of and at the expense of the providing agency. Conversely, loans disbursed using funds administered on behalf of the State or other entities are not included.

The loans granted to public entities and public-law bodies under CDP’s Separate Account portfolio have a number of features that distinguish them from loans granted by banks, which normally disburse the entire amount of the loan to its beneficiary at the time the loan is granted. Such loans are special-purpose loans generally granted to public entities for public works and are disbursed to the beneficiaries only after verification of the progress of the works in question. Therefore, disbursements are intended to meet the debts actually accumulated by the entities in respect of suppliers as the work is performed.

Upon signing the loan agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by CDP earn interest that can be treated as a reimbursement of the interest income earned by CDP on the non-disbursed portion.

The special-purpose loans issued by CDP normally have an initial grace period, during which, in the absence of disbursements on the loan granted, the loan does not bear interest. With certain exceptions, the loan repayment schedule begins on 1 July or 1 January following the execution of the loan agreement. CDP’s accounting policy for special-purpose loans is to recognise a commitment to disburse the sums granted upon signing the loan agreement and to recognise a receivable (with a consequent reduction in the disbursement commitments) for the entire amount granted only when repayment begins, regardless of the amount actually disbursed.

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

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

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

“Financial assets measured at amortised cost” are initially recognised on the settlement date as regards debt securities or on the disbursement date as regards loans.

Initial recognition is at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction.

After initial recognition, these assets are measured at amortised cost, equal to the value that the financial asset was measured at on initial recognition minus any principal repayments, plus or minus the accumulated amortisation, according to the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The effective interest rate is the rate that discounts the estimated future receipts (and any payments) for the expected lifetime of the financial asset at its gross carrying value, which includes the directly attributable transaction costs and the fees paid or received by the contracting parties.

In some cases, the financial asset is considered impaired at initial recognition as the credit risk is very high and, if it is purchased, this may be done with significant discounts (assets known as POCI i.e. "Purchased or Originated Credit Impaired"). In that case, for purchased or originated financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated for the credit risk, including the expected losses on initial loans within the financial flow estimates.

The amortised cost method is not used for loans whose short-term duration means that discounting is considered to have a negligible effect. This measurement rule is also used for loans without a specific expiration date or demand loans.

Financial assets measured at amortised cost are subject to the calculation of an expected credit loss allowance under IFRS 9 rules and the amount of such losses is recognised through profit or loss in the item "Net adjustments/recoveries for credit risk". In particular, an expected loss at one year is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (impaired exposures).

For financial assets that are performing (stages 1 and 2) impairment is calculated as a function of the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related impairment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

Non-performing assets include those financial instruments that have been attributed the status of bad debts, unlikely to pay or past due and/or overdrawn as defined by the current rules of the Bank of Italy for the purposes of supervisory reporting.

The expected cash flows take account of estimated recovery times and the expected realisable value of any guarantees.

The amount of the loss to be recognised through profit or loss is calculated based on an analytical assessment process or for categories of the same kind and thus attributed analytically to each position and takes account of forward-looking information and possible alternative recovery scenarios.

If the reasons for the impairment no longer apply following an event after initial recognition, then impairment reversals are charged through profit or loss.

Financial assets measured at amortised cost are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers to a third party all the risks and rewards connected with ownership of the transferred asset. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if no type of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, involves keeping the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

It is also possible, over the maturity of financial assets, and specifically for financial assets measured at amortised cost, that they are subject to renegotiation of the contract terms. In that case, one needs to check whether or not the intervening contractual changes give rise to derecognition of the original instrument and the recognition of a new financial instrument.

The analysis required to assess which changes give rise to derecognition rather than modification may sometimes entail significant elements of valuation.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are of a substantial nature.

In the event of changes not deemed significant, the gross value is re-determined through the calculation of the current value of the cash flows resulting from the renegotiation, at the original exposure rate (modification). The difference between the gross value of the financial instrument before and after the renegotiation of contract terms (modification), is recognised through profit or loss as a gain or loss from contractual changes without derecognition.

4 - Hedging transactions

Hedging transactions are executed to neutralise contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, should that particular risk effectively materialise.

As permitted by paragraph 7.2.21 of IFRS 9, the Parent Company CDP has decided to apply the provisions on hedging from IAS 39 rather than those from Chapter 6 of IFRS 9, to be used for its separate financial statements, the consolidated financial statements of the CDP Group, as well as its own half-yearly financial statements.

In accordance with IAS 39, hedging instruments are derivatives or, limited to the hedging of foreign currency risk, non-derivative financial assets or liabilities whose fair value or cash flows are expected to offset the changes in fair value or cash flows of a designated hedged position [IAS 39, paragraphs 72-77 and Appendix A, paragraph AG94]. A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that:
a) exposes the company to the risk of a change in fair value or future cash flows;
b) is designated as being hedged [IAS 39, paragraphs 78-84 and Appendix A, paragraphs AG98-AG101].

The effectiveness of the hedge is the extent to which the changes in fair value or cash flows of the hedged position that are attributable to a hedged risk are offset by the changes in fair value or cash flows of the hedging instrument [IAS 39, Appendix A, paragraphs AG105-AG113].

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:
- the relationship between the hedging instrument and the hedged item, including the risk management objectives;
- the hedging strategy, which must be in line with established risk management policies;
- the methods to be used in order to verify the hedge effectiveness.

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged item.

A hedge is deemed to be highly effective if the changes in fair value of the hedged item or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.

At each annual or interim reporting date, the effectiveness is assessed through specific prospective and retrospective tests capable, respectively, of demonstrating the expected effectiveness and the level of effectiveness achieved.

If the hedge is not effective as described above, the hedging instrument is reclassified under financial instruments held for trading, while the hedged item continues to be measured in accordance with the criteria defined for its category. Hedge accounting also ceases when the hedging instrument expires, is sold or exercised or when the hedged item expires, is sold or is repaid.

Hedging derivatives are initially recognised at their fair value on the contract date. In particular:
- for fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is accounted for by recognising the changes in value through profit or loss, in the item “Fair value adjustments in hedge accounting”, relating both to the hedged item (for the changes generated by the underlying risk factor) and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently represents the net profit or loss effect. The recognition through profit or loss of the change in fair value of the hedged item, attributable to the risk hedged, is also applied if the hedged item is a financial asset measured at fair value through other comprehensive income; if there were no hedging, this change would be recognised in equity;

- for cash flow hedge, the changes in fair value of the derivative are recognised, net of the tax effect, in a specific "Valuation reserve" of equity, for the effective portion of the hedge, and are only recognised through profit or loss when there is a change in the cash flows to be offset for the hedged item. The amount of the gain or loss of the hedging instrument considered ineffective is recognised through profit or loss, in the item "Fair value adjustments in hedge accounting". This amount is equal to any excess of the accumulated fair value of the hedging instrument with respect to the related fair value of the instrument hedged; in any event, the fluctuation of the hedged item and the related hedge must be kept within the range of 80%-125%;
- hedges of a net investment in a foreign operation are accounted for in the same way as cash flow hedges.

If the hedge is not fully effective, the fair value change of the hedging instrument, to the extent of the ineffective portion, is immediately recognised through profit or loss, in the item "Fair value adjustments in hedge accounting".

If, during the life of a derivative, the expected hedged cash flows are no longer considered as highly probable, the portion of that instrument recognised in the "Valuation reserves" of equity is immediately recycled through profit or loss. Conversely, if the hedging instrument is transferred or no longer qualifies as an effective hedge, the portion of the item "Valuation reserves" representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the recognition of the financial effects of the transaction originally hedged.

Item 50 of the balance sheet assets and item 40 of the balance sheet liabilities report financial and credit hedging derivatives, which at the reporting date have, respectively, a positive and a negative fair value.

For macro hedge, IAS 39 allows the object of a fair value hedge against interest rate risk to be not only an individual financial asset or liability, but also a monetary amount, included in multiple financial assets and liabilities (or their portions), so that a set of derivatives may be used to reduce the fair value fluctuations of the hedged items in response to changes in market interest rates. Net amounts resulting from the mismatch of assets and liabilities cannot be designated as subject to macro hedging. In the same way as for micro fair value hedges, a macro hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the monetary amount hedged are offset by changes in the fair value of the hedge derivatives and if the actual results are within a range of 80% to 125%. The positive or negative amount of the fair value changes, respectively, of the assets or liabilities subject of fair value macro hedges measured with reference to the hedged risk is recognised in Items 60 of the balance sheet assets or 50 of the balance sheet liabilities, with a balancing entry under "Fair value adjustments in hedge accounting" in the income statement.

The hedge ineffectiveness consists of the difference between the change in fair value of the hedging instruments and the change in fair value of the monetary amount hedged. The hedge ineffective portion is in any case included under "Fair value adjustments in hedge accounting" in the income statement.

If the hedging relationship ends, for reasons other than the sale of the hedged items, the accumulated revaluation/write-down recognised in items 60 of the balance sheet assets or 50 of the balance sheet liabilities is recognised through profit or loss under interest income or expense, over the residual maturity of the hedged financial asset or liability.

If these assets and liabilities are sold or redeemed, the amount of fair value not amortised is recognised immediately in "Gains (Losses) on disposal or repurchase" in the income statement.

5 - Equity investments

"Equity investments" includes investments in subsidiaries (IFRS 10), in associates (IAS 28) and in joint arrangements (IFRS 11).

Subsidiaries are companies in which CDP holds, either directly or indirectly, more than half of the voting rights in the Shareholders' meeting or, in any event, when CDP exercises the power to determine financial and operating policies (including de facto control).

Associates are companies in which CDP has, either directly or indirectly, at least 20% of the voting rights or, even with a lower voting interest, companies over which CDP has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control.

Joint arrangements involve companies where control is contractually shared between CDP and one or more parties, or when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Equity investments are initially recognised and subsequently carried at cost, as at the settlement date, including costs or revenues that are directly attributable to the transaction.

The equity investments are tested for impairment at every annual or interim reporting date.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies, differs where these involve investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of any impairment losses.

At each annual or interim reporting date, the presence of specific qualitative and quantitative indicators is assessed.

In particular, and for CDP, taking into account the characteristics of its investment portfolio, as well as its role of long-term investor, at least the following are considered indicators of impairment/objective evidence of impairment:
- the recognition of losses or significantly lower results than budgeted (or forecast in multi-year plans), if, after specific analyses, they are relevant due to their effects on the estimate of expected future cash flows in any impairment test preparation;
- significant financial difficulty of the investee;
- probability that the investee will declare bankruptcy or enter into other financial reorganisation procedures;
- a carrying value of the investment in the separate financial statements that exceeds the carrying value, in the consolidated financial statements, of the net assets of the investment (including any goodwill);
- the distribution of a higher dividend than the income for the period and the existing income reserves;
- the distribution of a higher dividend by the investee than the income in the comprehensive income (or statement of comprehensive income for financial companies)[32] in the year when it is declared.

With reference to listed equity investments, the following are also considered indicators of impairment:
- a reduction in the market price exceeding the carrying value by over 40% or for more than 24 months;
- a downgrade of the rating of at least four notches from the time when the investment was made, if assessed as relevant together with other available information.

If the recoverable value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. If the reasons causing the impairment cease to exist, the impairment losses are reversed. These reversals have to be recognised in the income statement up to the amount of the previous impairment. Consequently, the reduction in the previously recognised impairment loss upon write-back of the value of the equity investment may not exceed the carrying value that would have existed if no impairment had been previously recognised. Both the impairment and the reversals of impairment are recognised in the income statement under “Gains (losses) on equity investments”.

The investor’s interest in any losses of the investee that exceed the carrying value of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or constructive obligations of the investee, or otherwise cover its losses.

Dividends are recognised in “Dividends and similar revenues” when the right to receive payment is established.

Equity investments are derecognised when the contractual rights to the cash flows deriving from ownership of the equity investments expire or when they are sold, substantially transferring all risks and rewards connected with them.

6 - Property, plant and equipment

This item includes the capital assets used in operations governed by IAS 16, the investment property governed by IAS 40 and the inventories of property, plant and equipment governed by IAS 2. Also included are rights of use acquired under a lease and relating to the use of property, plant and equipment (for the lessees[33]), assets granted under an operating lease (for the lessors), as well as leasehold improvement costs, provided they relate to identifiable and separable property, plant and equipment.

32 The indicator takes into consideration the distribution of a higher dividend than the income in the comprehensive income (or statement of comprehensive income for financial companies) for the year when the dividend is declared (i.e. dividends declared in 2017, representing the distribution of the net income for 2016, larger than the total comprehensive income for 2017). In order to conduct the impairment test for the reporting date of the half-yearly financial statements, in the absence of homogeneous comparison data, the indicator is verified by referring to the data relating to the previous year.

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

“Operating property, plant and equipment” consist of property, plant and equipment used for production purposes and to supply goods/services, which may be leased or held for administrative purposes.

In accordance with IAS 16, these assets are initially recognised at purchase cost, including expenses directly related to the purchase, non-deductible VAT and costs for bringing the asset to working condition, increased by revaluations carried out under the provisions of specific laws. Borrowing costs directly attributable to the acquisition, construction or production of an asset have to be added to the value of the asset itself and capitalised pursuant to IAS 23.

Special maintenance and repair costs, incurred after initial recognition, which result in an increase in the future economic benefits, are recognised as an addition to the value of the assets.

Ordinary maintenance costs that do not generate future economic benefits, on the other hand, are recognised in the income statement.

Subsequent measurement is at cost, net of depreciation and impairment (the latter in accordance with IAS 36).

These assets are systematically depreciated from the period they enter service in the production process and are, therefore, ready for use. They are depreciated on a straight-line basis over their residual life.

Therefore, the depreciation allowances for each year charged to the income statement are calculated by CDP at the rates considered adequate to represent the residual useful life of each asset, as listed below:

	Minimum rate	Maximum rate
Buildings	3.0%	3.0%
Movables	12.0%	15.0%
Electrical plant	7.0%	30.0%
Other:		
Industrial and commercial equipment	15.0%	15.0%
Other assets	12.0%	25.0%
Other plant and equipment	7.0%	15.0%

On the contrary, land and art works are not depreciated insofar as they have an indefinite useful life.

At every annual or half yearly reporting date, the recognised carrying amount of the operating assets is tested for impairment.

If signs of impairment are present, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less any costs of disposal, and the associated value in use of the asset (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement under “Net adjustments to/recoveries on property, plant and equipment”. If the reasons for which impairment was recognised cease to exist, the impairment loss is reversed. The adjusted value may not exceed the value that the asset would have had, net of the depreciation calculated in the absence of previous impairment.

Newly acquired assets are depreciated as from the period in which they enter service and are, therefore, ready for use.

Land and buildings are considered to be separable assets; therefore, they are treated as separate assets for accounting purposes, even if purchased together.

Each item of property, plant and equipment that has a significant value compared to the overall value of the asset it belongs to is recognised and depreciated separately.

“Investment property” consists of real estate property held for investment purposes to be leased to external third parties. These assets are initially recognised in accordance with IAS 40 at purchase or construction cost, including directly attributable purchase/construction costs. However, maintenance costs relating to these assets cannot be capitalised, but are recognised in the income statement.

Subsequent measurement of said property investments in the financial statements is at cost, net of depreciation (3% depreciation rate) and impairment, as set out in IAS 16 in relation to operating property, plant and equipment.

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

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

The right of use is amortised on a straight-line basis throughout the lease term and in order to determine this, one takes into consideration the non-cancellable period of a lease and the options for renewal, if the lessee has a reasonable certainty of exercising it.

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

As regards property, plant and equipment recognised in accordance with IAS 2, these are measured at the lower of cost and net realisable value, on the understanding that one nevertheless compares the carrying amount of the asset and its recoverable amount, where there is some evidence that shows that the asset may have incurred an impairment loss. Any adjustments are recorded through profit or loss.

The carrying value of an operating item of property, plant and equipment is eliminated from the balance sheet upon disposal or when no future economic benefits are expected from its use or disposal.

7 - Intangible assets

"Intangible assets" includes, pursuant to IAS 38, non-monetary assets that are identifiable and do not have physical substance. They are held to be used for a multi-year period or an indefinite period. They consist mainly of concessions, licenses and trademarks, contractual relationships with customers, research and development costs and industrial patent and intellectual property rights.

Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a transaction related to a business combination and the fair value of identifiable net assets acquired.

If this difference is negative (badwill) or if the goodwill is not justified by the future earnings capacity of the investee, the difference is recognised in the income statement.

An intangible asset is recognised if the following conditions are satisfied:
- the asset is identifiable, i.e. it is separable from the rest of the enterprise;
- the asset is controlled, i.e. it is subject to the control of the enterprise;
- the asset generates future economic benefits;
- the cost of the asset can be measured reliably.

If one of these elements is missing, the purchase or realisation cost is fully recognised as a cost in the income statement in the financial year in which it is incurred.

The non-current intangible assets are initially recognised at purchase or development cost, including directly attributable transaction costs.

After initial recognition, the non-current intangible assets with a finite useful life are measured at cost, net of amortisation and any impairment (the latter governed by IAS 36).

The amortisation is charged based on the estimated useful life of the asset. This estimate of its useful life is assessed, at the end of each financial year, to check the adequacy of the estimate.

Costs incurred for the purchase and development of software by third parties are amortised, usually on a straight-line basis, over the residual useful lives of the assets, which is no greater than 5 years.

Costs incurred for software development before the year in which the project is completed are capitalised when the development/implementation of the project is likely to be successful and the utility of the product extends over more than one year. In this case, the costs are amortised over a period of no more than 5 years. In the year in which the software is completed, the costs incurred and not yet amortised are allocated to the asset and the cost is amortised over 5 years.

In addition, on an annual basis, or when there is objective evidence that the intangible asset is impaired, a test is performed to determine the adequacy of the carrying amount of the asset. Consequently, the carrying amount of the intangible asset is compared with its recoverable amount, the higher of the fair value less costs to sell, and its value in use (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement under "Net adjustments to/recoveries on intangible assets". If the reasons for which impairment was recognised cease to exist, the value of the asset is written back. The adjusted value may not exceed the value that the asset would have had, net of the amortisation calculated in the absence of previous impairment.

Intangible assets having an indefinite useful life are not amortised and are only tested periodically for the adequacy of their carrying amount, as described above.

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

Intangible assets are derecognised when sold or when future economic benefits are no longer expected.

8 - Non-current assets and disposal groups held for sale

The balance sheet items "Non-current assets and disposal groups held for sale" and "Liabilities associated with disposal groups held for sale" include the assets or groups of assets/liabilities whose carrying value will be recovered mainly through sale rather than through their continuous use. Disposal processes have been initiated for these assets, whose sale is deemed highly likely.

These non-current assets (or disposal groups) are presented separately from the balance sheet items "Other assets" and "Other liabilities". Initial recognition is done in compliance with the specific IFRS as applicable to each associated asset and liability while, subsequently, they are recognised at the lower of their carrying value and fair value (the latter net of costs to sell), without any depreciation/amortisation being recognised.

The individual assets of the companies classified as held for sale are not amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised.

Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets (or disposal groups) held for sale through profit or loss. The corresponding balance sheet values for the previous financial year are not reclassified. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- is an investment exclusively acquired with a view to resale.

The profits and losses net of tax that can be related to disposal groups of assets and liabilities are shown in the specific income statement item "Income (loss) after tax on disposal groups held for sale".

9 - Current and deferred taxes

Tax assets and liabilities are recognised in the balance sheet respectively under assets Item "Tax assets" and liabilities Item "Tax liabilities".

The accounting entries related to current and deferred taxes include: i) current tax assets, consisting of tax paid in advance and receivables for withholding taxes incurred; ii) current tax liabilities, consisting of tax payables to be settled according to applicable tax regulations; iii) deferred tax assets, consisting of the amounts of tax recoverable in future years in view of deductible temporary differences; and iv) deferred tax liabilities, consisting of payables for tax to be paid in future periods as a result of taxable temporary differences.

Current taxes, consisting of corporate income tax (IRES) and regional tax on business activities (IRAP), are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year. They are calculated on the basis of applicable tax rates.

Deferred tax assets and liabilities are recognised according to the tax rate that, under the legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation.

The term “deferred” tax refers, in particular, to the recognition, in terms of tax, of the temporary differences between the value assigned to an asset or liability for statutory accounting purposes and the corresponding value for tax purposes.

Deferred taxes are recognised:
- under Tax assets, if they relate to “deductible temporary differences”, which means the differences between statutory and tax values that will give rise to deductible amounts in future periods, to the extent that they are likely to be recovered;
- under Tax liabilities, if they relate to “taxable temporary differences” representing liabilities because they are related to accounting entries that will become taxable in future tax periods.

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

Some of the Group’s Italian companies joined the “national fiscal consolidation” mechanism regulated by articles 117-129 of the Consolidated Income Tax Law (“TUIR”), introduced into tax law by Italian Legislative Decree no. 344/2003. It consists of an optional tax system, according to which aggregate net taxable income or loss of each subsidiary that has joined the national fiscal consolidation mechanism — inclusive of any tax withholding, deductions and tax credits — is transferred to the Parent Company, for which a single taxable income or a single tax loss is carried forward (resulting from the algebraic sum of its income/losses and those of the subsidiaries) and, as a result, a single tax payable/receivable.

10 - Provisions for risks and charges

This item consists of the allowances set aside to cover specific types of liabilities whose existence is certain or probable, but whose amount or accrual date were uncertain at the reporting date.

Therefore, the allowances are recognised only when:
- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

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

Contingent – not probable – liabilities are not provided for. However, they are disclosed in the notes, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The allowances are used only to cover the costs for which they were originally recognised, and they are reversed in the income statement when the obligation is settled or when it is no longer probable that an outflow of resources will be required to settle the present obligation.

This item also includes provisions for credit risk for commitments to disburse funds and on financial guarantees that are subject to the rules of impairment in IFRS 9.

This item also includes the company pension plans and other post-retirement benefit obligations, i.e. the provisions for long-term employment and post-employment benefits. However, no value has been recognised for the sub-account in question because there were no net amounts attributable to that item at the reporting date of these financial statements. For more information see the section “Staff severance pay” in paragraph 15 “Other information”.

11 - Financial liabilities measured at amortised cost

This item includes all amounts due to banks and due to customers of any kind (deposits, current accounts, loans), other than those in the items "Financial liabilities held for trading" and "Financial liabilities designated at fair value". This includes operating debts associated with the provision of business and financial services and variation margins with clearing houses in respect of transactions on derivatives, in addition to operating debts associated with the provision of financial services.

In particular, CDP includes in these items the amounts still to be disbursed for loans being repaid, as well as liabilities in respect of postal funding products.

Postal savings bonds issued by CDP are reported under the item "Due to banks" and the item "Due to customers", including those that have matured but have not yet been redeemed at the reporting date. These instruments are zero-coupon securities (where the interest accrued is paid when the principal is redeemed) with a step-up interest structure (the interest rate increases as the period for which the bond is held increases) and with principal and interest redeemed in a single payment upon maturity, although the bonds can be redeemed upon request of the underwriter at any time prior to their contractual maturity, with principal and interest paid in accordance with the period for which the bond was held.

For Postal savings bonds, the adoption of the amortised cost method and of the effective interest rate used for calculating the amortised cost under examination must be equal to the internal rate of return from the estimated (not contractual) cash flows throughout the expected (and not contractual) life of the instrument. Given the aforementioned option of early redemption, the expected life of postal savings bonds is, on average, less than their contractual life. CDP has therefore developed a statistical model for forecasting early redemption of postal savings bonds based on a time series of redemptions, which is used to price the new issues. The forecasting model used at the time of the bond issue is also used to determine the initial estimated amortisation plan for each series of postal savings bonds. Based on these estimated flows, the effective interest rate and the amortised cost to be recognised in the balance sheet are then calculated. Differences between the actual early redemptions and these estimates result in an adjustment to the remaining amortisation schedule. In such cases, the IFRS state that the amortised cost of the instrument being measured is to be equal to the present value of the new estimated future cash flows using the unchanging effective interest rate calculated upon issuing each series of postal savings bonds as the discount rate. The effective rate for floating-rate interest-bearing postal savings bonds is updated every time the estimated cash flows are revised due to changes in the benchmark indices and the review of the flow of redemptions.

Financial liabilities measured at amortised cost also include the amount of funds provided by the State or other government agencies and intended for particular operations required and regulated by special laws ("third-party funds in administration"), provided that the loans and funds accrue interest respectively in favour of and at the expense of the providing agency. However, funds administered on behalf of the State or other government agencies are not included here if their management is exclusively remunerated by an all-in-one fee (commission) and that are, therefore, merely seen as a service.

In addition, this item also includes issued securities measured at amortised cost. The item is reported net of repurchased securities.

Financial liabilities measured at amortised cost are recognised for the first time on the date the raised funds are received or the debt instruments are issued. These items are recognised at their fair value upon initial recognition. That value normally corresponds to the amount received or the issue price, inclusive of the costs directly attributable to the individual fund-raising operations or the costs incurred for the issue.

The financial liabilities are subsequently measured at amortised cost using the effective interest rate method, as defined in the preceding paragraphs. An exception is represented by short-term financial liabilities, which are recognised at the received value, given the negligible effect of the time factor.

In hybrid debt instruments (indexed to equity instruments, indices, foreign currencies, etc.) the embedded derivative is separated from the host contract, when the criteria for separation under IFRS 9 apply, and is recognised at its fair value under financial assets/liabilities held for trading (respectively positive or negative). The related changes in value are recognised through profit or loss. The host contract is instead allocated an initial value corresponding to the difference between the total amount of the proceeds received and the fair value allocated to the embedded derivative. The contract is recognised and measured according to the criteria envisaged by the classification portfolio.

The amounts under the item "Due to banks", "Due to customers", and "Securities issued" are derecognised when they mature or are extinguished. The derecognition also takes place when there is a repurchase of previously issued bonds, with simultaneous recalculation of the residual payable only for the securities issued. The difference between the carrying value of the liability and the amount paid to purchase it is recognised in the income statement.

12 - Financial liabilities held for trading

This item includes all forms of financial liabilities (debt securities, loans, derivatives) designated as being held for trading purposes. It excludes any portion of the company's own issued debt securities that have not yet been placed with third parties.

This category of liabilities includes, in particular, financial derivatives not designated under hedge accounting, operational hedging derivatives, and also derivatives embedded in complex financial contracts, whose host contract is a financial liability, which have been recognised separately if their fair value is negative.

The criteria for initial recognition and measurement of these derivatives are illustrated with reference to the same instruments with positive fair value within the scope of Financial assets held for trading.

Financial liabilities are initially recognised at fair value, which generally equals the amount received net of transaction costs or revenues. When the amount paid differs from fair value, a financial liability is nevertheless recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is made at the contract date for derivative contracts and at the settlement date for debt securities, with the exception of those for which delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Measurement after initial recognition is made at fair value, with recognition of any changes in value through profit or loss. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial liability are retained, the liabilities remain on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under "Profits (losses) on trading activities" in the income statement.

13 - Financial liabilities designated at fair value

This item includes financial liabilities, regardless of their technical form (debt securities, loans etc.), for which the option of measurement at fair value through profit or loss has been exercised ("Fair Value Option") in accordance with the requirements established by IFRS 9 for classification in this item.

This classification is made when one of the following conditions applies:
- the designation eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch) that would otherwise arise from the measuring of assets or liabilities or from the recognition of gains or losses on different bases;
- a group of financial liabilities, or a group of financial assets and liabilities is managed and the performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- the liabilities consist of hybrid instruments containing embedded derivatives that would otherwise have been separated (however, this rule does not apply if the embedded derivative is insignificant or if the separation of the embedded derivative cannot be applied).

As regards issued debt securities, these financial liabilities are recognised for the first time on the date of issue.

Initial recognition is at fair value, which generally equals the amount collected, without considering the transaction expenses and income attributable to the instrument issued, which are instead recognised in the income statement.

Subsequent to initial recognition, these financial liabilities are measured at fair value and charged as follows:
- the change in fair value that is attributable to changes in its creditworthiness is recognised in the statement of comprehensive income and recorded in the item Valuation reserves;
- the residual amount of change in fair value is recognised through profit or loss.

Financial liabilities at fair value are derecognised from the balance sheet when the contractual rights to the related cash flows expire or when the financial liability is sold, transferring substantially all risks and rewards connected with it to third parties.

14 - Transactions in a foreign currency

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

In preparing the annual or interim financial statements, assets denominated in a foreign currency are accounted for as follows:
- monetary instruments are translated at the spot rate quoted on the reporting date.
- non-monetary instruments, which are carried at cost, are translated at the exchange rate quoted on the date of the original transaction;
- non-monetary instruments, which are carried at fair value, are translated at the spot rate quoted on the reporting date.

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

The positive and negative exchange rate differences, relating to:
- financial assets and liabilities denominated in foreign currencies, other than those measured at fair value and those subject to fair value hedges (exchange rate or fair value risk) and cash flow hedges (exchange rate risk), as well as the related hedging derivatives are included in “Profits (losses) on trading”. This item also includes the results of fair value measurement of any forward contracts associated with foreign currency transactions concluded for hedging purposes, net of the accrued contractual margins recognised in interest with the relevant + or - sign;
- financial assets and liabilities denominated in foreign currencies measured at fair value are included in the “Profits (losses) on financial assets and liabilities measured at fair value through profit or loss”;
- financial assets and liabilities denominated in foreign currencies, subject to fair value hedge (exchange rate or fair value risk) and relating to hedging derivatives are included in the results of related measurements recognised in “Fair value adjustments in hedge accounting”.

15 - Other information

Staff severance pay

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements.

In accordance with IAS 19, staff severance pay is treated as a “Post-employment benefit” and is classified as:
- a “Defined benefit plan” for the portion of staff severance pay accrued by employees until 31 December 2006;
- a “Defined contribution plan” for the portion of staff severance pay accrued by employees beginning 1 January 2007.

The accounting standard envisages that these portions of staff severance pay be recognised at their actuarial value. The accruing and accrued obligations are considered for discounting purposes (these obligations are, respectively, the discounted value of the expected future payments related to benefits accrued during the current financial year and the discounted value of future payments resulting from amounts accrued in previous financial years).

It should be noted that CDP’s provision for staff severance pay is negligible given that employees on staff prior to the transformation of CDP into a joint-stock company maintained their participation in the INPDAP pension scheme after the transformation; therefore, severance pay contributions are paid to that institution. As such, the amount shown for staff severance pay is related solely to employees hired after the date of transformation (under the INPS pension scheme) for amounts accrued until 2006, given that the amounts accrued subsequently were not applied to this fund, but to the supplemental pension fund or to INPS in accordance with the applicable legislation.

Accordingly, in view of the insignificance of the effects of adopting IAS 19, the staff severance pay continues to be calculated on the basis of Italian statutory provisions (Article 2120 of the Italian Civil Code).

Interest income and expense

Interest income and expense is recognised in the income statement, on a pro-rata basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

Default interest, where provided for by contract, is recognised in the income statement only when it is actually received.

The interest also includes the net balance, either positive or negative, of the differentials and margins relating to the financial derivative instruments hedging assets and liabilities that generate interest, and derivatives recognised in the balance sheet in the trading book but operationally related to assets and/or liabilities designated at fair value (fair value option).

Commission income and expense

Commission income for revenues from services provided and commission expense for the costs of services received are recognised, based on the existence of contractual agreements, on an accrual basis, i.e. in the year when the services are provided.

This item also includes the commissions received from guarantees issued in favour of third parties, and commissions paid for guarantees received.

When the amortised cost method is used, the commissions considered in calculating the effective interest rate are recognised instead as interest.

Dividends

As previously described, the dividends received from investee companies are recognised in the income statement in the financial year in which they are approved for distribution.

Business combinations

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

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

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

A.4 - Disclosures on fair value measurement

Qualitative disclosures

This section contains the disclosures on fair value measurement in accordance with the requirements of IFRS 13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The assumption is that this refers to an ordinary transaction between independent counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded.

In the definition of fair value, a key assumption is that an entity is fully operational and does not have the urgent need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer.

The international accounting standards have established three levels of classification for a financial instrument (known as the "hierarchy of fair value"); the level of fair value measurement assigned depends on the observability and significance of the inputs used in the valuation model.

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1). An instrument is considered to be traded on an active market if prices are readily and regularly available on regulated markets, organised trading facilities, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions executed close to the valuation date. When there are no published prices on an active market or when, in reference to several indicators (e.g. the possibility of performing transactions at the quoted price and their number, the bid-ask spread, the effective trading volumes), it cannot be held that the price represents an active and regularly functioning market, the fair value of the financial instruments is determined by using measurement models and techniques whose purpose is to establish the price at which the asset or liability would be exchanged between market operators in an arm's length transaction at the valuation date. The fair value of unlisted financial instruments is classified under Level 2 or 3 according to whether or not the inputs used in the valuation model are observable and their significance within that model.

The Level 2 inputs are prices available on active markets or inputs based on observable market data, such as interest rates, credit spreads, or yield curves. If they are used in the pricing of an instrument, they must be available for the entire residual life of the instrument. The fair value of a financial instrument measured with techniques that use Level 2 inputs is classified in the same level for the fair value hierarchy.

In certain cases, the level 2 inputs need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it, for example through the use of statistical or "expert-based" techniques, the fair value measurement is classified under Level 3, if the inputs are not observable in the market or not directly available. This category also includes the parameters estimated on the basis of proprietary models or historic data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

The valuation techniques used for Level 2 and Level 3 measurements are validated by the Risk Management Function of CDP. The development and validation of the techniques, and their application for accounting evaluations, are set out in specific process documentation.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The valuation techniques used for unlisted financial instruments may, in addition to interpolations and extrapolations, involve the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.

CDP takes the following into consideration when selecting the valuation models:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represent all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and implemented in CDP's systems.

The market parameters used as inputs for Level 2 valuations are selected on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments listed on active markets.

Specifically, the financial statements of CDP use fair value measurements assigned to Level 2 for bonds receivable or payable whose measurement depends exclusively on observable or readily available market parameters, and for the measurement of interest rate, currency, and plain vanilla equity derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them.

CDP has developed a reference framework for derivative contracts and bonds. This framework is composed of the valuation criteria and models on which the valuation of each category of instruments is based.

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. However, in view of the generalised use of framework netting arrangements that provide for the exchange of collateral, and considering the frequency of exchange of the collateral and the fact that it is established in the form of cash deposits, as well as the minimum ratings required from the counterparties, no adjustments of this kind have been made at 31 December 2019. With regard to the embedded derivatives in postal savings bonds which are separated out, the adjustment for the joint credit risk of CDP and the Italian Government is considered to be nil. An adjustment of this type, if made, would result in a reduction in the fair value of those liabilities.

With regard to the assets and liabilities measured at fair value on a recurring basis, the following are classified as Level 3 in the financial statements of CDP:
- the valuations of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- bonds and tranches of Asset-Backed Securities that do not pass the SPPI test dictated by IFRS 9, for which the valuation requires the use of inputs that are not directly observable or representative of the counterparty credit rating and underlyings;
- equity interests and other unlisted equity instruments that are measured using non-market parameters.

Portfolios measured at fair value on a recurring basis: details of the significant non-observable inputs for Level 3 assets and liabilities

Category of financial instruments	Fair value assets (thousands of euro)	Fair value liabilities (thousands of euro)	Measurement techniques	Non-observable parameters
Financial Equity derivatives		(7,786)	Option pricing models	Redemption profiles (ratio of expected principal at maturity to remaining payable)
Debt securities	129,446		Cash flow discounting models	Credit and liquidity spread
Equity securities	46,880		Equity multiple	Equity multiple
Units in collective investment undertakings	2,615,821		Adjusted NAV	NAV Adjustment

A.4.2 Valuation processes and sensitivity

Description of the valuation process for the fair value measurement of instruments classified at Level 3 of the hierarchy of fair value inputs

Level 3 valuation techniques are also applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

The methods and processes adopted by CDP aim to ensure that the value assigned to each position appropriately reflects their current fair value, with a level of detail for the checks proportional to the quantitative significance of the assets and liabilities measured.

The reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based is set out in methodological documents updated on half-yearly basis by the Risk Management Function. The valuations are performed through internal systems used by CDP for the management of securities and derivatives and subject to standard controls. The valuation process and related controls are subject to third-level checks on a regular basis.

Description of non-observable inputs used in the valuation process for the fair value measurement on a recurrent basis of instruments classified at Level 3 and the sensitivity of the fair value to changes in those inputs

For fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted to obtain a range of possible and reasonable alternative valuations. In general, the impact of unobservable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

Redemption profiles

The redemption profile of postal savings bonds is a central estimate of the nominal amount of the bonds that will be redeemed within a series of future dates, between the valuation date and the final maturity date. The estimate is made by CDP through statistical analyses and expert-based valuations. This non-observable figure is significant for the Level 3 measurement of the fair value of the options separated out from the postal savings bonds linked to the performance of the Euro Stoxx 50 index. If the investor asks for early redemption of the bond, they lose the entitlement to receive any component of remuneration linked to the index and, as a result, the equity option sold by CDP lapses. For this category of financial instruments, higher redemptions therefore result in a lower value of liabilities for CDP. Although the redemption profiles are non-observable inputs on the market, the changes in those profiles over time are closely linked to the changes in actual redemptions observed.

Given the negligible notional value of the embedded options in the postal savings bonds linked to the EuroStoxx 50 index existing as at 31 December 2019, the sensitivity analysis to the redemption profile which considers changes of 10% in the remaining principal, applied to the relevant expected percentage for the expiry of each option, leads to no significant changes in the value of the liabilities.

NAV Adjustment

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. An increase in NAV coincides with an increase in fair value. For funds classified in Level 3, fair value adjustments may be needed to take account of certain specific characteristics; such adjustments would result in a transaction being priced below NAV. At 31 December 2019, adjustments of this kind were made to the NAVs of some collective investment undertakings held in the portfolio determined on the basis of expert appraisal, taking into account the characteristics of limited liquidity of the units.

A.4.3 Hierarchy of fair value

IFRS 13 requires the provision of a description, with regard to the financial and non-financial assets and liabilities measured at fair value on a recurring basis, of the policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred separately for financial assets and liabilities and non-financial assets and liabilities (IFRS 13, paragraph 95). For all classes of assets and liabilities, the policies adopted by CDP require that the transfer from one level to another take place at the end of the reporting period.

The transfers are motivated by whether it becomes possible or impossible to reliably measure fair value, respectively, at Level 1, Level 2 or Level 3: for example, if the measurement of an instrument is classified as "Level 3" due to the non-observability of a significant input, if that input becomes observable in the market or if it becomes common to use a model that requires only observable inputs, or its estimate is not necessary, then the measurement is transferred to Level 2, and the transfer occurs at the end of the reporting period.

Quantitative disclosures

A.4.5 Hierarchy of fair value

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value

(thousands of euro) Financial assets/liabilities measured at fair value	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss:		132,354	2,745,267		222,304	2,542,345
a) financial assets held for trading		132,354			71,026	
b) financial assets designated at fair value						
c) other financial assets mandatorily at fair value			2,745,267		151,278	2,542,345
2. Financial assets measured at fair value through other comprehensive income	12,085,491		46,880	11,412,683		51,134
3. Hedging derivatives		381,346			679,154	
4. Property, plant and equipment						
5. Intangible assets						
Total assets	**12,085,491**	**513,700**	**2,792,147**	**11,412,683**	**901,458**	**2,593,479**
1. Financial liabilities held for trading		121,144	7,786		69,100	1,881
2. Financial liabilities at fair value					500,024	
3. Hedging derivatives		2,682,555			656,433	
Total liabilities		**2,803,699**	**7,786**		**1,225,557**	**1,881**

As a result of the counterparty risk mitigation techniques used and the credit rating of the counterparties and of CDP, the Credit Value Adjustments (CVAs) and Debt Value Adjustments (DVAs) are negligible for the determination of the fair value of derivative financial instruments.

A.4.5.2 Change for the year in financial assets measured at fair value on a recurring basis (Level 3)

(thousands of euro)	Financial assets designated at fair value through profit or loss: Total	of which: a) Financial assets held for trading	of which: b) Financial assets designated at fair value	of which: c) Other financial assets mandatorily measured at fair value	Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**2,542,345**			**2,542,345**	**51,134**			
2. Increases	**463,629**			**463,629**	**888**			
2.1 Purchases	387,514			387,514				
2.2 Profits taken to:	76,115			76,115	888			
2.2.1 Income statement	76,115			76,115				
- *of which: capital gains*	*74,988*			*74,988*				
2.2.2 Equity	X	X	X	X	888			
2.3 Transfers from other levels								
2.4 Other increases								
3. Decreases	**260,707**			**260,707**	**5,142**			
3.1 Sales					5,142			
- *of which: business combinations*					*5,142*			
3.2 Repayments	178,310			178,310				
3.3 Losses taken to:	82,397			82,397				
3.3.1 Income statement	82,397			82,397				
- *of which: capital losses*	*82,396*			*82,396*				
3.3.2 Equity	X	X	X	X				
3.4 Transfers to other levels								
3.5 Other decreases								
4. Closing balance	**2,745,267**			**2,745,267**	**46,880**			

A.4.5.3 Change for the year in financial liabilities measured at fair value on a recurring basis (Level 3)

(thousands of euro)	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
1. Opening balance	**1,881**		
2. Increases	**11,604**		
2.1 Issues			
2.2 Losses taken to:	11,604		
2.2.1 Income statement	11,604		
- *of which: capital losses*	*6,922*		
2.2.2 Equity	X		
2.3 Transfers from other levels			
2.4 Other increases			
3. Decreases	**5,699**		
3.1 Repayments	5,010		
3.2 Buybacks			
3.3 Profits taken to:	689		
3.3.1 Income statement	689		
- *of which: capital gains*			
3.3.2 Equity	X		
3.4 Transfers to other levels			
3.5 Other decreases			
4. Closing balance	**7,786**		

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by levels of fair value

(thousands of euro)	31/12/2019				31/12/2018			
Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets measured at amortised cost	337,105,175	59,226,682	3,996,804	291,052,957	323,523,878	43,587,807	7,016,625	275,834,392
2. Investment property, plant and equipment	181,759			181,759				
3. Non-current assets and disposal groups held for sale								
Total	**337,286,934**	**59,226,682**	**3,996,804**	**291,234,716**	**323,523,878**	**43,587,807**	**7,016,625**	**275,834,392**
1. Financial liabilities measured at amortised cost	356,166,295		20,541,938	336,308,384	342,568,460		16,785,528	325,197,540
2. Liabilities associated with non-current assets and disposal groups held for sale								
Total	**356,166,295**		**20,541,938**	**336,308,384**	**342,568,460**		**16,785,528**	**325,197,540**

A.5 - Disclosure of day one profit/loss

The carrying amount of financial instruments on recognition is equal to their fair value at the same date.

In the case of financial instruments other than those measured at fair value through profit or loss, the fair value at the recognition date is normally assumed to be equal to the amount received or paid.

In the case of financial instruments measured at fair value through profit or loss classified as Level 3, any difference with respect to the amount received, the so-called "day one profit/loss", cannot be recognised immediately through profit or loss.

Subsequently, such difference must be recognised through profit or loss if it is generated by a change in the factors on which market participants base their valuations in determining prices (including the time effect).

If the instrument has a specified maturity and a model that monitors changes in the factors on which operators base prices is not immediately available, the day one profit/loss can be recognised through profit or loss over the life of the financial instrument.

CDP has not recognised any "day one profit/loss" on financial instruments in accordance with the provisions of IFRS 7.28 and other related IFRS provisions.

Part B - Information on the balance sheet

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

(thousands of euro)	31/12/2019	31/12/2018
a) Cash	3	5
b) Free deposits with Central Banks		
Total	**3**	**5**

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by type

The financial derivatives shown in the table include:
- the positive fair value of interest rate derivatives (about 121 million euro);
- the positive fair value of currency derivatives (about 7 million euro);
- the positive fair value (about 4 million euro) of the options purchased as a hedge, for operational purposes, of the embedded option component of bonds indexed to baskets of equities. This option component was separated from the host instrument and was classified among financial liabilities held for trading.

(thousands of euro) Items/Values	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets						
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities						
3. Units in collective investment undertakings						
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
Total A						
B. Derivatives						
1. Financial derivatives		132,354			71,026	
1.1 Trading		132,354			70,951	
1.2 Associated with fair value option					75	
1.3 Other						
2. Credit derivatives						
2.1 Trading						
2.2 Associated with fair value option						
2.3 Other						
Total B		**132,354**			**71,026**	
Total (A + B)		**132,354**			**71,026**	

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

(thousands of euro) Items/Values	31/12/2019	31/12/2018
A. On-balance-sheet assets		
1. Debt securities		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
- *of which: insurance companies*		
e) Non-financial companies		
2. Equity securities		
a) Banks		
b) Other financial companies		
- *of which: insurance companies*		
c) Non-financial companies		
d) Other issuers		
3. Units in collective investment undertakings		
4. Loans		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
- *of which: insurance companies*		
e) Non-financial companies		
f) Households		
Total A		
B. Derivatives		
a) Central counterparties		
b) Other	132,354	71,026
Total B	**132,354**	**71,026**
Total (A + B)	**132,354**	**71,026**

2.3 Financial assets designated at fair value: breakdown by type

There were no financial assets designated at fair value.

2.4 Financial assets designated at fair value: breakdown by debtor/issuer

There were no financial assets designated at fair value.

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

(thousands of euro) Items/Values	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities			129,446		151,278	157,896
1.1 Structured securities						
1.2 Other debt securities			129,446		151,278	157,896
2. Equity securities						
3. Units in collective investment undertakings			2,615,821			2,384,449
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
Total			**2,745,267**		**151,278**	**2,542,345**

The item “Debt securities” includes securities that at the time of the first application of IFRS 9 had not passed the SPPI test.

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

(thousands of euro) Items/Values	31/12/2019	31/12/2018
1. Equity securities		
of which:		
- *banks*		
- *other financial companies*		
- *non-financial companies*		
2. Debt securities	**129,446**	**309,174**
a) Central banks		
b) General governments		151,278
c) Banks		
d) Other financial companies	129,446	157,896
- *of which: insurance companies*		
e) Non-financial companies		
3. Units in collective investment undertakings	**2,615,821**	**2,384,449**
4. Loans		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
- *of which: insurance companies*		
e) Non-financial companies		
f) Households		
Total	**2,745,267**	**2,693,623**

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

(thousands of euro) Items/Values	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	11,248,804			11,050,208		
1.1 Structured securities						
1.2 Other debt securities	11,248,804			11,050,208		
2. Equity securities	836,687		46,880	362,475		51,134
3. Loans						
Total	**12,085,491**		**46,880**	**11,412,683**		**51,134**

Investments in debt securities included in this item, equal to 11,249 million euro, increased with respect to the end of 2019 (+199 million euro) and consisted for approximately 8,779 million euro of Italian government securities (-416 million with respect to the end of 2018).

Investments in equity securities amounted to approximately 884 million euro (+470 million euro compared to the end of 2018). The increase is mainly attributable to the interests in TIM S.p.A. due to the additional investment made during the financial year and the measurement at fair value; this increase is partly offset by the negative change as a consequence of the transfer in favour of CDP Equity, via contribution, of the interest previously held in F2i SGR.

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

(thousands of euro) Items/Values	31/12/2019	31/12/2018
1. Debt securities	**11,248,804**	**11,050,208**
a) Central banks		
b) General governments	9,361,487	9,472,928
c) Banks	1,157,033	889,817
d) Other financial companies	552,556	484,189
- *of which: insurance companies*		
e) Non-financial companies	177,728	203,274
2. Equity securities	**883,567**	**413,609**
a) Banks	41,881	41,881
b) Other issuers:	841,686	371,728
- other financial companies		4,253
- *of which: insurance companies*		
- non-financial companies	841,686	367,475
- other		
3. Loans		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
- *of which: insurance companies*		
e) Non-financial companies		
f) Households		
Total	**12,132,371**	**11,463,817**

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

(thousands of euro)	Gross value Stage 1	Gross value of which: Instruments with low credit risk	Gross value Stage 2	Gross value Stage 3	Accumulated impairment Stage 1	Accumulated impairment Stage 2	Accumulated impairment Stage 3	Accumulated partial write off (*)
Debt securities	11,231,436		32,347		(13,141)	(1,838)		
Loans								
Total 31/12/2019	**11,231,436**		**32,347**		**(13,141)**	**(1,838)**		
- *of which: non-performing financial assets acquired or originated 31/12/2019*	*X*	*X*			*X*			
Total 31/12/2018	**11,029,438**		**31,659**		**(9,418)**	**(1,471)**		

(*) Value to be shown for information purposes.

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks

(thousands of euro) Type of transactions/Values	Total 31/12/2019 Carrying amount Stage 1 and 2	Total 31/12/2019 Carrying amount Stage 3	Total 31/12/2019 Carrying amount of which: impaired acquired or originated	Total 31/12/2019 Fair value Level 1	Total 31/12/2019 Fair value Level 2	Total 31/12/2019 Fair value Level 3	Total 31/12/2018 Carrying amount Stage 1 and 2	Total 31/12/2018 Carrying amount Stage 3	Total 31/12/2018 Carrying amount of which: impaired acquired or originated	Total 31/12/2018 Fair value Level 1	Total 31/12/2018 Fair value Level 2	Total 31/12/2018 Fair value Level 3
A. Loans to Central banks	**13,286,945**					**13,286,945**	**7,713,798**					**7,713,798**
1. Fixed-term deposits				X	X	X				X	X	X
2. Reserve requirement	13,286,945			X	X	X	7,713,798			X	X	X
3. Reserve requirement				X	X	X				X	X	X
4. Other				X	X	X				X	X	X
B. Loans to banks	**13,744,054**			**673,454**		**13,787,620**	**12,465,267**			**667,747**		**11,680,862**
1. Loans	12,184,309					12,894,581	11,493,354					11,378,861
1.1 Current accounts and demand deposits	138,551			X	X	X	424,159			X	X	X
1.2 Fixed-term deposits	64,031			X	X	X				X	X	X
1.3 Other financing:	11,981,727			X	X	X	11,069,195			X	X	X
- repurchase agreements				X	X	X				X	X	X
- finance leases				X	X	X				X	X	X
- other	11,981,727			X	X	X	11,069,195			X	X	X
2. Debt securities	1,559,745			673,454		893,039	971,913			667,747		302,001
2.1 Structured securities				X	X	X				X	X	X
2.2 Other debt securities	1,559,745			X	X	X	971,913			X	X	X
Total	**27,030,999**			**673,454**		**27,074,565**	**20,179,065**			**667,747**		**19,394,660**

Loans to banks totalled 27,031 million euro (+6,852 million euro compared to the end of 2018) and consist mainly of:
- loans for approximately 9,366 million euro (-1,064 million euro compared to 2018);

- the balance on the management account of the Reserve requirement, which decreased to around 13,287 million euro (around +5,573 million euro compared to 2018);
- current account balances of approximately 139 million euro (-286 million compared to 2018);
- deposits for Credit Support Annexes (cash collateral) held with banks hedging counterparty risk on derivatives, for approximately 2,616 million euro (approximately +1,977 million euro compared to 2018);
- debt securities for approximately 1,560 million euro (+588 million euro approximately compared to2018);
- term deposits (assets) of approximately 64 million euro (there were no term deposits at the end of 2018).

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

	Total 31/12/2019						Total 31/12/2018					
	Carrying amount			Fair value			Carrying amount			Fair value		
(thousands of euro) Type of transactions/Values	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	Level 1	Level 2	Level 3
1. Loans	**245,502,199**	**200,971**				**259,749,351**	**251,013,262**	**225,382**				**254,106,254**
1.1 Current accounts	3,094			X	X	X	500			X	X	X
1.1.1 Cash and cash equivalents held with Central State Treasury	150,947,180			X	X	X	158,265,776			X	X	X
1.2 Repurchase agreements	2,362,762			X	X	X	1,125,818			X	X	X
1.3 Loans	88,476,467	199,110		X	X	X	88,776,369	225,382		X	X	X
1.4 Credit cards, personal loans and loans repaid by automatic deductions from wages				X	X	X				X	X	X
1.5 Finance leases	15,122			X	X	X				X	X	X
1.6 Factoring				X	X	X				X	X	X
1.7 Other financing	3,697,574	1,861		X	X	X	2,844,799			X	X	X
2. Debt securities	**64,371,006**			**58,553,228**	**3,996,804**	**4,229,041**	**52,106,169**			**42,920,060**	**7,016,625**	**2,333,478**
2.1 Structured securities				X	X	X				X	X	X
2.2 Other debt securities	64,371,006			X	X	X	52,106,169			X	X	X
Total	**309,873,205**	**200,971**		**58,553,228**	**3,996,804**	**263,978,392**	**303,119,431**	**225,382**		**42,920,060**	**7,016,625**	**256,439,732**

Loans to customers are mainly related to:
- lending operations under the Separate Account and Ordinary Account;
- cash and cash equivalents held with Central State Treasury;
- investments in debt securities under the Held to collect business model.

The above table provides a breakdown of the positions by technical form.

The method of remuneration of the treasury current account no. 29814 equalled the weighted average (using weightings at 25% and 75%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs.

The volume of mortgage loans and other financing amounted to approximately 92,375 million euro (+528 million euro compared to the end of 2018). Reverse repurchase agreements amounted to approximately 2,363 million euro (+1,237 million euro compared to the end of 2018).

The volume of debt securities recognised in this item was approximately equal to 64,371 million euro (of which 59,225 million euro in Italian government securities), up by 12,265 million euro with respect to the end of 2018, mostly for investments in Italian government securities.

The item also includes finance leases, amounting to approximately 15 million euro, originating at the time of first application of IFRS 16 on leases, relating to sublease contracts with Group companies that can be classified as finance leases.

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

(thousands of euro) Type of transactions/Values	31/12/2019			31/12/2018		
	Stage 1 and 2	Stage 3	of which: impaired acquired or originated	Stage 1 and 2	Stage 3	of which: impaired acquired or originated
1. Debt securities	**64,371,006**			**52,106,169**		
a) General governments	60,177,603			48,720,087		
b) Other financial companies	1,081,850			1,193,989		
- *of which: insurance companies*						
c) Non-financial companies	3,111,553			2,192,093		
2. Loans	**245,502,199**	**200,971**		**251,013,262**	**225,382**	
a) General governments	227,195,211	20,849		235,648,245	16,247	
b) Other financial companies	4,500,647			3,435,890		
- *of which: insurance companies*	2,569					
c) Non-financial companies	13,789,819	177,192		11,908,720	206,058	
d) Households	16,522	2,930		20,407	3,077	
Total	**309,873,205**	**200,971**		**303,119,431**	**225,382**	

4.4 Financial assets measured at amortised cost: gross value and accumulated impairment

(thousands of euro)	Gross value				Accumulated impairment			Accumulated partial write off (*)
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	65,546,034		572,364		(68,192)	(119,455)		
Loans	258,981,297		12,579,849	344,500	(210,502)	(377,191)	(143,529)	
Total 31/12/2019	**324,527,331**		**13,152,213**	**344,500**	**(278,694)**	**(496,646)**	**(143,529)**	
- *of which: impaired financial assets acquired or originated 31/12/2019*	X	X			X			
Total 31/12/2018	**310,031,040**		**14,118,987**	**379,831**	**(200,183)**	**(651,348)**	**(154,449)**	

(*) Value to be shown for information purposes.

Section 5 - Hedging Derivatives - Item 50

5.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	Fair value 31/12/2019			Notional value 31/12/2019	Fair value 31/12/2018			Notional value 31/12/2018
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives		**381,346**		**12,997,236**		**679,154**		**23,683,096**
1) Fair value		377,201		12,819,205		603,734		23,206,338
2) Cash flow		4,145		178,031		75,420		476,758
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**381,346**		**12,997,236**		**679,154**		**23,683,096**

Micro-hedging, fair value and cash flow derivatives that had a positive value as at 31 December 2019 were approximately equal to 366 million euro, while macro-hedging derivatives, related to loan portfolios, were approximately equal to 15 million euro.

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

	Fair value							Cash flow		
	Specific									
(thousands of euro) Operations/Type of hedging	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Credit	Commodities	Other	Generic	Specific	Generic	Investment in foreign operation
1. Financial assets measured at fair value through other comprehensive income					X	X	X		X	X
2. Financial assets measured at amortised cost	2,300	X	13,560		X	X	X	4,145	X	X
3. Portfolio	X	X	X	X	X	X	14,625	X		X
4. Other							X		X	
Total assets	**2,300**		**13,560**				**14,625**	**4,145**		
1. Financial liabilities	346,716	X					X		X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities	**346,716**									
1. Forecast transactions	X	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X		

Section 6 - Fair value change of financial assets in hedged portfolios - Item 60

6.1 Fair value change of hedged assets: breakdown by hedged portfolio

(thousands of euro) Fair value change of financial assets in hedged portfolios/Values	31/12/2019	31/12/2018
1. Positive fair value change	**1,481,927**	**138,026**
1.1 Of specific portfolios:	1,481,927	138,026
a) financial assets measured at amortised cost	1,481,927	138,026
b) financial assets measured at fair value through other comprehensive income		
1.2 Overall		
2. Negative fair value change	**(14,584)**	**(6,445)**
2.1 Of specific portfolios:	(14,584)	(6,445)
a) financial assets measured at amortised cost	(14,584)	(6,445)
b) financial assets measured at fair value through other comprehensive income		
2.2 Overall		
Total	**1,467,343**	**131,581**

This item reports the net change in the value of the loans hedged generically (macrohedging) against interest rate risk.

The assets fair-value hedged generically against interest rate risk consisted of loans. The amounts shown in the table below are related to the residual principal due on maturity on the loans for which macro-hedging was adopted.

(thousands of euro) Hedged assets	31/12/2019	31/12/2018
1. Financial assets measured at amortised cost	13,629,556	9,044,604
2. Financial assets measured at fair value through other comprehensive income		
3. Portfolio		
Total	**13,629,556**	**9,044,604**

Section 7 - Equity investments - Item 70

7.1 Information on equity investments

(thousands of euro) Company name	Registered office	Operational headquarters	% holding	% of votes	Carrying amount
A. Wholly-owned subsidiaries					
SACE S.p.A.	Rome	Rome	100.00%	100.00%	4,251,174
CDP Equity S.p.A.	Milan	Milan	100.00%	100.00%	3,311,415
CDP Reti S.p.A.	Rome	Rome	59.10%	59.10%	2,017,339
CDP Industria S.p.A.	Rome	Rome	100.00%	100.00%	1,556,998
Fintecna S.p.A.	Rome	Rome	100.00%	100.00%	944,354
CDP Immobiliare S.r.l.	Rome	Rome	100.00%	100.00%	411,541
CDP Investimenti SGR S.p.A.	Rome	Rome	70.00%	70.00%	1,400
C. Companies subject to significant influence					
Eni S.p.A.	Rome	Rome	25.76%	25.76%	15,281,632
Poste Italiane S.p.A.	Rome	Rome	35.00%	35.00%	2,930,258
Elite S.p.A.	Milan	Milan	15.00%	15.00%	2,508
Europrogetti & Finanza S.p.A. in liquidazione	Rome	Rome	31.80%	31.80%	
Total					**30,708,619**

At 31 December 2019, equity investments amounted to approximately 30,709 million euro, up on the 2018 year-end balance (+392 million euro).

7.2 Significant equity investments: carrying amount, fair value and dividends received

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.3 Significant equity investments: accounting data

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.4 Non-significant equity investments: accounting data

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.5 Equity investments: changes for the year

(thousands of euro)	31/12/2019	31/12/2018
A. Opening balance	**30,316,282**	**30,411,138**
B. Increases	**2,100,022**	**243,595**
B.1 Purchases	2,006,975	80,826
- *of which: business combinations*	*1,680,767*	
B.2 Writebacks	93,047	162,369
B.3 Revaluations		
B.4 Other increases		400
C. Decreases	**1,707,685**	**338,451**
C.1 Sales	1,675,626	
- *of which: business combinations*	*1,675,626*	
C.2 Writedowns	31,700	334,402
C.3 Impairment losses		
C.4 Other decreases	359	4,049
D. Closing balance	**30,708,619**	**30,316,282**
E. Total revaluations		
F. Total writedowns	**1,755,037**	**1,817,082**

During 2019, CDP's main investments included:
- the increase in the investment in CDP Equity, aimed at supporting the creation of a national player with the objective of consolidating the Italian construction sector (i.e. Progetto Italia) (+250 million euro), and to transfer to CDP Equity, via contribution, CDP's equity investments in some Asset management companies (+24 million euro);
- payments in favour of CDP Immobiliare, for approximately 65 million euro, to cover the financial needs of the company and its investees;
- the establishment of CDP Industria, a vehicle wholly owned by CDP to hold strategic equity investments with an industrial approach over the long term to which the investments held in Fincantieri S.p.A. and in Saipem S.p.A. were transferred respectively from Fintecna and CDP Equity;

Furthermore, the change in the equity investment portfolio reflects the impairment reversal on the equity investment in Fintecna for approximately 93 million euro, the impairment of CDP Immobiliare for approximately 27 million euro and of Elite S.p.A. for approximately 4 million euro.

During the year, the equity investment portfolio was reorganised according to the sectors the companies belong to and according to a long-term logic, through a series of non-recurring transactions, for which reference should be made to the information illustrated in section G "Business combinations" of these notes to the financial statements.

7.6 Commitments relating to joint operations

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.7 Commitments relating to companies under significant influence

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.8 Significant restrictions

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

7.9 Other information

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

Impairment testing of equity investments

In compliance with the provisions of the reference accounting standards (IAS 36), at every reporting date, a check is carried out for the existence of objective evidence that may give it reason to believe that the carrying amount of the assets is no longer fully recoverable.

The identification of this evidence, based on the existence of qualitative and quantitative indicators, as described in the accounting policies, and set out in detail in the internal policies, differs according to whether or not they are equity investments in companies whose shares are listed in active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of impairment losses or impairment reversals.

This led to the recognition, during the financial year, of impairment losses/reversals on the equity investments in:
- Fintecna S.p.A.: an impairment reversal was carried out for approximately 93 million euro, within the limits of the previous impairment losses, in consideration of the greater value recoverable at the end of the financial year, equal to 1,055 million euro, compared to its carrying value, equal to 944 million euro;
- Elite S.p.A.: due to the loss reported by the company, an impairment loss of approximately 4 million euro was recognised;
- CDP Immobiliare S.r.l.: due to the reduction in the prospective net income flows, an impairment loss of approximately 27 million euro was recognised.

For the other equity investments, the impairment test identified a recoverable amount equal to or higher than the book value. Finally, the following summary table lists the methods used to value the main equity investments tested for impairment:

Company name	Methodology used
SACE S.p.A.	Dividend Discount Model
CDP Equity S.p.A.	Adjusted equity
Fintecna S.p.A.	Adjusted equity
CDP Industria S.p.A.	Adjusted equity
CDP Immobiliare S.r.l.	Adjusted equity
Eni S.p.A. (*)	Discounted Cash Flow
CDP Reti S.p.A.	Adjusted equity
Poste Italiane S.p.A. (*)	Stock market prices

(*) Use of publicly available data.

Section 8 - Property, plant and equipment - Item 80

8.1 Operating property, plant and equipment: breakdown of assets measured at cost

(thousands of euro) Assets/Values	31/12/2019	31/12/2018
1. Owned	**103,850**	**322,661**
a) Land	62,276	117,406
b) Buildings	31,720	55,547
c) Movables	2,440	2,514
d) Electrical plant	1,779	1,492
e) Other	5,635	145,702
2. Right of use acquired under leases	**11,831**	
a) Land		
b) Buildings	11,690	
c) Movables		
d) Electrical plant	141	
e) Other		
Total	**115,681**	**322,661**
- *of which: obtained via the enforcement of the guarantees received*		

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

8.2 Investment property: breakdown of assets measured at cost

(thousands of euro) Assets/Values	31/12/2019				31/12/2018			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	**225,301**			**225,301**				
a) Land	55,130			55,130				
b) Buildings	170,171			170,171				
2. Right of use acquired under leases	**11,588**			**11,588**				
a) Land								
b) Buildings	11,588			11,588				
Total	**236,889**			**236,889**				
- *of which: obtained via the enforcement of the guarantees received*								

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

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

8.3 Operating property, plant and equipment: breakdown of revalued assets

This item has a nil balance.

8.4 Investment property: breakdown of assets measured at fair value

This item has a nil balance.

8.5 Inventories of property, plant and equipment governed by IAS 2: breakdown

There was no property, plant and equipment governed by IAS 2.

8.6 Operating property, plant and equipment: changes for the year

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**117,406**	**92,095**	**14,181**	**12,844**	**170,688**	**407,214**
A.1 Total net writedowns		(36,548)	(11,667)	(11,352)	(24,986)	(84,553)
A.2 Opening net balance	**117,406**	**55,547**	**2,514**	**1,492**	**145,702**	**322,661**
A.3 Change in opening balance (first time application IFRS 16)		**6,847**		**84**		**6,931**
B. Increases		**147,984**	**523**	**999**	**2,954**	**152,460**
B.1 Purchases		5,935	385	685	2,954	9,959
B.2 Capitalised improvement costs						
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property			X	X	X	
B.7 Other increases		142,049	138	314		142,501
C. Decreases	**55,130**	**166,968**	**597**	**655**	**143,021**	**366,371**
C.1 Sales			10			10
C.2 Depreciation		3,104	546	652	642	4,944
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:	55,130	163,731				218,861
a) investment property	55,130	163,731	X	X	X	218,861
b) inventories of property, plant and equipment						
c) non-current assets and disposal groups held for sale						
C.7 Other decreases		133	41	3	142,379	142,556
D. Closing net balance	**62,276**	**43,410**	**2,440**	**1,920**	**5,635**	**115,861**
D.1 Total net writedowns		(22,329)	(10,999)	(11,809)	(25,624)	(70,761)
D.2 Closing gross balance	**62,276**	**65,739**	**13,439**	**13,729**	**31,259**	**186,442**
E. Measurement at cost						

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

- opening balances recognised for the first-time adoption of IFRS 16, amounting to 6,847 thousand euro for buildings and 84 thousand euro for electronic plant;
- rights of use originating during the period, reported under item “B.1 Purchases” amounting to 5,935 thousand euro for buildings and 90 thousand euro for electronic plant;
- depreciation in the income statement amounting to 959 thousand euro for buildings and 32 thousand euro for electronic plant;
- reduction in the value of the right of use resulting from contractual changes, reported under item “C.7 Other changes”, equal to 133 thousand euro.

8.7 Investment property: changes for the year

(thousands of euro)	Total	
	Land	Buildings
A. Opening gross balance		
A.1 Total net writedowns		
A.2 Opening net balance		
A.3 Change in opening balance (first time application IFRS 16)		**12,844**
B. Increases	**55,130**	**173,029**
B.1 Purchases		
B.2 Capitalised improvement costs		9,298
B.3 Fair value gains		
B.4 Writebacks		
B.5 Positive exchange rate differences		
B.6 Transfers from operating property	55,130	163,731
B.7 Other increases		
C. Decreases		**4,114**
C.1 Sales		
C.2 Depreciation		4,114
C.3 Fair value losses		
C.4 Writedowns for impairment		
C.5 Negative exchange rate differences		
C.6 Transfers to:		
a) operating property		
b) non-current assets and disposal groups held for sale		
C.7 Other decreases		
D. Closing net balance	**55,130**	**181,759**
D.1 Total net writedowns		(21,438)
D.2 Closing gross balance	**55,130**	**203,197**
E. Measurement at fair value	**55,130**	**181,759**

Investment property is measured at cost.

The following items are recorded with reference to the rights of use acquired under a lease:
- opening balances recognised for the first-time adoption of IFRS 16, amounting to 12,844 thousand euro;
- depreciation in the income statement amounting to 1,256 thousand euro.

8.8 Inventories of property, plant and equipment governed by IAS 2: changes for the year

There was no property, plant and equipment governed by IAS 2 at 31 December 2019 and at 31 December 2018 and no movements occurred during the year.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown by category

(thousands of euro) Assets/Values	31/12/2019		31/12/2018	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	**X**		**X**	
A.2 Other intangible assets	**30,779**		**20,946**	
A.2.1 Assets carried at cost:	30,779		20,946	
a) internally-generated intangible assets				
b) other assets	30,779		20,946	
A.2.2 Assets carried at fair value:				
a) internally-generated intangible assets				
b) other assets				
Total	**30,779**		**20,946**	

9.2 Intangible assets: changes for the year

(thousands of euro)	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening gross balance				**51,021**		**51,021**
A.1 Total net writedowns				(30,075)		(30,075)
A.2 Opening net balance				**20,946**		**20,946**
B. Increases				**15,511**		**15,511**
B.1 Purchases				15,174		15,174
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 increases				337		337
C. Decreases				**5,678**		**5,678**
C.1 Sales						
C.2 Writedowns				5,678		5,678
- Amortisation	X			5,678		5,678
- Impairment:						
+ equity	X					
+ income statement						
C.3 Fair value losses:						
- equity	X					
- income statement	X					
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences						
C.6 Other changes						
D. Closing net balance				**30,779**		**30,779**
D.1 Total net writedowns				(35,753)		(35,753)
E. Closing gross balance				**66,532**		**66,532**
F. Measurement at cost						

Section 10 - Tax assets and liabilities - Item 100 of the assets and item 60 of the liabilities

10.1 Deferred tax assets: breakdown

(thousands of euro)	31/12/2019	31/12/2018
Deferred tax assets recognised in income statement	**379,972**	**381,430**
Provisions for risks and charges	68,362	49,533
Writedowns on loans	205,807	210,659
Property, plant and equipment / intangible assets	2,925	2,566
Exchange rate differences	3,897	19,790
Realignment of values pursuant to Decree Law 98/2011	98,051	98,051
Other temporary differences	930	831
Deferred tax assets recognised in equity	**11,755**	**97,965**
Financial assets measured at fair value through other comprehensive income	5,100	97,554
Cash flow hedge	6,655	411
Total	**391,727**	**479,395**

Deferred tax assets are calculated on temporary differences between accounting and tax values that will become deductible in years following that in which they are recognised.

These mainly consist of: i) adjustments to receivables and commitments; ii) realignment of the higher values — allocated to goodwill and other intangible assets in the consolidated financial statements — of majority investments pursuant to Law Decree no. 98/2011; iii) accruals to the provision for risks and the provision for future personnel costs; iv) measurement of foreign currency receivables and payables; v) measurement of financial assets at amortised cost and vi) measurement of financial assets through other comprehensive income and cash flow hedging derivatives. Deferred tax assets include the tax effects of the First Time Adoption of IFRS 9 and, in particular, the future benefit related to the deductibility in subsequent years of the reserve for the first adoption of this standard, related to the expected losses recognised on loans to customers. On this issue, we note that, pursuant to Law no. 145 of 30 December 2018, this reserve becomes deductible for IRES and IRAP purposes in ten years.

During 2019, with art. 1 of Law no. 160 of 27 December 2019 (2020 Budget Law), the deferral of the deduction of impairment losses on loans, of the impairment losses on the first-time adoption of IFRS 9 and the amortisation of goodwill and other intangible assets was arranged.

10.2 Deferred tax liabilities: breakdown

(thousands of euro)	31/12/2019	31/12/2018
Deferred tax liabilities recognised in income statement	**36,114**	**24,978**
Capital gains on financial assets measured at fair value through profit or loss - units in collective investment undertakings	8,191	8,191
Gains/losses on exchange rates	26,933	16,733
Other temporary differences	990	54
Deferred tax liabilities recognised in equity	**143,818**	**84,484**
Financial assets measured at fair value through other comprehensive income	138,688	81,175
Other	5,130	3,309
Total	**179,932**	**109,462**

Deferred tax liabilities are calculated on temporary differences between accounting and tax values that will become taxable in years following that in which they are recognised.

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

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

(thousands of euro)	31/12/2019	31/12/2018
1a. Opening balance	**381,430**	**196,438**
1b. Change in opening balance		**260,857**
2. Increases	**30,691**	**56,645**
2.1 Deferred tax assets recognised during the year:	30,691	56,645
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	30,691	56,645
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**32,149**	**132,510**
3.1 Deferred tax assets derecognised during the year:	32,149	132,510
a) reversals	32,149	9,656
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		120,713
d) other		2,141
3.2 Reduction in tax rates		
3.3 Other decreases:		
a) transformation into tax credits under Law 214/2011		
b) other		
4. Closing balance	**379,972**	**381,430**

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

(thousands of euro)	31/12/2019	31/12/2018
1a. Opening balance	**24,977**	
1b. Change in opening balance		**49,430**
2. Increases	**11,722**	**17,296**
2.1 Deferred tax liabilities recognised during the year:	11,722	17,296
a) in respect of previous periods		553
b) due to change in accounting policies		
c) other	11,722	16,743
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**585**	**41,748**
3.1 Deferred tax liabilities derecognised during the year:	585	41,748
a) reversals	574	
b) due to change in accounting policies		41,748
c) other	11	
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**36,114**	**24,978**

10.5 Changes in deferred tax assets (recognised in equity)

(thousands of euro)	31/12/2019	31/12/2018
1a. Opening balance	**97,965**	**102,923**
1b. Change in opening balance		**(95,278)**
2. Increases	**11,100**	**94,743**
2.1 Deferred tax assets recognised during the year:	11,100	94,743
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	11,100	94,743
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**97,310**	**4,423**
3.1 Deferred tax assets derecognised during the year:	97,310	4,423
a) reversals	97,310	4,423
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**11,755**	**97,965**

10.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euro)	31/12/2019	31/12/2018
1a. Opening balance	**84,484**	**157,257**
1b. Change in opening balance		**(45,860)**
2. Increases	**78,923**	**19,791**
2.1 Deferred tax liabilities recognised during the year:	78,923	19,791
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	78,923	19,791
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**19,589**	**46,704**
3.1 Deferred tax liabilities derecognised during the year:	19,589	46,704
a) reversals	19,589	46,704
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**143,818**	**84,484**

Section 11 - Non-current assets and disposal groups held for sale and associated liabilities - Item 110 of the assets and Item 70 of the liabilities

This item has a nil balance.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

(thousands of euro) Type of transactions/Values	31/12/2019	31/12/2018
Trade receivables and advances to public entities	165,985	154,538
Payments on account for withholding tax on postal passbooks	78,286	89,634
Receivables due from subsidiaries on consolidated taxation mechanism	41,309	47,846
Other receivables due from subsidiaries	11,351	7,742
Accrued income and prepaid expenses	9,895	5,556
Advances to suppliers	2,276	2,340
Leasehold improvements and expenses	2,634	1,292
Other tax receivables	775	770
Advances to personnel	176	82
Other items	12,410	2,276
Total	**325,097**	**312,076**

This item includes assets that cannot be classified under the previous items.

In particular:
- “Trade receivables and advances to public entities”: they refer to fees accrued or expenses paid in advance as part of agreements signed with the Ministries;
- “Payments on account for withholding tax on passbook savings accounts”: the balance refers to the payments on account net of the withholding tax on interest accrued on passbook savings accounts;
- “Receivables from Group companies for tax consolidation” and “Other receivables from Group companies”: the balance refers to receivables from Group companies for services provided, expense refunds and receivables deriving from the adoption of what is known as “national fiscal consolidation” mechanism;
- “Other” mainly refers to items being processed which were completed after the reporting date.

Liabilities

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

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

(thousands of euro) Type of transactions/Values	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3	31/12/2018 Carrying amount	31/12/2018 Fair value Level 1	31/12/2018 Fair value Level 2	31/12/2018 Fair value Level 3
1. Due to central banks	**2,483,946**	**X**	**X**	**X**	**2,486,727**	**X**	**X**	**X**
2. Due to banks	**27,735,866**	**X**	**X**	**X**	**27,942,612**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	196	X	X	X		X	X	X
2.2 Time deposits	1,815,156	X	X	X	1,769,169	X	X	X
2.3 Loans	25,597,019	X	X	X	25,671,921	X	X	X
2.3.1 Repurchase agreements	21,591,003	X	X	X	21,320,482	X	X	X
2.3.2 Other	4,006,016	X	X	X	4,351,439	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
2.5 Lease liabilities		X	X	X		X	X	X
2.6 Other payables	323,495	X	X	X	501,522	X	X	X
Total	**30,219,812**			**30,282,311**	**30,429,339**			**30,217,288**

The item “Due to central banks”, amounting to around 2,484 million euro, essentially relates to the credit facilities granted by the ECB under the Targeted Longer-Term Refinancing Operations (TLTRO II). The balance of 2,475 million euro is unchanged compared to the figure of 2018.

Repurchase agreements were equal to approximately 21,591 million euro (approximately +271 million euro compared to 2018).

Other loans, equal to 4,006 million euro (approximately -345 million euro on 2018), relate to credit lines received mainly from the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).

Term deposits, of around 1,815 million euro (+46 million euro on 2018) mainly refer to the balance of passbook savings accounts and postal savings bonds held by banks.

The item “Other payables” refers to Credit Support Annex contracts to hedge counterparty risk on derivatives of around 323 million euro (-178 million euro on 2018).

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

(thousands of euro) Type of transactions/Values	31/12/2019				31/12/2018			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	5,584,775	X	X	X	3,411,495	X	X	X
2. Time deposits	276,266,703	X	X	X	260,773,845	X	X	X
3. Loans	19,605,860	X	X	X	24,270,853	X	X	X
3.1 Repurchase agreements	19,605,860	X	X	X	24,270,853	X	X	X
3.2 Other		X	X	X		X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
5. Lease liabilities	39,208	X	X	X				
6. Other payables	4,399,268	X	X	X	4,740,050	X	X	X
Total	**305,895,814**			**305,895,814**	**293,196,243**			**293,196,243**

The item includes mainly:

- postal savings bonds at amortised cost of approximately 161,756 million euro (+10,984 million euro on 2018), net of those held by banks;
- the balance of passbook savings accounts of approximately 101,393 million euro (-3,930 million euro on 2018), net of those held by banks;
- the balance of MEF's liquidity management transactions (OPTES), about 11,998 million euro, with a substantial increase compared to 2018 (+8,999 million euro);
- repurchase agreements of around 19,606 million euro, representing a decrease on the 2018 balance (around -4,665 million euro);
- the amounts not yet disbursed at year end on loans granted to public and public-law bodies, about euro 4,069 million (around -312 million on 2018), recognised under sub-item "6. Other payables";
- deposits of investees, of approximately 6,651 million euro, as a result of the cash pooling system with the Parent Company CDP, as part of management and coordination activities (+1,647 million euro on the end of 2018).
- the balance of the Government Securities Amortisation Fund of 53 million euro (around -33 million euro compared to the end of 2018).
- Lease liabilities for about 39 million euro, whose value is determined by the values of first application of the new IFRS 16 and the value of contracts originated during the financial year, in which CDP act as a lessee.

For the part relating to postal savings bonds issued by the Parent Company, the fair value reported above is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium (spread) in line with that on medium/long-term government securities. The application of these valuation techniques would lead to a fair value greater than the carrying amount in cases where the rates paid to savers are higher than market rates, when also taking into account early redemption options.

In view of the persistence of a scenario of low and in particular negative rates on short to medium maturities, the percentage impact of credit spreads on total interest rates remains high, as already highlighted in previous years. Since this factor contributes to increasing the uncertainty about redemption forecasts in the presence of these conditions, it was decided that the best estimate of the fair value of postal savings bonds is their carrying amount.

1.3 Financial liabilities measured at amortised cost: breakdown by type of securities issued

(thousands of euro) Type of securities/Values	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3	31/12/2018 Carrying amount	31/12/2018 Fair value Level 1	31/12/2018 Fair value Level 2	31/12/2018 Fair value Level 3
A. Securities								
1. Bonds	17,251,899		17,741,832	130,259	17,158,869		16,785,528	
1.1 structured	50,970		55,489		49,911		43,289	
1.2 other	17,200,929		17,686,343	130,259	17,108,958		16,742,239	
2. Other securities	2,798,771		2,800,106		1,784,009			1,784,009
2.1 structured								
2.2 other	2,798,771		2,800,106		1,784,009			1,784,009
Total	**20,050,670**		**20,541,938**	**130,259**	**18,942,878**		**16,785,528**	**1,784,009**

Securities issued at 31 December 2019 were approximately equal to about 20,051 million euro (+1,108 million euro compared to the end of 2018).

This item also comprises:
- bonds issued under the "Euro Medium Term Notes" (EMTN) and "Debt Issuance Programme" (DIP) programmes, with a stock of approximately 10,349 million euro (-785 million euro compared to the end of 2018). During the financial year, under the "Debt Issuance Programme", new issues were made for a total nominal value of 950 million euro. These included the issue of a new CDP Social Bond for 750 million euro, the proceeds of which were used to finance school building and urban redevelopment projects;
- 2 bonds reserved for individuals, for a total of approximately 2,962 million euro (+1,486 million euro compared to the end of 2018), with a nominal value of 1,500 million euro each, one of which issued in March 2015 and the other issued in June 2019, aimed at diversifying the sources of funding of the Separate Account;
- 5 bonds guaranteed by the Italian government, entirely subscribed by Poste Italiane, for a total carrying amount of 3,812 million euro. This amount decreased by about 738 million euro compared with the end of 2018 due to the redemption of one of the bonds issued in 2015 with a nominal value of 750 million euro. At the end of 2019 there are: 1 bond issued in December 2015 for a nominal value of 750 million euro, 2 issued in December 2017 for a total nominal value of 1,000 million euro, and 2 issued in March 2018 for a total nominal value of 2,000 million euro;
- the issue of the first 1 billion Renminbi Panda bond (128 million euro at the year-end exchange rate) to finance, both directly and through Chinese banks or Chinese branches of Italian banks, branches or subsidiaries of Italian companies established in China, to support their growth. The issue, for institutional investors operating in China, is part of an issuance plan for 5 billion Renminbi approved by the People's Bank of China;
- the stock of commercial paper with a carrying amount of around 2,799 million euro (+1,015 million euro on the 2018 year-end balance), related to the "Multi-Currency Commercial Paper Programme".

1.4 Breakdown of subordinated debts/securities

This item has a nil balance.

1.5 Breakdown of structured debts

Structured debts amount to approximately 1,080 million euro at 31 December 2019 (-2,088 million euro on 2018) and comprise postal savings bonds indexed to equity baskets from which the embedded derivative has been separated.

1.6 Lease liabilities

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

(thousands of euro) Time bands	31/12/2019 Payments due for leasing
Up to 1 year	6,463
More than 1 year to 2 years	4,417
More than 2 years to 3 years	4,347
More than 3 years to 4 years	4,583
More than 4 years to 5 years	4,687
More than 5 years	19,265
Total payments due for leasing	**43,762**
Reconciliation with lease liabilities	
Unpaid interest expense (-)	(4,554)
Lease liabilities	**39,208**

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

(thousands of euro) Type of transactions/Values	31/12/2019					31/12/2018				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. On-balance-sheet liabilities										
1. Due to banks										
2. Due to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured					X					X
3.1.2 Other					X					X
3.2 Other securities										
3.2.1 Structured					X					X
3.2.2 Other					X					X
Total A										
B. Derivatives										
1. Financial derivatives			121,144	7,786				69,100	1,881	
1.1 Trading	X		121,144		X	X		68,058		X
1.2 Associated with fair value option	X				X	X				X
1.3 Other	X			7,786	X	X		1,042	1,881	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**		**121,144**	**7,786**	**X**	**X**		**69,100**	**1,881**	**X**
Total (A + B)	**X**		**121,144**	**7,786**	**X**	**X**		**69,100**	**1,881**	**X**

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

This item mainly comprises:
- the negative fair value of interest rate derivatives (approximately 121 million euro);
- the negative value of the separated optional component of bonds indexed to equity baskets (approximately 8 million euro).

2.2 Breakdown of "Financial liabilities held for trading": subordinated liabilities

This item has a nil balance.

2.3 Breakdown of "Financial liabilities held for trading": structured debts

This item has a nil balance.

Section 3 - Financial liabilities designated at fair value - Item 30

3.1 Financial liabilities designated at fair value: breakdown by type

(thousands of euro)	31/12/2019					31/12/2018				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
Type of transactions/Values		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks										
1.1 Structured					X					X
1.2 Other					X					X
of which:										
- *commitments to disburse funds*		*X*	*X*	*X*	*X*		*X*	*X*	*X*	*X*
- *financial guarantees issued*		*X*	*X*	*X*	*X*		*X*	*X*	*X*	*X*
2. Due to customers										
2.1 Structured					X					X
2.2 Other					X					X
of which:										
- *commitments to disburse funds*		*X*	*X*	*X*	*X*		*X*	*X*	*X*	*X*
- *financial guarantees issued*		*X*	*X*	*X*	*X*		*X*	*X*	*X*	*X*
3. Debt securities						**500,000**		**500,024**		**500,024**
3.1 Structured					X	500,000		500,024		X
3.2 Other					X					X
Total						**500,000**		**500,024**		**500,024**

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

During 2019, 2 issues of structured securities matured, for a total nominal value of 500 million, under the Debt Issuance Programme ("DIP"), which had not been separated from the embedded derivative.

3.2 Breakdown of Financial liabilities designated at fair value: subordinated liabilities

This item has a nil balance.

Section 4 - Hedging Derivatives - Item 40

4.1 Hedging derivatives: breakdown by type of hedge and hierarchy level

(thousands of euro)	Fair value 31/12/2019			Notional value 31/12/2019	Fair value 31/12/2018			Notional value 31/12/2018
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives		**2,682,555**		**29,618,621**		**656,433**		**16,247,509**
1) Fair value		2,493,003		27,617,115		640,757		16,119,509
2) Cash flow		189,552		2,001,506		15,676		128,000
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**2,682,555**		**29,618,621**		**656,433**		**16,247,509**

Micro-hedging, fair value and cash flow derivatives, with a negative fair value as at 31 December 2019, were approximately equal to 1,252 million euro, while macro-hedging derivatives with a negative fair value, taken out on loan portfolios, were approximately equal to 1,431 million euro.

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

(thousands of euro) Transactions/Type of hedging	Fair value							Cash flow		Investment in foreign operation
	Specific									
	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Credit	Commodities	Other	Generic	Specific	Generic	
1. Financial assets measured at fair value through other comprehensive income	84,867				X	X	X	3,948	X	X
2. Financial assets measured at amortised cost	1,297,906	X	4,046		X	X	X	175,471	X	X
3. Portfolio	X	X	X	X	X	X		X		X
4. Other							X		X	
Total assets	**1,382,773**		**4,046**					**179,419**		
1. Financial liabilities	14,286	X					X	10,133	X	X
2. Portfolio	X	X	X	X	X	X	1,091,898	X		X
Total liabilities	**14,286**						**1,091,898**	**10,133**		
1. Forecast transactions	X	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X		

Section 5 - Fair value change of financial liabilities in hedged portfolios - Item 50

5.1 Fair value change of hedged financial liabilities: breakdown by hedged portfolio

(thousands of euro) Value adjustment of hedged financial liabilities/Values	31/12/2019	31/12/2018
1. Positive adjustments of financial liabilities	18,699	26,033
2. Negative adjustment of financial liabilities		
Total	**18,699**	**26,033**

This item reports the net change in the value of the postal savings bonds portfolio subject to macro-hedging against interest rate risk. The hedging relationship was interrupted in 2009 in view of the termination of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of validity of the hedging relationship, was subsequently transferred to profit or loss on the basis of the amortised cost of the originally hedged postal savings bonds.

Section 6 - Tax liabilities - Item 60

For more information concerning this item, see Section 10 of "Assets".

Section 7 - Liabilities associated with non-current assets and disposal groups held for sale - Item 70

This item has a nil balance.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

(thousands of euro) Type of transactions/Values	31/12/2019	31/12/2018
Charges for postal funding service	451,638	440,465
Tax payables	195,293	175,179
Amounts due to subsidiaries on consolidated taxation mechanism	52,624	66,179
Other amounts due to subsidiaries	1,698	866
Trade payables	36,653	20,801
Items being processed	32,437	34,657
Due to social security institutions	5,163	4,682
Amounts due to employees	6,081	4,156
Other	7,847	6,413
Total	**789,434**	**753,398**

This item shows liabilities that cannot be classified under the previous items. It is analysed as follows:

- the payable to Poste Italiane of about 452 million euro, relating to the portion of commissions due in respect of the products of the postal savings funding service not yet paid at the reporting date;
- tax payables, totalling around 195 million euro, mainly regarding the substitute tax levied on interest paid on postal savings products;
- the payables to other group companies as part of the national fiscal consolidation mechanism (approximately 53 million euro).

Section 9 - Staff severance pay - Item 90

9.1 Staff severance pay: changes for the year

(thousands of euro)	31/12/2019	31/12/2018
A. Opening balance	**1,036**	**1,019**
B. Increases	**119**	**120**
B.1 Provision for the year	46	21
B.2 Other increases	73	99
C. Decreases	**192**	**103**
C.1 Severance payments	189	99
C.2 Other decreases	3	4
D. Closing balance	**963**	**1,036**

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

(thousands of euro) Items/Values	31/12/2019	31/12/2018
1. Provisions for credit risk relating to commitments and financial guarantees issued	219,382	120,442
2. Provisions on other guarantees issued and other commitments		
3. Company pensions and other post-retirement benefit obligations		
4. Other provisions	609,444	130,331
4.1 fiscal and legal disputes	539,151	58,096
4.2 staff costs	69,581	71,523
4.3 other	712	712
Total	**828,826**	**250,773**

As at 31 December 2019, provisions for risks and charges were approximately 829 million euro, up on the previous financial year (+ 578 million euro).

Provisions for credit risk from commitments and financial guarantees issued were approximately 219 million euro, up by 99 million euro (of which approximately 10 million euro for the provisions for impairment for the year and around 89 million euro for change in the value of financial guarantees issued).

Other provisions for risks and charges were approximately 609 million euro, up by about 479 million euro. The increase was essentially attributable to provisions for legal expenses, which recognise the outcome of the judgement whereby CDP was ordered, in January 2020 by the Court of Rome, to pay in favour of Fondazione Cariverona a sum of about 432 million euro, plus interest. The judgment can be appealed before the Court of Appeal.

10.2 Provisions for risks and charges: changes for the year

(thousands of euro)	Provisions on other guarantees issued and other commitments	Pensions and other post-retirement benefit obligations	Other provisions	Total
A. Opening balance			**130,331**	**130,331**
B. Increases			**503,903**	**503,903**
B.1 Provision for the year			503,903	503,903
B.2 Changes due to passage of time				
B.3 Changes due to changes in discount rate				
B.4 Other increases				
C. Decreases			**24,790**	**24,790**
C.1 Use during the year			20,274	20,274
C.2 Changes due to changes in discount rate				
C.3 Other decreases			4,516	4,516
D. Closing balance			**609,444**	**609,444**

10.3 Provisions for credit risk relating to commitments and financial guarantees issued

	Provisions for credit risk relating to commitments and financial guarantees issued			
(thousands of euro)	Stage 1	Stage 2	Stage 3	Total
1. Commitments to disburse funds	32,815	4,680	2,734	40,229
2. Financial guarantees issued	178,040		1,113	179,153
Total	**210,855**	**4,680**	**3,847**	**219,382**

10.4 Provisions on other guarantees issued and other commitments

This item has a nil balance.

10.5 Defined benefit pension funds

This item has a nil balance.

10.6 Provisions for risks and charges - Other provisions

Other provisions for risks and charges refer to litigation, losses incurred by the investees, employees' leaving incentives, variable remuneration charges, directors' and employees' bonuses and probable tax charges. For additional information, reference should be made to Part E – Section 5 – Operational risks of these notes.

Section 11 - Redeemable shares - Item 120

There were no redeemable shares.

Section 12 - Equity - Items 110, 130, 140, 150, 160, 170 and 180

12.1 "Share capital" and "Treasury shares": breakdown

At 31 December 2019, the fully paid-up share capital amounts to 4,051,143,264 euro and is composed of 342,430,912 ordinary shares, without par value.

At 31 December 2019, the Company held treasury shares with a value of 489 million euro, compared to a value of 57 million euro at the end of 2018, with an increase of approximately 432 million euro.

The treasury shares were purchased by CDP during 2013 as part of the liquidation of the shares held at the time by two Foundations, as a result of them exercising the right of withdrawal as set forth in the articles of association in force at the time. Cariverona, one of the Foundations that exercised the withdrawal, subsequently started a dispute with CDP, challenging the amount liquidated at the time. With the judgment of the Court of Rome in January 2020, CDP was ordered to pay Cariverona the sum of approximately 432 million euro, plus interest, in addition to the amount already paid in 2013. Since the value attributed to the treasury shares at the time of their purchase was recalculated, the value of the treasury shares in the portfolio was increased as recognised in the provision for risks and charges.

12.2 Share capital - Number of shares: changes for the year

Items/Type	Ordinary	Other
A. Shares at start of the year	**342,430,912**	
- fully paid	342,430,912	
- partly paid		
A.1 Treasury shares (-)	(4,451,160)	
A.2 Shares in circulation: opening balance	**337,979,752**	
B. Increases		
B.1 New issues		
- for consideration:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- bonus issues:		
- to employees		
- to directors		
- other		
B.2 Sale of own shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Shares in circulation: closing balance	**337,979,752**	
D.1 Treasury shares (+)	4,451,160	
D.2 Shares at end of the year:	342,430,912	
- fully paid	342,430,912	
- partly paid		

12.4 Income reserves: additional information

(thousands of euro) Items/Type	31/12/2019	31/12/2018
Income reserves	**15,371,824**	**15,341,580**
Legal reserve	810,229	810,229
Other	14,561,595	14,531,351

The following information is provided in accordance with article 2427.7-*bis* of the Italian Civil Code.

(thousands of euro) Items/Values	Balance at 31/12/2019	Possible uses (*)	Amount available
Share capital	4,051,143		
Share premium reserve	2,378,517	A, B, C (**)	2,378,517
Reserves			
- Legal reserve	810,229	B	810,229
- Reserve for unavailable profits (Legislative Decree 38/2005 art. 6)	93,557	B (***)	93,557
- Other income reserves (net of treasury shares)	13,978,927	A, B, C	13,978,927
Valuation reserves			
- Reserve on financial assets measured at fair value through other comprehensive income	737,588		
- Property revaluation reserve	167,572	A, B	167,572
- CFH reserve	(3,086)		
Total	**22,214,447**		**17,428,802**

(*) A = capital increase; B = loss coverage; C = distribution to shareholders.
(**) Pursuant to article 2431 of the Italian Civil Code, the share premium reserve can be distributed in its entirety only when the legal reserve has reached one fifth of share capital (as set out in article 2430 of the Italian Civil Code).
(***) If the reserve is used to cover losses, profits cannot be distributed until such time as the reserve is replenished by allocating profits from subsequent years.

The share premium reserve of around 2,378,517 thousand euro refers to the share premium of around 2,379,115 thousand euro resulting from the capital increase on 20 October 2016, net of the transaction costs incurred and directly attributable to the transaction, pursuant to IAS 32.37 (net of related tax effects).

12.5 Equity instruments: breakdown and changes for the year

There were no equity instruments.

Other information

1. Commitments and financial guarantees issued (other than those designated at fair value)

(thousands of euro)	Nominal value on commitments and financial guarantees issued Stage 1	Stage 2	Stage 3	31/12/2019	31/12/2018
1. Commitments to disburse funds	**27,983,855**	**121,078**	**11,411**	**28,116,344**	**21,222,092**
a) Central banks	20,000			20,000	
b) General governments	8,488,660	121,078		8,609,738	6,883,156
c) Banks	572,618			572,618	77,005
d) Other financial companies	1,114,650			1,114,650	1,139,280
e) Non-financial companies	17,787,017		11,411	17,798,428	13,120,741
f) Households	910			910	1,910
2. Financial guarantees issued	**1,091,935**		**1,713**	**1,093,648**	**1,354,341**
a) Central banks					
b) General governments	224,404			224,404	166,059
c) Banks					
d) Other financial companies	2,372			2,372	1,950
e) Non-financial companies	865,159		1,713	866,872	1,186,332
f) Households					

2. Other commitments and other guarantees issued

(thousands of euro)	Nominal value 31/12/2019	31/12/2018
1. Other guarantees issued	**181,452**	**203,059**
- *of which: non performing exposures*		
a) Central banks		
b) General governments		
c) Banks		
d) Other financial companies		
e) Non-financial companies	181,452	203,059
f) Households		
2. Other commitments	**2,955,391**	**2,971,062**
- *of which: non performing exposures*		
a) Central banks		
b) General governments		
c) Banks	87,207	98,376
d) Other financial companies	2,807,985	2,801,492
e) Non-financial companies	60,199	71,194
f) Households		

The table above shows commercial guarantees issued, commitments to subscribe units in collective investment undertakings, and commitments to capitalise investee companies.

3. Assets pledged as collateral for own debts and commitments

(thousands of euro) Portfolios	31/12/2019	31/12/2018
1. Financial assets designated at fair value through profit or loss		150,000
2. Financial assets at fair value through other comprehensive income	2,118,500	7,283,154
3. Financial assets measured at amortised cost	67,352,506	73,822,618
4. Property, plant and equipment		
- of which: property, plant and equipment classified as inventory		

The assets pledged as collateral for debts consist of loans and securities pledged as collateral in refinancing operations with the ECB, securities in repurchase agreements and receivables pledged as security for loans from the EIB.

4. Management and intermediation services on behalf of third parties

(thousands of euro) Type of services	31/12/2019
1) Order execution on behalf of customers	
a) Purchases:	
1. settled	
2. not yet settled	
b) Sales:	
1. settled	
2. not yet settled	
2) Asset management	
3) Custody and administration of securities	
a) third-party securities held as part of depository bank services (excluding asset management):	
1. securities issued by the reporting bank	
2. other securities	
b) other third-party securities on deposit (excluding asset management): other	5,589,290
1. securities issued by the reporting bank	
2. other securities	5,589,290
c) Third-party securities deposited with third parties	5,589,290
d) Own securities portfolio deposited with third parties	73,544,361
4) Other transactions	
Management on behalf of third parties in separate accounts on the basis of specific agreements:	
- Postal savings bonds managed on behalf of the MEF (1)	61,614,787
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	3,482,269
- Payment of public administration debts (Legislative Decree 35 of 8 April 2013; Legislative Decree 66 of 24 April 2014; Legislative Decree 78 of 19 June 2015) (3)	5,755,068
- Revolving Fund for development cooperation (3)	4,845,210
- Funds for Social and Public Residential Building (4)	2,663,719
- Funds of Public Entities and Other Entities deposited pursuant to D.Lgt. 1058/1919 and Law 1041/1971 (4)	946,772
- Kyoto Fund (3)	626,205
- Funds for Territorial Agreements and Area Contracts - Law 662/1996, Article 2 (203) (4)	423,517
- Funds for the natural gas infrastructure programme for the South Law 784/1980, Law 266/1977 and Law 73/1998 (4)	84,018
- Ministry of Universities and Research - Student Housing - Law 388/2000 (4)	82,273
- Minimal Environmental Impact Fund (4)	27,281
- MATTM Fund (Ministry of the Environment and Protection of the Land and Sea) and Climate and Sustainable Development Italian Platform (4)	68,602
- MIPAAF Fund (Ministry for Agricultural, Food and Forestry Policies) – guarantee platform to support olive oil producers (4)	7,992
- EURECA Fund – guarantee platform to support SMEs in the Emilia-Romagna Region (4)	4,649
- Funds for international cooperation - Blending EU - PASPED project (4)	195

(1) The figure shown represents the amount at the reporting date.
(2) The figure shown represents the outstanding principal, at the reporting date, of the loans managed on behalf of the MEF.
(3) The figure shown represents the sum of outstanding principal of the loans disbursed and the remaining funds available on the dedicated current accounts at the reporting date.
(4) The figure shown represents the remaining funds available on the dedicated current accounts at the reporting date.

5. Financial assets offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euro) Technical forms	Gross amount of financial assets (A)	Amount of financial liabilities offset in financial statement (B)	Net amount of financial assets reported in financial statement (C = A - B)	Correlated amounts not offset in financial statement		Net amount 31/12/2019 (F = C - D - E)	Net amount 31/12/2018
				Financial instruments (D)	Cash deposits received as guarantee (E)		
1. Derivatives	498,731		498,731	363,968	131,379	3,384	39,547
2. Repurchase agreements	2,362,764		2,362,764	2,347,308	11,930	3,526	
3. Securities lending							
4. Other							
Total 31/12/2019	**2,861,495**		**2,861,495**	**2,711,276**	**143,309**	**6,910**	**X**
Total 31/12/2018	**1,865,643**		**1,865,643**	**1,515,377**	**310,719**	**X**	**39,547**

The table below shows the allocation of the amounts shown in column c) of the table above to the relevant items of the balance sheet.

(thousands of euro) Technical forms	Balance sheet items	Net amount of financial assets reported in financial statement
1. Derivatives		498,731
	20. Financial assets measured at fair value through profit or loss	117,385
	50. Hedging derivatives	381,346
2. Repurchase agreements		2,362,764
	40. Financial assets measured at amortised cost	2,362,764
3. Securities lending		
4. Other		

For details of the valuation criteria used for the financial assets shown in the table above, see Section A of the Accounting Policies.

6. Financial liabilities offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euro) Technical forms	Gross amount of financial liabilities (A)	Amount of financial assets offset in financial statement (B)	Net amount of financial liabilities reported in financial statement (C = A - B)	Correlated amounts not offset in financial statement		Net amount 31/12/2019 (F = C - D - E)	Net amount 31/12/2018
				Financial instruments (D)	Cash deposits pledged as guarantee (E)		
1. Derivatives	2,803,698		2,803,698	363,968	2,435,962	3,768	839
2. Repurchase agreements	41,196,863		41,196,863	40,908,106	196,955	91,802	
3. Securities lending							
4. Other							
Total 31/12/2019	**44,000,561**		**44,000,561**	**41,272,074**	**2,632,917**	**95,570**	**X**
Total 31/12/2018	**46,316,868**		**46,316,868**	**45,912,363**	**403,666**	**X**	**839**

The table below shows the allocation of the amounts shown in column c) of the table above to the relevant items of the balance sheet.

(thousands of euro) Technical forms	Balance sheet items	Net amount of financial liabilities reported in financial statement
1. Derivatives		2,803,698
	20. Financial liabilities held for trading	121,143
	40. Hedging derivatives	2,682,555
2. Repurchase agreements		41,196,863
	10. Financial liabilities measured at amortised cost	41,196,863
3. Securities lending		
4. Other		

For details of the valuation criteria used for the financial liabilities shown in the table above, see Section A of the Accounting Policies.

7. Securities lending transactions

This item has a nil balance.

8. Disclosure on joint operations

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

Part C - Information on the income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar income: breakdown

(thousands of euro) Items/Technical forms	Debt securities	Loans	Other	2019	2018
1. Financial assets measured at fair value through profit or loss	1,579			1,579	1,811
1.1 Financial assets held for trading					
1.2 Financial assets designated at fair value					
1.3 Other financial assets mandatorily measured at fair value	1,579			1,579	1,811
2. Financial assets measured at fair value through other comprehensive income	122,967		X	122,967	93,257
3. Financial assets measured at amortised cost	1,360,369	5,581,853		6,942,222	7,824,477
3.1 Loans to banks	10,812	230,149	X	240,961	231,803
3.2 Loans to customers	1,349,557	5,351,704	X	6,701,261	7,592,674
4. Hedging derivatives	X	X	(256,197)	(256,197)	(227,827)
5. Other assets	X	X	387	387	793
6. Financial liabilities	X	X	X	177,097	156,918
Total	**1,484,915**	**5,581,853**	**(255,810)**	**6,988,055**	**7,849,429**
of which:					
- *interest income on non-performing assets*		*4,479*		*4,479*	*6,217*
- *interest income on finance leases*		*428*		*428*	

Interest income accrued in 2019 was approximately 6,988 million euro. It mainly included:
- interest income on loans to banks and customers, amounting approximately to 5,582 million euro;
- interest income on debt securities amounting to about euro 1,485 million;
- interest income on financial liabilities that, due to negative remuneration, have resulted in a component with opposite sign (interest income), amounting to about 177 million euro.

Sub-item “4. Hedging derivatives” includes the (positive or negative) amount of the differentials or margins accrued on interest rate risk hedging derivatives, which adjust the interest income recognised on the hedged financial instruments. As at 31 December 2019, this amount is negative for around 256 million euro.

The item includes interest income on non-performing assets of approximately 4 million euro.

Interest income accrued on finance leases, relating to sublease contracts to Group companies, amounted to approximately 0.5 million euro.

1.2 Interest income and similar income: additional information

1.2.1 Interest income on financial assets in foreign currency

The item includes interest income accrued on financial assets in foreign currency for about 67,056 thousand euro.

1.3 Interest expense and similar expense: breakdown

(thousands of euro) Items/Technical forms	Debts	Securities	Other	2019	2018
1. Financial liabilities measured at amortised cost	(4,180,913)	(370,682)		(4,551,595)	(4,369,572)
1.1 Due to Central Bank		X	X		
1.2 Due to banks	(105,506)	X	X	(105,506)	(101,080)
1.3 Due to customers	(4,075,407)	X	X	(4,075,407)	(3,923,140)
1.4 Securities issued	X	(370,682)	X	(370,682)	(345,352)
2. Financial liabilities held for trading			(161)	(161)	(288)
3. Financial liabilities designated at fair value					
4. Other liabilities and provisions	X	X	(7)	(7)	(34)
5. Hedging derivatives	X	X	122,730	122,730	140,237
6. Financial assets	X	X	X	(32,975)	(36,599)
Total	**(4,180,913)**	**(370,682)**	**122,562**	**(4,462,008)**	**(4,266,256)**
- *of which: interest expense on lease liabilities*	*(953)*			*(953)*	

Interest expense accrued in 2019 was approximately 4,462 million euro. It mainly included:

- interest expense on passbook savings accounts and postal savings bonds amounting to around 4,099 million euro;
- interest expense on securities issued, amounting to around 371 million euro;
- interest expense on deposits of investee companies of around 23 million euro;
- interest expense on credit facilities granted by the EIB amounting to around 28 million euro;
- interest expense on financial assets that, due to negative remuneration, have resulted in a component with opposite sign (interest expense), amounting to about 33 million euro.

Sub-item "5. Hedging derivatives" includes the (positive or negative) amount of differentials or margins accrued on interest rate risk hedging derivatives that adjust the interest expense recognised on the hedged financial instruments. As at 31 December 2019, this amount is positive for around 123 million euro.

The item includes financial expenses accrued on lease liabilities recognised as a consequence of applying the new IFRS 16, equal to about 1 million euro, relating to contracts in which CDP act as a lessee.

1.4 Interest expense and similar expense: additional information

1.4.1 Interest expense on liabilities in foreign currencies

The item includes interest expense on liabilities in foreign currency of about 22,076 thousand euro.

1.5 Differentials on hedging transactions

(thousands of euro) Items	2019	2018
A. Positive differences on hedging transactions	139,826	158,639
B. Negative differences on hedging transactions	(273,293)	(246,229)
C. Balance (A - B)	**(133,467)**	**(87,590)**

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

(thousands of euro) Type of services/Amounts	2019	2018
a) Guarantees issued	19,281	17,461
b) Credit derivatives		
c) Management, intermediation and advisory services:		
1. Trading of financial instruments		
2. Trading of currencies		
3. Management of portfolios		
4. Custody and administration of securities		
5. Custodian bank		
6. Placement of securities		
7. Receipt and transmission of orders		
8. Advisory services:		
8.1 for investments		
8.2 for structured finance		
9. Distribution of third-party services:		
9.1 management of portfolio:		
9.1.1 individual		
9.1.2 collective		
9.2 insurance products		
9.3 other products		
d) Collection and payment services		
e) Servicing for securitisations		
f) Factoring services		
g) Collection services		
h) Management multilateral trading systems		
i) Maintenance and management of current accounts		
j) Other services	372,501	378,924
Total	**391,782**	**396,385**

The commission income earned by CDP during the year amounted to around 392 million euro (-4.6 million euro on 2018).

This item mainly includes commission income from:
- agreements signed with the Italian Ministry of the Economy and Finance for the management of the assets and liabilities of the MEF for approximately 303 million euro (of which 300 million euro relating to the management of the MEF Bonds, in accordance with the provisions of Article 7 of the CDP-MEF agreement relating to the MEF Bonds of 23 February 2018);
- structuring and disbursement of loans for around 68 million euro;
- guarantees issued of around 19 million euro.

The balance of this item also includes commissions earned for the management of the Revolving Fund for Development Cooperation, the Kyoto Fund, the Revolving Fund supporting enterprises and investment in research (FRI) and the commissions earned under the agreement signed with the Italian Ministry for Foreign Affairs and International Cooperation for international cooperation activities and other services rendered.

2.3 Commission expense: breakdown

(thousands of euro) Services/Amounts	2019	2018
a) Guarantees received	8,311	6,142
b) Credit derivatives		
c) Management and intermediation services:	1,472,909	1,528,643
1. Trading of financial instruments		1,160
2. Trading of currency		
3. management of portfolios:	1,494	1,153
3.1 own portfolio	1,494	1,153
3.2 third-party portfolio		
4. Custody and administration of securities		
5. Placement of financial instruments	1,471,415	1,526,330
6. Door-to-door selling of financial instruments, products and services		
d) Collection and payment services	1,784	1,912
e) Other services	720	643
Total	**1,483,724**	**1,537,340**

Commission expense is mainly attributable to the current portion of the remuneration paid to Poste Italiane S.p.A. for the service of management of postal savings funding amounting to around 1,471 million euro (-55 million euro on 2018), other than the expense similar to transaction costs and consequently included in the carrying amount of postal savings products.

The commission expense for the postal savings service recognised during the year accrued under the agreement signed in December 2017 between CDP and Poste Italiane S.p.A., for the three-year period 2018-2020.

Section 3 - Dividends and similar revenues - Item 70

3.1 Dividends and similar revenues: breakdown

(thousands of euro) Items/Income	2019		2018	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value		13,597		5,642
C. Financial assets measured at fair value through other comprehensive income	247		1,175	
D. Equity investments	1,410,152		1,355,570	
Total	**1,410,399**	**13,597**	**1,356,745**	**5,642**

This item comprises dividends and similar revenues whose distribution was approved in 2019. They mainly arise from the equity investments held in Eni (around 786 million euro), Poste Italiane (around 272 million euro), CDP Reti (around 236 million euro), SACE (90 million euro) and Fintecna (around 26 million euro).

Section 4 - Profits (losses) on trading activities - Item 80

4.1 Profits (losses) on trading activities: breakdown

(thousands of euro) Type of operation/P&L items	Gains (A)	Profits on trading (B)	Losses (C)	Losses on trading (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment undertakings					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**350**
4. Derivatives	**35,407**	**34,899**	**38,965**	**30,093**	**(22,737)**
4.1 Financial derivatives:	35,407	34,899	38,965	30,093	(22,737)
- on debt securities and interest rates	31,982	24,956	31,982	24,794	162
- on equity securities and equity indices	3,425	9,943	6,983	5,299	1,086
- on currencies and gold	X	X	X	X	(23,985)
- other					
4.2 Credit derivatives					
Total	**35,407**	**34,899**	**38,965**	**30,093**	**(22,387)**

Section 5 - Fair value adjustments in hedge accounting - Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

(thousands of euro) P&L items/Values	2019	2018
A. Income on:		
A.1 Fair value hedges	98,788	90,610
A.2 Hedged financial assets (fair value)	2,026,031	335,417
A.3 Hedged financial liabilities (fair value)	66,939	59,929
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	43,177	40,360
Total income on hedging activities (A)	**2,234,935**	**526,316**
B. Expense on:		
B.1 Fair value hedges	2,141,296	408,642
B.2 Hedged financial assets (fair value)	15,228	31,513
B.3 Hedged financial liabilities (fair value)	66,508	62,873
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	43,177	39,983
Total expense on hedging activities (B)	**2,266,209**	**543,011**
C. Net gain (loss) on hedging activities (A - B)	**(31,274)**	**(16,695)**

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

6.1 Gains (losses) on disposal or repurchase: breakdown

(thousands of euro) Items/P&L items	2019			2018		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
A. Financial assets						
1. Financial assets measured at amortised cost	634,094	(1,357)	632,737	59,588	(5,640)	53,948
1.1 Loans to banks	820	(2)	818	6,273		6,273
1.2 Loans to customers	633,274	(1,355)	631,919	53,315	(5,640)	47,675
2. Financial assets measured at fair value through other comprehensive income	129,284	(18,417)	110,867	23,686	(60,638)	(36,952)
2.1 Debt securities	129,284	(18,417)	110,867	23,686	(60,638)	(36,952)
2.2 Loans						
Total assets (A)	**763,378**	**(19,774)**	**743,604**	**83,274**	**(66,278)**	**16,996**
B. Financial liabilities measured at amortised cost						
1. Due to banks						
2. Due to customers						
3. Securities issued					(19)	(19)
Total liabilities (B)					**(19)**	**(19)**

At 31 December 2019, the balance of the item was positive for approximately 744 million euro. It mainly refers to the net profit on the sale of debt securities recorded among the Loans to customers (approximately +620 million euro) and of debt securities in the portfolio of financial assets measured at fair value through other comprehensive income (approximately +111 million euro).

Section 7 - Profits (losses) on financial assets and liabilities measured at fair value through profit or loss - Item 110

7.1 Net change in value of financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(thousands of euro) Type of operation/P&L items	Gains (A)	Realised profits (B)	Losses (C)	Realised losses (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets					
1.1 Debt securities					
1.2 Loans					
2. Financial liabilities		**24**			**24**
2.1 Securities issued		24			24
2.2 Due to banks					
2.3 Due to customers					
3. Foreign currency financial assets and liabilities: exchange rate differences	X	X	X	X	
Total		**24**			**24**

The balance of the item, positive for 24 thousand euro, includes the profit achieved when reimbursing 2 structured securities reaching maturity in this financial year, for a par value of 500 million euro, which were recognised among financial liabilities designated at fair value.

7.2 Net change in value of financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets mandatorily measured at fair value

(thousands of euro) Type of operation/P&L items	Gains (A)	Realised profits (B)	Losses (C)	Realised losses (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets	**74,988**		**82,396**	**420**	**(7,828)**
1.1 Debt securities	1,079			420	659
1.2 Equity securities					
1.3 Units in collective investment undertakings	73,909		82,396		(8,487)
1.4 Loans					
2. Foreign currency financial assets: exchange rate differences	**X**	**X**	**X**	**X**	
Total	**74,988**		**82,396**	**420**	**(7,828)**

The balance of the item, negative for approximately 7.9 million euro, comprises the result of fair value measurement of debt securities (+0.7 million euro) and units of UCI (-8.4 million euro) recognised under financial assets mandatorily measured at fair value.

Section 8 - Net adjustments/recoveries for credit risk - Item 130

This item, positive for approximately 76.7 million euro, represents the net balance between adjustments and recoveries for credit risk on financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, calculated on an individual and collective basis.

8.1 Net adjustments for credit risk relating to financial assets measured at amortised cost: breakdown

	Writedowns			Writebacks			
		Stage 3					
(thousands of euro) Type of operation/P&L items	Stage 1 and 2	Write-off	Other	Stage 1 and 2	Stage 3	2019	2018
A. Loans to banks	**(10,276)**			**26,736**		**16,460**	**16,403**
Loans	(8,525)			26,160		17,635	12,002
Debt securities	(1,751)			576		(1,175)	4,401
- *of which: impaired loans acquired or originated*							
B. Loans to customers	**(302,287)**		**(2,165)**	**358,974**	**9,857**	**64,379**	**(80,517)**
Loans	(150,164)		(2,165)	352,851	9,857	210,379	(71,434)
Debt securities	(152,123)			6,123		(146,000)	(9,083)
- *of which: impaired loans acquired or originated*							
Total	**(312,563)**		**(2,165)**	**385,710**	**9,857**	**80,839**	**(64,114)**

8.2 Net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

(thousands of euro) Type of operation/P&L items	Writedowns Stage 1 and 2	Writedowns Stage 3 Write-off	Writedowns Stage 3 Other	Writebacks Stage 1 and 2	Writebacks Stage 3	2019	2018
A. Debt securities	(7,123)			3,033		(4,090)	(1,023)
B. Loans							
- to customers							
- to banks							
- *of which: impaired loans acquired or originated*							
Total	**(7,123)**			**3,033**		**(4,090)**	**(1,023)**

Section 9 - Gains/losses from changes in contracts without derecognition - Item 140

9.1 Gains/losses from changes in contracts: breakdown

The balance of the item is negative for approximately 0.5 million euro. It represents the losses recognised on renegotiation of the contractual terms for the exposure towards 2 non-performing counterparties, classified among loans to customers in the portfolio of financial assets measured at amortised cost. The loss is recognised as the difference between the gross carrying value of the asset before the modification and the discounted value of the future renegotiated cash flows, discounted at the original effective interest rate of the financial asset.

Section 10 - Administrative expenses - Item 160

10.1 Staff costs: breakdown

(thousands of euro) Type of expense/Values	2019	2018
1) Employees	**114,600**	**154,909**
a) Wages and salaries	82,684	71,439
b) Social security costs	317	295
c) Staff severance pay	537	489
d) Pension costs	18,423	16,225
e) Allocation to staff severance pay	46	21
f) Provision for retirement and similar provisions:		
- defined contribution		
- defined benefit		
g) Payments to external supplementary pensions funds:	6,186	5,205
- defined contribution	6,186	5,205
- defined benefit		
h) Costs arising from share-based payment arrangements		
i) Other employee benefits	6,407	61,235
2) Other personnel in service	**716**	**418**
3) Board of Directors and Board of Auditors	**1,311**	**2,185**
4) Retired personnel		
5) Recovery of expenses for employees seconded to other companies	**(7,476)**	**(5,641)**
6) Reimbursement of expenses for third-party employees seconded to the company	**1,817**	**1,198**
Total	**110,968**	**153,069**

The staff costs for the previous financial year included the provision of 55 million euro set aside for the 2019-2020 early retirement plan.

10.2 Average number of employees by category

(number)	
Employees	**835**
a) Senior management	92
b) Middle management	413
- *of which: grade 3 and 4*	*224*
c) Other employees	330
Other personnel	**9**

10.4 Other employee benefits

(thousands of euro) Type of expense/Values	2019	2018
Food coupons	1,593	1,423
Insurance policies	2,368	2,378
Contributions to mortgage loan interest	572	466
Leaving incentives		55,000
Other benefits	1,874	1,968
Total	**6,407**	**61,235**

The item “leaving incentives”, referring to the previous financial year, includes the provision of 55 million euro set aside for the 2019-2020 early retirement plan, to be implemented through the “Fondo di Solidarietà del Credito” (Solidarity Fund for the Credit Sector).

10.5 Other administrative expenses: breakdown

(thousands of euro) Type of expense/Values	2019	2018
Professional and financial services	12,842	12,103
IT costs	23,145	23,570
General services	7,125	4,481
Publicity and marketing expenses	3,512	2,111
- *of which: mandatory publicity*	*696*	*588*
Information resources and databases	4,875	4,492
Utilities, duties and other expenses	9,643	13,594
Corporate bodies	441	335
Other personnel-related expenses	4,527	2,478
Total	**66,110**	**63,164**

Costs relating to rental and hire contracts outside the scope of the accounting rules of IFRS 16 (i.e. short term, low value, etc.) amount to approximately 1.9 million euro and are included in the item “Utilities, duties and other expenses”.

Audit fees and fees for non-audit services

As required by article 149-*duodecies* of Consob Issuers' Regulation no. 11971, the 2019 audit fees and fees for non-audit services are given below:

(thousands of euro) Type of services	PricewaterhouseCoopers S.p.A.	Other companies PWC Network
Auditing	408	
Certification services	396	
Other services		65
Total	**804**	**65**

Amounts net of VAT, ancillary expenses and Consob contribution.

Section 11 - Net provisions for risks and charges - Item 170

11.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees issued: breakdown

	Provisions		Reversal of excess			
(thousands of euro)	Stage 1 and 2	Stage 3	Stage 1 and 2	Stage 3	Net results 2019	Net results 2018
Commitments to disburse funds	(17,565)	(33)	8,117	933	(8,548)	(6,408)
Financial guarantees issued	(2,601)		775	69	(1,757)	(2,098)
Total	**(20,166)**	**(33)**	**8,892**	**1,002**	**(10,305)**	**(8,506)**

11.2 Net provisions for other commitments and other guarantees issued: breakdown

No net provisions were recorded for other commitments and other guarantees issued both for 2019 and for the previous financial year.

11.3 Net provisions for other risks and charges: breakdown

	2019			
(thousands of euro)	Provisions	Reversal of excess	Net result	Total 2018
Legal and fiscal disputes	(51,366)	1,153	(50,213)	(33,780)
Staff costs				
Other				
Total	**(51,366)**	**1,153**	**(50,213)**	**(33,780)**

This item includes the provision for ancillary charges defined by the ruling issued in January 2020 in the dispute with Fondazione Cariverona, which ordered CDP to pay, among other things, interest, taxes and expenses of approximately 25 million euro.

Section 12 - Net adjustments to/recoveries on property, plant and equipment - Item 180

12.1 Net adjustments to property, plant and equipment: breakdown

(thousands of euro) Assets/P&L items	Depreciation (A)	Writedowns for impairment (B)	Writebacks (C)	Net result (A + B - C)
A. Property, plant and equipment				
1. For operations:	(4,944)			(4,944)
- owned	(3,952)			(3,952)
- right of use acquired under leases	(992)			(992)
2. For investment:	(4,114)			(4,114)
- owned	(2,858)			(2,858)
- right of use acquired under leases	(1,256)			(1,256)
3. Inventories	X			
Total	**(9,058)**			**(9,058)**

This item includes, among others, the amortisation of the rights of use acquired under a lease, recognised in application of the new IFRS 16.

Section 13 - Net adjustments to/recoveries on intangible assets - Item 190

13.1 Net adjustments to intangible assets: breakdown

(thousands of euro) Assets/P&L items	Amortisation (A)	Writedowns for impairment (B)	Writebacks (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned	(5,678)			(5,678)
- internally generated by the company				
- other	(5,678)			(5,678)
A.2 Right of use acquired under leases				
Total	**(5,678)**			**(5,678)**

Section 14 - Other operating income (costs) - Item 200

14.1 Other operating costs: breakdown

(thousands of euro) Type of costs/Figures	2019	2018
Charges from adjustment of balance sheet items	67	1,768
Depreciation of leasehold improvements	268	124
Other	566	58
Total	**901**	**1,950**

14.2 Other operating income: breakdown

(thousands of euro) Type of costs/Figures	2019	2018
Income for company engagements to employees	1,320	1,228
Rental income	8,095	4,121
Recovery of expenses	488	758
Income for services rendered to group companies	1,516	1,405
Income from adjustment of balance sheet items	1,291	147
Other	1,520	594
Total	**14,230**	**8,253**

The item “Rental income” includes income from the lease contracts in which CDP acts as a lessor.

Section 15 - Gains (losses) on equity investments - Item 220

15.1 Gains (losses) on equity investments: breakdown

(thousands of euro) P&L Items/Values	2019	2018
A. Gains	**93,047**	**162,369**
1. Revaluations		
2. Gains on disposals		
3. Writebacks	93,047	162,369
4. Other		
B. Losses	**(31,700)**	**(334,402)**
1. Writedowns		
2. Impairments	(31,692)	(334,402)
3. Losses on disposals	(8)	
4. Other		
Net gain (loss)	**61,347**	**(172,033)**

The balance of this item, positive by approximately 61 million euro, includes:
- the recovery on Fintecna S.p.A., of about 93 million euro;
- the impairment of CDP Immobiliare S.r.l., of about 27 million euro;
- the impairment of Elite S.p.A., of about 4 million euro.

Section 16 - Gains (losses) on property, plant and equipment and intangible assets measured at fair value - Item 230

This item has a nil balance.

Section 17 - Goodwill impairment - Item 240

No goodwill impairment was recognised.

Section 18 - Gains (losses) on disposal of investments - Item 250

18.1 Gains (losses) on disposal of investments: breakdown

(thousands of euro) P&L items/Values	2019	2018
A. Land and buildings		
Gains from disposal		
Losses from disposal		
B. Other assets	**(43)**	**(4)**
Gains from disposal	1	6
Losses from disposal	(44)	(10)
Net gain (loss)	**(43)**	**(4)**

Section 19 - Income tax for the year on continuing operations - Item 270

19.1 Income tax for the year on continuing operations: breakdown

(thousands of euro) Items/Values	2019	2018
1. Current taxes (-)	(699,940)	(691,539)
2. Change in current taxes from previous years (+/-)	10,026	1,533
3. Reduction of current taxes for the year (+)		3,290
3.*bis* Reduction of current taxes for the year due to tax credits pursuant to Law 214/2011 (+)		
4. Change in deferred tax assets (+/-)	(1,458)	(75,865)
5. Change in deferred tax liabilities (+/-)	(11,137)	24,452
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(702,509)**	**(738,129)**

In 2019, current taxes consist of the corporate income tax (IRES), the related additional tax and the regional tax on business activities (IRAP). They are calculated using the prevailing tax rates (24%, 3.5% and 5.57%, respectively).

The change in current taxes for previous years was mainly due to the adjustment to current taxes for the previous year and by the partial IRES refund on the claims submitted with reference to 2007 for the non-deductibility of interest charges for IRAP purposes.

The change in deferred tax assets is mainly due to (i) positive valuations of financial assets measured at amortised cost - loans to banks - (ii) changes in the provisions for risks and charges and (iii) the valuations of foreign currency receivables and payables.

On the other hand, the change in deferred tax liabilities is mainly due to the immateriality of the positive valuations of foreign currency receivables and payables.

19.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euro)	2019	Tax rate
Income (loss) before taxes	**3,438,793**	
IRES Theoretical tax liability (27.5% rate)	**(945,668)**	**-27.5%**
Permanent increases:		
- non-deductible interest expense		
- writedowns of equity investments	(8,715)	-0.3%
- other non-deductible costs	(2,174)	-0.1%
Temporary increases:		
- impairment adjustments of loans		
- other temporarily non-deductible costs	(26,334)	-0.8%
Permanent decreases:		
- tax exempt dividends	368,467	10.7%
- ACE benefit		
- income from the national and global tax consolidation mechanism		
- other changes	25,797	0.8%
Temporary decreases	41,367	1.2%
IRES Actual tax liability	**(547,260)**	**-15.9%**

(thousands of euro)	2019	Tax rate
Taxable income for IRAP purposes	**2,827,788**	
IRAP Theoretical tax liability (5.57% rate)	**(157,508)**	**-5.57%**
- deductible costs for staff costs	6,307	0.2%
- other changes	(1,479)	-0.05%
IRAP Actual tax liability	**(152,680)**	**-5.4%**

Section 20 - Income (loss) after tax on discontinued operations - Item 290

This item has a nil balance.

Section 21 - Other information

Nothing to report in addition to the information provided in the previous sections.

Part D - Comprehensive income

Analytical statement of comprehensive

(thousands of euro) Items		2019	2018
10.	**Net income (loss) for the year**	**2,736,284**	**2,540,463**
	Other comprehensive income not transferred to income statement		
20.	Equity securities at fair value through other comprehensive income:	61,581	(269,427)
	a) fair value changes	66,166	(269,427)
	b) transfer to other equity items	(4,585)	
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating):		
	a) fair value changes		
	b) transfer to other equity items		
40.	Hedges on equity securities designated at fair value through other comprehensive income:		
	a) fair value change (hedged instrument)		
	b) fair value change (hedging instrument)		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit		
80.	Non-current assets and disposal group held for sale		
90.	Share of valuation reserves of equity investments accounted for using equity method		
100.	Income tax relating to other comprehensive income not transferred to income statement	257	(666)
	Other comprehensive income transferred to income statement		
110.	Hedging of foreign investments:		
	a) fair value changes		
	b) transfers to income statement		
	c) other changes		
120.	Exchange rate differences:		
	a) changes in values		
	b) transfers to income statement		
	c) other changes		
130.	Cash flow hedges:	(13,374)	(17,813)
	a) fair value changes	(12,802)	(17,813)
	b) transfers to income statement	(572)	
	c) other changes		
	- *of which: result of net positions*		
140.	Hedging instruments (not designated elements):		
	a) changes in value		
	b) transfer to income statement		
	c) other changes		
150.	Financial assets (other than equity securities) at fair value through other comprehensive income:	459,555	(344,001)
	a) fair value changes	566,332	(331,886)
	b) transfers to income statement	(106,777)	(12,115)
	- impairment adjustments	4,090	
	- gains/losses on disposal	(110,867)	(12,115)
	c) other changes		
160.	Non-current assets and disposal group held for sale:		
	a) fair value changes		
	b) transfers to income statement		
	c) other changes		
170.	Share of valuation reserves of equity investments accounted for using equity method:		
	a) fair value changes		
	b) transfers to income statement		
	- impairment adjustments		
	- gains/losses on disposal		
	c) other changes		
180.	Income tax relating to other comprehensive income transferred to income statement	(145,800)	117,900
190.	**Total other comprehensive income**	**362,219**	**(514,007)**
200.	**Comprehensive income (items 10 + 190)**	**3,098,503**	**2,026,456**

Part E - Information on risks and related hedging policies

To ensure an efficient risk management system, CDP has set up rules, procedures, resources (human, technological, and organisational), and control activities to identify, measure or evaluate, monitor, prevent or mitigate, and communicate to the appropriate reporting structures all the risks - assumed or that can be assumed - in the different segments.

Risk management considers the specific characteristics of the activity performed, and is implemented in compliance with the regulatory requirements.

Within the organisational structure of CDP, the Chief Risk Officer (CRO), who reports directly to the Chief Executive Officer (CEO), is responsible for the governance of all types of risk and for the clear presentation of the overall risk profile and solidity of CDP to the Board of Directors. As part of this mandate, the CRO coordinates the activities of the Risk Management (RM), Risk Governance, Compliance and Anti-Money Laundering, and Risk Operations Functions. RM is responsible for supporting the CRO with the management and monitoring of all types of risks, providing a clear view of the overall risk profile of CDP and of the capital requirements associated with each category of risk.

These types of risk are defined by the Risk Policy approved by the Board of Directors in 2010 and subsequently updated as necessary. They can be classified in market risks (which include equity risk, interest rate risk, inflation risk, and exchange rate risk), liquidity risks, credit risks (which include concentration and counterparty risks), operational risks, and reputational risks. The Risk Policy is updated semi-annually and is made up by a main document (the Risk Policy itself) and its related annexes, each of which focuses on a specific category of risks (e.g. interest rate risk) or area exposed to those risks (e.g. treasury operations and investment in securities). The Risk Policy is the key tool used by the Board of Directors to define the risk appetite of CDP, the tolerance thresholds, risk limits, risk management policies, and the framework of the corresponding organisational processes.

The guidelines governing the risk management of CDP are expressed in the Risk Policy and envisage:
- the separation of roles and responsibilities in the assumption and control of risks;
- the organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

In 2019, the structure was updated of the statutory, board and management committees, both at company and Group level. This included the committees responsible for risk, which were allocated their respective different responsibilities, in compliance with the principles adopted.

The Board of Directors' Risk Committee has control and guidance functions with respect to risk management and the assessment of the adoption of new products. Two technical and advisory committees, the Governance Risk Committee and the Evaluation Risk Committee, act as a support to management and the decision-making bodies. The Governance Risk Committee is responsible for (i) aspects relating to defining and controlling CDP's overall risk profile, (ii) compliance of new products with that risk profile and (iii) relevant aspects for the management of liquidity contingency situations. The Evaluation Risk Committee is responsible for (i) assessing transactions and activities, also in respect of concentration, economic and financial sustainability and risk, (ii) assessing proposals to manage specific non-performing loans and credit disputes, (iii) assessing proposals for impairment of loans or equity investments and (iv) periodically reviewing the risk profile of counterparties in the portfolio.

RM verifies compliance with the limits set by the Board of Directors and the operating limits established by the Chief Executive Officer, recommending corrective measures to the Governance Risk Committee or the Evaluation Risk Committee, according to their responsibilities, that might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and participating in capital management activities.

Section 1 - Credit risk

Qualitative disclosures

1. General aspects

Credit risk arises primarily in relation to the lending activity – both under the Separate Account and the Ordinary Account – and, on a secondary level, to hedging operations involving derivatives and treasury activities (in the form of counterparty risk).

The Separate Account, to which the largest quota of assets pertains, primarily features exposures to the Italian Government and Local Authorities. CDP is also authorised to grant cash advances to local authorities, within the scope of the treasury service provided by Poste Italiane. This system of operations is aimed principally at municipalities with up to 5,000 inhabitants and its risk profile is in line with the traditional form of financing operations.

Over the last several years, an increasingly important role is being played by exposures under the Separate Account to the main banking groups operating in Italy, through which CDP channels various types of financing, in particular loans to SMEs and in support of the residential real estate market.

Although still accounting for a minority share, exposures under the Separate Account to private-sector parties involved in public interest projects promoted by public entities are also significant. Other exposures include those in respect of the Revolving Fund for Enterprises (FRI – Fondo Rotativo per le Imprese), which at present are essentially not exposed to credit risk (as they are secured by a guarantee of last resort by the State), and those assumed under International Financing and Export Bank operations. The Separate Account may also finance energy efficiency improvement projects and loans granted to support International Cooperation activities, which were initiated in 2019 as regards the use of own funds.

Under the Ordinary Account, CDP grants corporate and project financing drawing on non-government-backed funding, in competition with banks. Loans from the Ordinary Account are mainly aimed at the provision of public services and at investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and green economy.

In 2019, CDP continued to develop interventions on platforms covered by the investments plan of the European Fund for Strategic Investments (the so-called Juncker Plan), while maintaining alignment with CDP's typical risk profile.

2. Credit risk management policies

2.1 Organisational aspects

The principles followed by CDP in its lending activities are set out in the Credit Risk Policy, which also governs the lending process and the roles of the units involved.

Risk Operations assesses the proposals formulated by the CDP business units, as well as the most significant transactions submitted for a governance opinion by the subsidiaries; it is also responsible for issuing internal ratings and estimating the Loss Given Default. These parameters are used for management and accounting purposes and are determined in accordance with the Risk Policy and the Rating and Recovery Rate Policy. This latter document, approved by the CEO, provides the details on the methods adopted by CDP for the assignment of internal ratings to counterparties and in producing internal estimates of the recovery rate for individual financing transactions. Risk Operations is also responsible for the periodic review of loans, as regards the evolution of the counterparty's financial situation and developments in their industry.

Risk Governance contributes towards the definition of risk policy guidelines for implementation at a CDP and Group level and manages and monitors bad loans, as well as the analysis of counterparties for the purpose of management or regulatory classification.

Risk Management is responsible for the methods used to determine the risk-adjusted pricing, monitoring the risk-adjusted return, and the measured portfolio concentration. Risk Management regularly monitors the overall performance of loan portfolio risk, also to identify corrective measures designed to optimise the risk/return profile.

The credit risk responsibilities of Risk Management also include:
- carrying out second-level controls to ensure that performance is monitored correctly, that the classifications of the individual exposures are consistent, that provisioning is adequate and that the recovery process is appropriate;
- preparing opinions on specific loan transactions, in the specific cases detailed in the policies in effect from time to time;
- defining, selecting and implementing the models, methods, and instruments of the internal rating system.

With regard to non-performing counterparties, Risk Operations reviews any proposals made for restructuring – where necessary with the support of other structures for more complex cases – while Risk Management performs a second-level control. Contractual amendment requests for performing loans ("waivers") are managed instead by Transactions Management.

The Evaluation Risk Committee is a technical and advisory body supporting the decision-making bodies. One of its duties is to give mandatory, non-binding opinions on financing transactions, both in regard to creditworthiness and the adequacy of the applied contractual terms and conditions. The Evaluation Risk Committee, whose structure varies according to the type and significance of the transactions, consists of the Chief Risk Officer and the heads of the structures reporting directly to him, the Chief Financial Officer, the Deputy General Manager and Chief Legal Officer, the Head of the relevant Business Department, or the persons appointed by them.

To monitor the risks at group level, a specific governance process is foreseen for the most significant transactions in terms of risk. In these cases, a non-binding opinion must be obtained from the Parent Company, which is prepared by the Group Evaluation Risk Committee. In particular, the governance and coordination guidelines at a Group level are implemented by Risk Governance, and the Group Evaluation Risk Committee provides its opinions on the Group's risk monitoring and assessment systems, and on its risk policies, as well as on Group transactions with the greatest impact.

2.2 Management, measurement and control systems

With regard to the credit risk management and control policies of the Separate Account, CDP has adopted a system for approving loans to local entities. This system is used to classify each loan in homogeneous risk categories, by adequately defining the risk level associated with the individual entities, with the aid of quantitative parameters that are differentiated by type of entity and their size.

This loan approval system uses qualitative and quantitative criteria to identify the cases where the debtor's creditworthiness requires further analysis.

For the Ordinary Account and loans to private-sector parties under the Separate Account portfolio, with the exclusion of the liquidity funds in support of the economy via the banking system, CDP uses a validated proprietary model to calculate portfolio credit risk. CDP also uses this system to calculate the economic capital associated with the entire loan portfolio, with the sole exception of exposures, direct or indirect, to the State.

Risk Management monitors compliance with the system of limits and the guidelines for composition of the loan portfolio, which are an integral part of the Risk Policy. The limits are set according to the credit rating of each counterparty, and become stricter as the rating and recovery rate decrease, according to proportions in line with the economic capital.

Risk Management also conducts stress tests on the level of risk in the loan portfolio, based on assumptions of generalised non performing exposures on in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increased correlation parameters.

Risk Management regularly monitors the net current and potential future exposure to banks in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. Risk Management checks compliance with the minimum rating limits of the counterparty and the limits associated with the maximum notional amount and maximum exposure value, by counterparty or group of related counterparties, as stipulated in the CDP Risk Policy. Similarly, Risk Management ensures the monitoring of exposures to counterparties in treasury activities, checking compliance with the limits and criteria set out in the Risk Policy.

The methods adopted for the assignment of internal ratings aim to ensure compliance with an adequate level of transparency and consistency, including auditability of the process of evaluation.

In the internal rating assignment process, CDP uses specific benchmark tools, developed by specialised providers, chosen on the basis of the principal classes of CDP counterparties, based on their size, legal form, and sector of activity.

In line with agency rating practice, the scale of ratings adopted by CDP is broken down into 21 classes, of which 10 are for "investment grade" positions and 11 for "speculative grade". A class is also used for counterparties in default. Given the limited number of historical defaults in the CDP portfolio, also considering the type of borrowers, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using data acquired from a specialised provider.

Since 2018, as part of the implementation of IFRS 9, CDP defined a methodology to derive point-in-time default probabilities.

Default is defined in accordance with the supervisory regulations for banks issued by the Bank of Italy.

The internal estimates of Loss Given Default take into account the different types of guarantees, as well as recovery times, and are differentiated by category of customer.

The rating system is used in the loan approval process (for private individuals also in the setting of risk-adjusted prices), to monitor loan performance, to calculate provisions, within the limits framework and to measure the consumption of economic capital. The risk assessment assigned to the counterparty is updated at least annually. However, it is reviewed at any time during the year whenever events occur or information is acquired that significantly affect the credit rating.

2.3 Measurement methods of expected credit losses

From 1 January 2018, the new International Financial Reporting Standard 9 (IFRS 9, or the "Standard"), issued by the International Accounting Standards Board (IASB) on 24 July 2014 and endorsed by the European Commission through EU Regulation 2016/2067, has replaced IAS 39, and governs the classification and measurement of financial instruments.

The Standard introduces numerous new aspects regarding scope, loan bucketing, a holding period for estimating expected credit loss, and in general certain characteristics of the basic components of credit risk: Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The main changes concern the presence of a single impairment model, to be applied to all financial assets not measured at fair value through profit or loss, based on the concept of expected credit loss, compared with the previous concept of incurred loss. The aim of this new approach to impairment is to ensure more prompt recognition of losses compared to the previous IAS 39-compliant model, in which the losses are recognised if objective evidence is found of impairment losses after initial recognition of the asset. Conversely, the new model envisages that the financial assets are allocated in three distinct "stages" (Stage Allocation):
- stage 1: this stage refers to performing financial assets for which no significant credit impairment was recognised in comparison with the date of initial recognition. These assets are measured on the basis of the expected loss over a time horizon of up to one year;
- stage 2: this stage involves performing financial assets whose credit quality has deteriorated significantly since initial recognition. These financial assets are measured based on their expected credit loss, calculated over a time horizon corresponding to the residual life of the financial asset;
- stage 3: this stage involves non-performing financial assets: having suffered a significant increase in their credit risk since initial recognition, they are measured accordingly based on the expected credit loss over the residual life of the financial asset.

CDP has defined its policies and methods of Stage Allocation and calculation of expected losses in a way compliant with the Standard and appropriate to the specific characteristics of the CDP Group, while taking into consideration the characteristics of the Parent Company's loan portfolio, whose main exposures are traditionally towards Public Entities and were originated with more than one decade horizon, and which consequently has recorded an extremely limited number of default events.

Stage Allocation

CDP has long since set up a series of internal processes and models for assessing creditworthiness, focused on the typical multi-year horizon of CDP's business and used in the ex-ante assessment phase, as well as in risk monitoring and risk calculation. The results of these processes and models are summed up in a scale of internal ratings to which a term structure on the probability of default is associated.

The internal rating integrates all the key available information, including information on trends, since the structure of the internal rating system is forward-looking and takes into account the duration of the exposure.

Stage Allocation is, therefore, mainly based on the use of these methods, that are considered appropriate for managing the CDP assets. In particular, the classification in the various stages involves verifying a series of relative and absolute conditions.

The adoption of the new Standard does not lead to changes in the identification of non-performing assets, which are classified within stage 3.

Conversely, with regard to performing assets, it is necessary to define criteria for assigning them to stage 1 or stage 2.

The first element for identifying a significant impairment in creditworthiness is a change in the internal rating attributed to each instrument between the initial date and the measurement date. The adopted method involves defining the staging criteria based on the number of notches that separate the two ratings: the threshold that causes the shift from stage 1 to stage 2 takes account, among other things, of the age of the individual instrument and its rating on the reporting date. The first element allows CDP's expectations regarding changes in PD to be grasped (shifts in ratings over time), while, with regard to the second element, the threshold takes account of the fact that the probabilities of default increase in an uneven manner as the rating worsens (trends of the PD in line with the ratings).

The decision to use the internal ratings as a benchmark was taken due, among other things, to the scarcity of past default events as mentioned above, which is a characteristic of CDP's loan portfolio and does not allow thresholds to be calibrated based on PD.

Additional criteria specified by the Stage Allocation policy are of an absolute and not relative nature: all instruments are classified in stage 2 if they relate to counterparties for which the following conditions apply:
- they belong to specific monitoring classes ("watchlists", which highlight the need for particularly careful monitoring, even for exposures that are performing, because of specific levels of risk);
- there are overdue amounts the age and materiality of which provide evidence of a possible non performing exposures on of creditworthiness;
- classification of positions as forborne.

The existence of these elements ensures a gradual approach in classification, so as to reduce the likelihood of an instrument being classified to stage 3 without having been classified to stage 2.

In accordance with the Standard, one notes that when the conditions that led to a position being attributed to stage 2, in line with the Stage Allocation policy, cease to hold, it may return to stage 1 with the consequent reduction in the associated expected loss.

With regard to debt securities, it was necessary to develop certain additional considerations because, in contrast with loans, these types of exposures may involve acquisitions subsequent to the first purchase, performed on a case-by-case basis in accordance with the business models identified by CDP. In particular, it is necessary to take account of the time sequence of purchases and sales of the same security, so as to enable differentiated staging, where necessary, between two tranches purchased at different times when the corresponding creditworthiness may have been different.

In the event of tranches of securities classified in stage 2, which require the calculation of the expected losses over the lifetime, the time profile of the EAD would be determined according to the actual redemption schedule of the individual tranches in line with their accounting measurement.

The staging policy developed by CDP does not envisage the use of the "low credit risk exemption" (LCRE) for the portfolio of loans or for the portfolio of debt securities, even though this is an option permitted by IFRS 9. This exemption would involve classifying all positions with "low" credit risk (substantially similar to the "investment grade" threshold, i.e. from the "BBB-" rating upwards) in Stage 1, regardless of any changes in credit rating since origination. CDP has decided not to opt for this exemption, taking account of the recommendations by the Basel Committee, even though they are not binding for CDP, which state that banks authorised to use internal models for credit risk should not apply this exception to their loan portfolio. The approach chosen by CDP enables exposures to be treated in a uniform way, regardless of their technical form: in particular, one of the effects deemed undesirable would have been the application of the LCRE to the securities portfolio, which would have led to differences in the classification of loans and securities issued by the same issuer and originated in the same period.

Elements for the calculation of expected loss

The accounting standard specifies that after identifying the appropriate stage for each instrument, one must use, in calculating the expected loss, all reasonable and sustainable information (that is available without excessive costs or effort), which might influence the credit risk of a financial instrument. The available information must include:
- specific attributes of the debtor, and

- general economic conditions and the assessment of current and forecast conditions ("forward-looking information").

With regard to the estimation of expected loss, IFRS 9 requires the adoption of the Point-in-Time (PIT) PD instead of the Through-the-Cycle (TTC) PD which CDP routinely uses in measuring risks, also in consideration of the nature of long-term investor which characterises its activity.

Therefore, CDP has developed a method for determining the PIT PD starting from the TTC PD which are estimated using a sample of past external data, with methods that aim to take account of possible future trends.

In order to achieve the aims of the Standard, the TTC PD are made contingent upon macroeconomic scenarios; a short-term, forward-looking element is, therefore, added to the medium-to-long term forward-looking component already present in the TTC PD, through the introduction of an appropriate scale factor allowing the maintenance of the current forward-looking system, combined with a greater sensitivity towards the expected short-term trends.

Within its own credit assessment and management methods, CDP has defined certain recovery values (and correspondingly of Loss Given Defaults - LGD) based on expert opinions, adopting a conservative approach aimed at identifying the characteristic features of each position (i.e. existence of collateral or a "security package"), since it is unable to make use of a statistical approach due to the scarcity of events in its own portfolio. In those cases where an explicit value is not already provided for, reference was made to the instructions included in Regulation no. 2013/575/EU (CRR).

The calculation of the expected loss over the time horizon that is consistent with the staging of each instrument is based on the discounting of the expected cash flows according to the probability of default corresponding to the creditworthiness at the reporting date and LGD.

Governance aspects

The methodological framework was developed by the Risk Management function, in collaboration with the Accounting function. The adoption of key choices on the implementation of the Standard was discussed in the relevant committees (Internal Risk Committee, at managerial level, and the Board Risk Committee) and was approved by the Board of Directors.

Various organisational and process adjustments were also developed to meet the increased demands for data compared to IAS 39.

2.4 Credit risk mitigation techniques

CDP mitigates the credit risk in respect of lending operations using techniques commonly adopted in the banking industry.

A significant number of the credit exposures of CDP in the Separate Account consist of special-purpose cash loans supported by payment orders to the Treasurers ("Delegazione di pagamento") or an irrevocable mandate for collection.

Financing under the Ordinary Account and the financing of non-public entities under the Separate Account can be secured by collateral or unsecured guarantees. Specifically, some of the products in support of the economy, which are channelled through the banking system and targeted at SMEs (e.g. the New SME Fund), and in support of the housing market, are secured through the pledge of the underlying loans to CDP and the creation of pledges on government bonds in favour of CDP. The portfolio of transferred receivables provides for mechanisms of alignment with respect to the direct exposures to banks and has an adequate quality level of customers transferred as a guarantee, including in terms of distribution by risk classes according to the system average values. Lastly, with regard to risk concentration, a system of limits has been defined according to the overall exposure of the bank (and any group that it might belong to) in relation to the Equity of CDP and the Regulatory Capital of the bank (or its group).

Aside from the acquisition of guarantees, typically in transactions under the Ordinary Account and in those with non-public entities under the Separate Account, there exists the possibility of including clauses in the loan agreements, obligating the counterparty to satisfy appropriate financial covenants and other typical contractual clauses in similar transactions, that allow CDP to monitor its credit risk more effectively over the life of the transaction.

With reference to loans to private-sector parties, in order to reduce the risk of an excessive incidence in the total debt, CDP takes part in the financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

The support provided by the sponsors of a deal assumes special importance in project finance transactions, and particularly during the construction phase. This support is materialised both in terms of the commitment to provide additional resources, as necessary, and by remaining a shareholder until construction is completed and operations commence.

CDP has a credit quality monitoring system which ensures, through an early warning system, the prompt flagging up of credit events that indicate potential problems (based on information from both internal and external sources), and assigns the counterparty a specific management Watch List class depending on the level of importance of the signals identified, by also activating the assessment process for the purposes of regulatory classification. This system also operates on the regulatory statuses, with specific indicators that enable the generation of regulatory classification proposals, in particular as Unlikely To Pay.

Pursuant to the executed ISDA agreements, netting is used in hedge transactions with the bank counterparties of the Company to reduce exposure. All the contracts are based on the 2002 ISDA agreement.

Credit Support Annexes, which involve the periodic exchange of collateral, are also systematically used to strengthen CDP credit risk mitigation.

The arrangement is based on the standard format recommended by the ISDA.

Securities financing transactions utilise GMRAs (Global Master Repurchase Agreement, ISMA 2000 format). In addition, CDP has long since joined the Cassa di Compensazione e Garanzia (Central Clearing House), through which it transacts in repo agreements while benefiting from robust protections against counterparty risk.

3. Non-performing credit exposures

3.1 Management strategies and policies

During 2019 the trend in gross non-performing credit exposures was substantially steady and in line with expectations. The incidence of the stock of non-performing exposures was confirmed as completely marginal in respect to the overall loan portfolio.

Non-performing financial assets are measured and classified in accordance with the supervisory regulations for banks issued by the Bank of Italy.

The main events monitored in analysing the financial soundness of counterparties and the consequent valuation of the credit exposure in the financial statements regard failure to make payments (or other contractual breaches), declarations of financial crisis by local authorities or the initiation of bankruptcy proceedings for other borrowers, an examination of the most significant financial statements indicators, or an analysis of information from the Central Credit Register.

Non-performing assets are recognised in the financial statements on the basis of discounting expected cash flows over the asset's entire lifetime, calculated using the original effective interest rate of the specific loan. The amount of the adjustments is equal to the difference between the carrying value of the asset and the discounted value of the expected future cash flows.

The estimate of the cash flows and the consequent adjustment of the value of loans receivable considers any collateral or unsecured guarantees received. In particular, it considers the amounts granted but not disbursed on special purpose loans, for which disbursements are made in several instalments according to the work progress reports on the financed project. Borrowers with substantial arrears are disqualified from accessing new CDP financing and any remaining amounts to be disbursed on problem loans are frozen.

In order to estimate future cash flows and related collection times, the loans in question of a significant unit value are subject to an analytical assessment process. For some consistent categories of non-performing loans of non-significant unit value, the assessment processes envisage that value adjustments must be determined with a lump-sum/statistical calculation method, to be analytically attributed to each individual position.

The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery of the credit exposure. In order for these events to be promptly recorded, available information on the financial position and earnings of the debtors is periodically monitored and the progress of any extra-judicial agreements being made and the evolution of any lawsuits with customers are constantly checked, while the information available from the Central Credit Register is verified.

Non-performing assets are classified in order to identify — based on information about the counterparty's financial position, the age of the past-due amounts, the materiality thresholds indicated by supervisory regulations, and any debt restructuring authorised by CDP — the non-performing positions to be reported under bad debts, unlikely to pay, and non-performing past-due exposures.

In the pre-litigation stage, non-performing exposures are monitored and handled by the Risk Governance organisational unit, which coordinates with the other organisational units involved. The recovery of these exposures is aimed at maximising earnings and financial results, by pursuing extra-judicial solutions as deemed appropriate. These may include settlement agreements having a positive impact on recovery times and the level of costs incurred.

The restoration of non-performing exposures to performing status is subject to verification that the problem conditions or insolvency have been eliminated.

Both the classification and valuation processes of the individual financial assets are based on a system of delegations of powers to various decision-making bodies, depending on the asset class of the debtor and the amount of the credit exposure.

The consistent placement of an exposure in the appropriate risk class, as mandated by supervisory regulations, is also ensured by the presence of second-level controls, aimed at verifying not only the fairness of the classifications but also the fairness of the accruals.

Finally, non-performing exposures include individual forborne exposures that meet the definition of "Non-performing exposures with forbearance measures" envisaged by the EBA ITS (European Banking Authority Implementing Technical Standards), which do not form a separate category of non-performing assets but constitute a subset thereof. In the same way, performing exposures with forbearance measures are included in performing loans.

3.2 Write-off

Credit exposures are written off, i.e. derecognised, when there is no longer any reasonable expectation of recovering the financial asset, including in cases of surrender of the asset. The write-off may relate to a financial position in its entirety or part of it, and may even occur before the end of any legal actions that have been brought, without necessarily entailing waiver of the legal right to recover the debt. In such cases, the gross nominal value of the loan remains the same, but the gross carrying amount is reduced by the amount being written off. Any recoveries from collection after derecognition of the asset are recognised in the income statement under recoveries.

In assessing the recoverability of non-performing loans, the following points, in particular, are taken into consideration:
- the age of past due positions, which could make any expectation of recovery substantially inexistent;
- the amount of the loan, in order to assess the cost-effectiveness of any credit recovery measures;
- the value of the guarantees that secure the exposure;
- the negative outcome of any action taken in and out of court.

3.3 Purchased and Originated Credit-Impaired financial assets

"Purchased and Originated Credit-Impaired (POCI) financial assets" are credit exposures that are impaired at the time of initial recognition.

Considering CDP's business operations, these exposures originated exclusively within the scope of restructuring operations for impaired exposures where new funds are disbursed, to a significant extent with respect to the amount of the original exposure.

For the purposes of interest calculation, for POCI exposures the credit-adjusted effective interest rate is used, which, in estimating future cash flows, considers the expected credit losses over the residual maturity of the asset.

These exposures are allocated, for as long as they are impaired, to stage 3, while they are classified in stage 2 if, following an improvement in the counterparty's creditworthiness, the originally impaired assets return to the performing portfolio.

4. Renegotiated financial assets and forborne exposures

Over the maturity of financial assets, and specifically for financial assets measured at amortised cost, it is possible that they are subject to renegotiation of the contract terms.

In that case, one needs to check whether or not the intervening contractual changes give rise to derecognition of the original instrument and the recognition of a new financial instrument.

The analysis required to assess which changes give rise to derecognition rather than modification may sometimes entail significant elements of valuation.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are of a substantial nature. However, in the absence of specific instructions in the IFRS to which one can refer, a list of major changes has been drawn up which lead to a substantial change in the terms of the existing contract, by introducing a different nature of risks and entailing, therefore, derecognition.

The list is as follows:
- change of the counterparty;
- change in the reference currency;
- replacement of debt to equity;
- acceptance in lieu, whose repayment depends on the fair value of an asset;
- other cases of substantial change in the nature of the contract, such as the introduction of contractual clauses that expose the debtor to new risk components;
- changes granted to performing customers, who do not show any economic and financial difficulties (thus not falling into the series of so-called “forborne” exposures) and which involve the use of market parameters for the restatement of the financial conditions of the loan agreement, also with the aim of retaining the customer.

With specific reference to the granting of loans to public entities (which is one of the main activities historically performed by CDP), over the last few years CDP has put several loan renegotiation transactions in place, with the aim of meeting specific needs expressed by the entities, and releasing financial resources that the entities can use for new investments as well.

These renegotiations are carried out according to the principle of financial equivalence and are aimed at entities other than defaulting ones and, for local authorities, entities that are not in financial crisis.

The renegotiation transactions proposed by CDP, executed in compliance with the regulations in force at the time, are particularly relevant in public sector finance, to the point that the transactions carried out in recent years have involved multiple positions and a considerable total amount of renegotiated loans. Therefore, these renegotiations represent “massive renegotiations”.

Their aims, the reference regulatory framework, their scope and the involvement, historically, of multiple renegotiated positions for a considerable total amount represent their qualitative and quantitative characteristics that further emphasise the existence of key elements from which the “substantial” nature emerges of the contractual changes they made to the loans involved, therefore entailing derecognition.

On the other hand, in the event of changes not deemed significant (modification), the gross value is re-determined through the calculation of the current value of the cash flows resulting from the renegotiation, at the original exposure rate.

The difference between the gross value of the financial instrument before and after the renegotiation of contract terms, is recognised through profit or loss as a gain or loss from contractual changes without derecognition.

Quantitative disclosures

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, changes and economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

(thousands of euro) Portfolios/Quality	Bad debts	Unlikely to pay	Non performing past-due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	59,445	128,557	12,969	153,577	336,750,627	337,105,175
2. Financial assets measured at fair value through other comprehensive income					11,248,804	11,248,804
3. Financial assets designated at fair value						
4. Other financial assets mandatorily measured at fair value					129,446	129,446
5. Financial assets held for sale						
Total 31/12/2019	**59,445**	**128,557**	**12,969**	**153,577**	**348,128,877**	**348,483,425**
Total 31/12/2018	**56,741**	**145,760**	**22,881**	**83,011**	**334,574,867**	**334,883,260**

The following table shows the breakdown of credit exposures for on-balance sheet forborne credit exposures (non-performing and performing loans).

Forborne credit exposures: breakdown by portfolio and credit quality

(thousands of euro) Type of exposure/Values	Gross exposure	Accumulated impairment	Net exposure 31/12/2019	Net exposure 31/12/2018
Financial assets measured at amortised cost:				
Bad debts				
Unlikely to pay	78,036	(42,568)	35,468	46,255
Non-performing past-due exposures				
Performing past-due exposures				
Other performing exposures	530,600	(114,479)	416,121	436,538
Total forborne exposures at 31/12/2019	**608,636**	**(157,047)**	**451,589**	**X**
Total forborne exposures at 31/12/2018	**842,359**	**(359,566)**	**X**	**482,793**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(thousands of euro) Portfolios/quality	Non-performing assets				Performing assets			Total (net exposure)
	Gross exposure	Accumulated impairment	Net exposure	Accumulated partial write off(*)	Gross exposure	Accumulated impairment	Net exposure	
1. Financial assets measured at amortised cost	344,500	(143,529)	200,971		337,679,544	(775,340)	336,904,204	337,105,175
2. Financial assets measured at fair value through other comprehensive income					11,263,783	(14,979)	11,248,804	11,248,804
3. Financial assets designated at fair value					X	X		
4. Other financial assets mandatorily measured at fair value					X	X	129,446	129,446
5. Financial assets held for sale								
Total 31/12/2019	**344,500**	**(143,529)**	**200,971**		**348,943,327**	**(790,319)**	**348,282,454**	**348,483,425**
Total 31/12/2018	**379,831**	**(154,449)**	**225,382**		**335,211,124**	**(862,420)**	**334,657,878**	**334,883,260**

(*) Value to be shown for information purposes.

(thousands of euro) Portfolios/quality	Assets with markedly poor credit quality		Other assets
	Accumulated loss	Net exposure	Net exposure
1. Financial assets held for trading			132,354
2. Hedging derivatives			381,346
Total 31/12/2019			**513,700**
Total 31/12/2018			**750,180**

A.1.3 Breakdown of financial assets by past-due bands (carrying amounts)

(thousands of euro) Portfolios/stages	Stage 1			Stage 2			Stage 3		
	Up to 30 days	More than 30 days to 90 days	More than 90 days	Up to 30 days	More than 30 days to 90 days	More than 90 days	Up to 30 days	More than 30 days to 90 days	More than 90 days
1. Financial assets measured at amortised cost	138,357		5,909			9,311			160,676
2. Financial assets measured at fair value through other comprehensive income									
3. Financial assets held for sale									
Total 31/12/2019	**138,357**		**5,909**			**9,311**			**160,676**
Total 31/12/2018	**19,994**		**57,811**			**5,206**		**473**	**170,608**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: changes in accumulated impairment and provisions

(thousands of euro) Items/risk stages	Accumulated impairment																Total provisions for commitments to disburse funds and financial guarantees issued			Total
	Assets in stage 1					Assets in stage 2					Assets in stage 3									
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Of which: non-performing financial assets acquired or originated	Stage 1	Stage 2	Stage 3	
Opening accumulated impairment and provisions	**200,183**	**9,418**			**209,601**	**651,348**	**1,471**			**652,819**	**154,449**			**153,988**	**461**		**110,422**	**5,202**	**4,817**	**1,137,310**
Increases resulting from financial assets acquired or originated	52,614	5,516			58,130	141,669				141,669	226			226			120,017	1,403		321,445
Derecognitions other than write-offs	(18,108)	(1,736)			(19,844)	(335,591)				(335,591)	(5,693)			(5,689)	(4)		(12,935)	(2,288)	(1,344)	(377,695)
Net adjustments/ recoveries for credit risk (+/-)	44,019	(57)			43,962	39,220	367			39,587	(4,769)			(4,370)	(399)		4,897	363	374	84,414
Changes in contracts without derecognition											(684)			(684)						(684)
Changes in estimation method																				
Write-offs not recognised directly through profit or loss																				
Other changes	(14)				(14)												(11,546)			(11,560)
Closing accumulated impairment and provisions	**278,694**	**13,141**			**291,835**	**496,646**	**1,838**			**498,484**	**143,529**			**143,471**	**58**		**210,855**	**4,680**	**3,847**	**1,153,230**
Recoveries from collection on financial assets subject to write-off																				
Write-offs recognised directly through profit or loss																				

A.1.5 Financial assets, commitments to disburse funds and financial guarantees issued: transfers between credit risk stages (gross and nominal values)

(thousands of euro) Portfolios/Risk stages	Gross value/Nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	310,762	507,462	640	2,347	9,208	6,650
2. Financial assets measured at fair value through other comprehensive income						
3. Financial assets held for sale						
4. Commitments to disburse funds and financial guarantees issued	2	13,678			419	915
Total 31/12/2019	**310,764**	**521,140**	**640**	**2,347**	**9,627**	**7,565**
Total 31/12/2018	**1,348,909**	**335,198**	**7,040**	**6,788**	**15,293**	**5,381**

A.1.6 On-balance sheet exposures to banks: gross and net amounts

(thousands of euro) Type of exposure/Values	Gross exposure		Accumulated impairment and provisions for credit risk	Net exposure	Accumulated partial write off (*)
	Non-performing assets	Performing assets			
A. On-balance-sheet credit exposures					
a) Bad debts		X			
- *of which: forborne exposures*		*X*			
b) Unlikely to pay		X			
- *of which: forborne exposures*		*X*			
c) Non-performing past-due exposures		X			
- *of which: forborne exposures*		*X*			
d) Performing past-due exposures	X				
- *of which: forborne exposures*	*X*				
e) Other performing exposures	X	28,226,643	(38,612)	28,188,031	
- *of which: forborne exposures*	*X*				
Total A		**28,226,643**	**(38,612)**	**28,188,031**	
B. Off-balance-sheet credit exposures					
a) Non-performing		X			
b) Performing	X	744,270	(1,489)	742,781	
Total (B)		**744,270**	**(1,489)**	**742,781**	
Total (A + B)		**28,970,913**	**(40,101)**	**28,930,812**	

(*) Value to be shown for information purposes.

A.1.7 On-balance sheet exposures to customers: gross and net amounts

(thousands of euro) Type of exposure/Values	Gross exposure Non-performing assets	 Performing assets	Accumulated impairment and provisions for credit risk	Net exposure	Accumulated partial write off (*)
A. On-balance-sheet credit exposures					
a) Bad debts	118,406	X	(58,961)	59,445	
- *of which: forborne exposures*		*X*			
b) Unlikely to pay	211,786	X	(83,229)	128,557	
- *of which: forborne exposures*	*78,036*	*X*	*(42,568)*	*35,468*	
c) Non-performing past-due exposures	14,308	X	(1,339)	12,969	
- *of which: forborne exposures*		*X*			
d) Performing past-due exposures	X	154,414	(837)	153,577	
- *of which: forborne exposures*	*X*				
e) Other performing exposures	X	320,691,716	(750,870)	319,940,846	
- *of which: forborne exposures*	*X*	*530,600*	*(114,479)*	*416,121*	
Total A	**344,500**	**320,846,130**	**(895,236)**	**320,295,394**	
B. Off-balance-sheet credit exposures					
a) Non-performing	13,124	X	(3,848)	9,276	
b) Performing	X	32,305,417	(211,999)	32,093,418	
Total (B)	**13,124**	**32,305,417**	**(215,847)**	**32,102,694**	
Total (A + B)	**357,624**	**353,151,547**	**(1,111,083)**	**352,398,088**	

(*) Value to be shown for information purposes.

A.1.8 On-balance sheet exposures to banks: changes in gross non-performing exposures

There are no non-performing credit exposures to banks.

A.1.8*bis* On-balance sheet exposures to banks: changes in gross forborne exposures by credit quality

There are no forborne credit exposures to banks.

A.1.9 On-balance sheet exposures to customers: changes in gross non-performing exposures

(thousands of euro) Items/Categories	Bad debts	Unlikely to pay	Non-performing past-due exposures
A. Opening gross exposure	**115,517**	**239,846**	**24,468**
- *of which: exposures assigned but not derecognised*			
B. Increases	**11,461**	**18,701**	**10,248**
B.1 Transfers from performing exposures			9,843
B.2 Transfers from impaired financial assets acquired or originated			
B.3 Transfers from other categories of non-performing exposures	2,757	8,666	
B.4 Changes in contracts without derecognition			
B.5 Other increases	8,704	10,035	405
C. Decreases	**8,572**	**46,761**	**20,408**
C.1 Transfers to performing exposures			9,902
C.2 Write-off			
C.3 Repayments	8,016	43,078	1,820
C.4 Credit disposals			
C.5 Losses from disposals			
C.6 Transfers to other categories of non-performing exposures		2,757	8,666
C.7 Changes in contracts without derecognition		287	
C.8 Other decreases	556	639	20
D. Closing gross exposure	**118,406**	**211,786**	**14,308**
- *of which: exposures assigned but not derecognised*			

A.1.9*bis* On-balance sheet exposures to customers: changes in gross forborne exposures by credit quality

(thousands of euro) Items/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**92,204**	**750,155**
- *of which: exposures assigned but not derecognised*		
B. Increases	**6,773**	**557,068**
B.1 Transfers from performing not forborne exposures	3,997	
B.2 Transfers from performing forborne exposures		X
B.3 Transfers from non-performing forborne exposures	X	
B.4 Other increases	2,776	557,068
C. Decreases	**20,941**	**776,623**
C.1 Transfers to performing not forborne exposures	X	
C.2 To performing forborne exposures		X
C.3 To non-performing forborne exposures	X	
C.4 Write-off		
C.5 Collections	20,941	776,623
C.6 Credit disposal		
C.7 Losses on disposal		
C.8 Other decreases		
D. Closing gross exposure	**78,036**	**530,600**
- *of which: exposures assigned but not derecognised*		

A.1.10 On-balance sheet non-performing credit exposures to banks: changes in accumulated impairment

There are no non-performing credit exposures to banks.

A.1.11 On-balance sheet non-performing credit exposures to customers: changes in accumulated impairment

(thousands of euro) Items/Categories	Bad debts		Unlikely to pay		Non-performing past-due exposures	
	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures
A.1 Opening accumulated impairment	**58,776**		**94,086**	**45,949**	**1,587**	
- *of which: exposures assigned but not derecognised*						
B. Increases	**198**		**3,324**	**7,978**	**764**	
B.1 Writedowns from non-performing financial assets acquired or originated		X		X		X
B.2 Other writedowns	55		1,368	1,048	742	
B.3 Losses on disposal			1,210	1,210		
B.4 Transfers from other categories of non-performing positions	138		478			
B.5 Changes in contracts without derecognition		X		X		X
B.6 Other increases	5		268	5,720	22	
- *of which: transfers from non-forborne positions*				*5,615*		
C. Decreases	**13**		**14,181**	**11,359**	**1,012**	
C.1 Writebacks from valuations			663	663		
C.2 Writebacks from collection	13		8,648	5,964	534	
C.3 Gains on disposal						
C.4 Write-off						
C.5 Transfers to other categories of non-performing positions			138		478	
C.6 Changes in contracts without derecognition		X		X		X
C.7 Other decreases			4,732	4,732		
D. Closing accumulated impairment	**58,961**		**83,229**	**42,568**	**1,339**	
- *of which: exposures assigned but not derecognised*						

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees issued on the basis of external and internal ratings

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by external rating grades (gross amounts)

(thousands of euro) Exposures	External rating grades						Not rated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**1,536,926**	**4,870,455**	**269,648,592**	**8,179,300**	**456,097**	**1,957,333**	**51,375,341**	**338,024,044**
- stage 1	1,536,926	4,870,455	263,593,815	7,351,710	456,097	1,946,007	44,772,321	324,527,331
- stage 2			6,054,777	827,590		11,326	6,258,520	13,152,213
- stage 3							344,500	344,500
B. Financial assets measured at fair value through other comprehensive income	**601,247**	**141,852**	**9,699,009**	**277,548**		**390,012**	**154,115**	**11,263,783**
- stage 1	601,247	141,852	9,699,009	277,548		357,665	154,115	11,231,436
- stage 2						32,347		32,347
- stage 3								
C. Financial assets held for sale								
- stage 1								
- stage 2								
- stage 3								
Total (A + B + C)	**2,138,173**	**5,012,307**	**279,347,601**	**8,456,848**	**456,097**	**2,347,345**	**51,529,456**	**349,287,827**
- *of which: impaired financial assets acquired or originated*								
D. Commitments to disburse funds and financial guarantees issued	**2,045,573**	**945,692**	**13,728,754**	**220,213**	**41,247**	**568**	**12,227,945**	**29,209,992**
- stage 1	2,045,573	945,692	13,728,754	120,073	41,247	568	12,193,883	29,075,790
- stage 2				100,140			20,938	121,078
- stage 3							13,124	13,124
Total (D)	**2,045,573**	**945,692**	**13,728,754**	**220,213**	**41,247**	**568**	**12,227,945**	**29,209,992**
Total (A + B + C + D)	**4,183,746**	**5,957,999**	**293,076,355**	**8,677,061**	**497,344**	**2,347,913**	**63,757,401**	**378,497,819**

The following table maps the rating grades and the agency ratings used.

Rating grades	ECAI		
	Moody's	Fitch	Standard & Poor's
Class 1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
Class 2	from A1 to A3	from A+ to A-	from A+ to A-
Class 3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
Class 4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
Class 5	from B1 to B3	from B+ to B-	from B+ to B-
Class 6	Caa1 and lower	CCC+ and lower	CCC+ and lower

A.3 Breakdown of secured credit exposures by type of guarantee

A.3.1 On-balance sheet and off-balance sheet secured credit exposures to banks

(thousands of euro)	Gross exposure	Net exposure	Collateral (1)				Unsecured guarantees (2)									Total (1) + (2)
							Credit derivatives					Guarantees				
								Other derivatives								
			Land and buildings - mortgages	Land and buildings - finance leases	Securities	Other assets	CLN	Central counterparties	Banks	Other financial companies	Other	General governments	Banks	Other financial companies	Other	
1. Secured on-balance-sheet credit exposures																
1.1 Fully secured	9,181,373	9,155,407				2,639,177						6,516,230				9,155,407
- *of which: non-performing*																
1.2 Partially secured	223,344	220,171				62,839										62,839
- *of which: non-performing*																
2. Secured off-balance-sheet credit exposures																
2.1 Fully secured	2,811	2,808										2,808				2,808
- *of which: non-performing*																
2.2 Partially secured																
- *of which: non-performing*																

A.3.2 On-balance sheet and off-balance sheet secured credit exposures to customers

(thousands of euro)	Gross exposure	Net exposure	Collateral (1)				Unsecured guarantees (2)									Total (1) + (2)
							Credit derivatives					Guarantees				
								Other derivatives								
			Land and buildings - mortgages	Land and buildings - finance leases	Securities	Other assets	CLN	Central counterparties	Banks	Other financial companies	Other	General governments	Banks	Other financial companies	Other	
1. Secured on-balance-sheet credit exposures																
1.1 Fully secured	8,444,462	8,415,302	238,813		2,362,762	776,453						3,788,586	141,740		1,106,948	8,415,302
- *of which: non-performing*	*135,205*	*127,351*	*64,261*			*9,556*						*45,507*			*8,027*	*127,351*
1.2 Partially secured	4,580,652	4,575,156				1,867						4,177,205	34,934			4,214,006
- *of which: non-performing*	*17,940*	*17,581*										*17,581*				*17,581*
2. Secured off-balance-sheet credit exposures																
2.1 Fully secured	3,883,388	3,877,332	58,510			146,515						3,374,753	131		296,305	3,876,214
- *of which: non-performing*	*4,849*	*4,610*	*1,859*									*2,438*			*313*	*4,610*
2.2 Partially secured	5,645,915	5,639,662				28,315						4,611,891				4,640,206
- *of which: non-performing*																

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

There are no financial and non-financial assets obtained through the enforcement of collateral.

B. Breakdown and concentration of credit exposures

B.1 On-balance sheet and off-balance sheet credit exposures to customers by sector

(thousands of euro) Exposures/Counterparties	General governments		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. On-balance-sheet credit exposures										
A.1 Bad debts	2,760	(3,477)					56,484	(55,350)	201	(134)
- *of which: forborne exposures*										
A.2 Unlikely to pay	7,383	(35,432)		(10)			119,041	(47,635)	2,133	(152)
- *of which: forborne exposures*				*(10)*			*34,783*	*(42,482)*	*685*	*(76)*
A.3 Non-performing past-due exposures	10,706	(1,190)					1,667	(128)	596	(21)
- *of which: forborne exposures*										
A.4 Performing exposures	296,734,301	(585,272)	6,264,499	(4,040)	2,569	(3)	17,079,100	(162,262)	16,523	(133)
- *of which: forborne exposures*							*416,121*	*(114,479)*		
Total (A)	**296,755,150**	**(625,371)**	**6,264,499**	**(4,050)**	**2,569**	**(3)**	**17,256,292**	**(265,375)**	**19,453**	**(440)**
B. Off-balance-sheet credit exposures										
B.1 Non performing exposures							9,276	(3,848)		
B.2 Performing exposures	9,313,115	(158,313)	3,852,601	(825)			18,841,503	(52,860)	15,878	(1)
Total (B)	**9,313,115**	**(158,313)**	**3,852,601**	**(825)**			**18,850,779**	**(56,708)**	**15,878**	**(1)**
Total (A + B) at 31/12/2019	**306,068,265**	**(783,684)**	**10,117,100**	**(4,875)**	**2,569**	**(3)**	**36,107,071**	**(322,083)**	**35,331**	**(441)**
Total (A + B) at 31/12/2018	**300,991,845**	**(562,402)**	**9,172,043**	**(7,048)**			**29,036,100**	**(514,243)**	**44,379**	**(474)**

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

(thousands of euro) Exposures/Geographical area	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. On-balance-sheet credit exposures										
A.1 Bad debts	59,445	(58,961)								
A.2 Unlikely to pay	128,557	(83,229)								
A.3 Non-performing past-due exposures	12,969	(1,339)								
A.4 Performing exposures	312,652,369	(744,101)	2,758,140	(2,792)	2,593,193	(2,607)	1,571,703	(1,684)	519,018	(523)
Total (A)	**312,853,340**	**(887,630)**	**2,758,140**	**(2,792)**	**2,593,193**	**(2,607)**	**1,571,703**	**(1,684)**	**519,018**	**(523)**
B. Off-balance-sheet credit exposures										
B.1 Non performing exposures	9,276	(3,848)								
B.2 Performing exposures	22,110,168	(202,038)	1,256,340	(1,059)	6,061,530	(6,057)	2,085,929	(2,333)	509,130	(512)
Total (B)	**22,119,444**	**(205,886)**	**1,256,340**	**(1,059)**	**6,061,530**	**(6,057)**	**2,085,929**	**(2,333)**	**509,130**	**(512)**
Total (A + B) at 31/12/2019	**334,972,784**	**(1,093,516)**	**4,014,480**	**(3,851)**	**8,654,723**	**(8,664)**	**3,657,632**	**(4,017)**	**1,028,148**	**(1,035)**
Total (A + B) at 31/12/2018	**323,282,907**	**(1,072,017)**	**2,943,670**	**(2,452)**	**8,378,059**	**(6,267)**	**3,594,605**	**(2,685)**	**1,045,126**	**(746)**

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

(thousands of euro) Exposures/Geographical area	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment	Net exposure	Accumulated impairment
A. On-balance-sheet credit exposures										
A.1 Bad debts										
A.2 Unlikely to pay										
A.3 Non-performing past-due exposures										
A.4 Performing exposures	25,613,577	(38,299)	2,460,857	(311)			92,004	(1)	21,593	(1)
Total (A)	**25,613,577**	**(38,299)**	**2,460,857**	**(311)**			**92,004**	**(1)**	**21,593**	**(1)**
B. Off-balance-sheet credit exposures										
B.1 Non performing exposures										
B.2 Performing exposures	571,483	(1,135)							106,853	(354)
Total (B)	**571,483**	**(1,135)**							**106,853**	**(354)**
Total (A + B) at 31/12/2019	**26,185,060**	**(39,434)**	**2,460,857**	**(311)**			**92,004**	**(1)**	**128,446**	**(355)**
Total (A + B) at 31/12/2018	**20,688,785**	**(53,105)**	**492,761**	**(38)**					**120,326**	

C. Securitisations

Qualitative disclosures

At the end of 2002, Cassa Depositi e Prestiti, then a public entity, carried out a securitisation with the assignment without recourse of six portfolios of claims on customers in respect of loans to the following types of borrowers:

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

At 31 December 2019, there was only one portfolio of securitised loans (RFI S.p.A.) outstanding. The transaction and the associated cash flows are proceeding as envisaged. It should be noted that the loans underlying this transaction were fully derecognised, since CDP applied the provisions of paragraph B.2, Appendix B, of IFRS 1, which requires first-time adopters to apply rules for the prospective derecognition of financial assets for transactions effected as from 1 January 2004.

Quantitative disclosures

C.5 Servicer activities - own securitisations: collections on securitised assets and redemption of securities issued by the securitisation vehicle

	Securitised assets (end-period figure)		Collections in the year		% of securities redeemed (end-period figure)					
					Senior		Mezzanine		Junior	
(thousands of euro) Securitisation vehicle	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
CPG - Società di Cartolarizzazione a r.l.		86,094		31,804						

D. Disclosure of unconsolidated structured entities (other than securitisation vehicles)

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

E. Asset disposals

A. Financial assets assigned but not derecognised

Qualitative disclosures

Financial assets assigned but not derecognised mainly consist of Government securities classified as “Financial assets measured at fair value through other comprehensive income”, and “Financial assets measured at amortised cost”, underlying repurchase agreements.

Quantitative disclosures

E.1 Financial assets assigned recognised in full and associated financial liabilities: carrying amounts

	Financial assets assigned recognised in full				Financial liabilities associated		
(thousands of euro)	Book value	Of which: subject to securisation	Of which: subject to sales agreements with repurchase arrangements	Of which: impaired	Book value	Of which: subject to securisation	Of which: subject to sales agreements with repurchase arrangements
A. Financial assets held for trading				**X**			
1. Debt securities				X			
2. Equity securities				X			
3. Loans				X			
4. Derivatives				X			
B. Non -trading financial assets mandatorily measured at fair value							
1. Debt securities							
2. Equity securities				X			
3. Loans							
C. Financial assets designated at fair value							
1. Debt securities							
2. Loans							
D. Financial assets measured at fair value through other comprehensive income	**1,418,794**		**1,418,794**		**1,386,950**		**1,386,950**
1. Debt securities	1,418,794		1,418,794		1,386,950		1,386,950
2. Equity securities							
3. Loans							
E. Financial assets measured at amortised cost	**36,449,064**		**36,449,064**		**37,482,931**		**37,482,931**
1. Debt securities	36,449,064		36,449,064		37,482,931		37,482,931
2. Loans							
Total 31/12/2019	**37,867,858**		**37,867,858**		**38,869,881**		**38,869,881**
Total 31/12/2018	**45,355,748**		**45,355,748**		**44,460,569**		**44,460,569**

E.2 Financial assets assigned partially recognised and associated financial liabilities: carrying amounts

There are no financial assets assigned partially recognised.

E.3 Disposals with liabilities with recourse only on assets assigned but not derecognised: fair value

(thousands of euro)	Fully recognised	Partially recognised	Total 31/12/2019	Total 31/12/2018
A. Financial assets held for trading				
1. Debt securities				
2. Equity securities				
3. Loans				
4. Derivatives				
B. Other financial assets mandatorily at fair value				
1. Debt securities				
2. Equity securities				
3. Loans				
C. Financial assets designated at fair value				
1. Debt securities				
2. Loans				
D. Financial assets measured at fair value through other comprehensive income	**1,418,794**		**1,418,794**	**5,817,568**
1. Debt securities	1,418,794		1,418,794	5,817,568
2. Equity securities				
3. Loans				
E. Financial assets measured at amortised cost	**37,685,522**		**37,685,522**	**39,655,300**
1. Debt securities	37,685,522		37,685,522	39,655,300
2. Loans				
Total financial assets	**39,104,316**		**39,104,316**	**45,472,868**
Total associated financial liabilities	**38,869,881**		**38,869,881**	**44,465,570**
Net value 31/12/2019	**234,435**		**234,435**	**X**
Net value 31/12/2018	**1,007,298**		**X**	**1,007,298**

B. Financial assets assigned and derecognised with recognition of continuing involvement

There are no transactions classified in the portfolio of financial assets assigned and derecognised with recognition of continuing involvement.

E.4 Covered bond transactions

At the reporting date, there were no covered bond transactions.

Section 2 - Market risks

2.1 Interest rate risk and price risk - Supervisory trading book

Qualitative disclosures

A. General aspects

In 2019, CDP did not undertake any transactions qualifying for allocation to the supervisory trading book.

2.2 Interest rate risk and price risk - Banking book

Qualitative disclosures

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

As a result of its operations, CDP is exposed to interest rate risk under all its forms: repricing, yield curve, basis and option risk. CDP also monitors inflation risk within the same conceptual and analytical framework as interest rate risk in the banking book.

These risks can affect both the earnings and the economic value of CDP.

CDP faces a substantial level of interest rate risk due to the presence of large unhedged volumes of assets and liabilities pre-existing before its transformation into a joint-stock company and to its assets and liabilities structure: a considerable portion of CDP's liabilities consists of Ordinary fixed-rate Postal Bonds with an early redemption option, while the asset side mainly comprises fixed-rate loans. Other types of postal savings bonds also embed an early redemption option, whose value is significantly affected by interest rates and inflation changes.

The basic approach taken by CDP to measuring and managing interest rate risk is an "economic value" perspective, which complements the "earnings-based" perspective. The economic value perspective corresponds to the long-term representation of the earnings-based perspective, as the economic value of the firm is essentially equal to the discounted flows of future net interest income.

From this perspective, CDP analyses its exposure and risk profile by assessing balance sheet items that are sensitive to interest rates, quantifying their reaction to small changes (sensitivity analysis) and to major shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and complex indicators representing the economic capital needed to ensure that the company stays solvent given its risk profile.

This monitoring structure is translated into the calculation of value at risk (VaR), which CDP measures using historical simulations methods.

To quantify and monitor the interest rate risk in the banking book, CDP measures VaR both over short time horizons – such as over one day or ten days – and annually, which is more suited to the internal capital adequacy assessment process with regard to risks in the banking book. The short-term and annual measures of VaR share the same combination of models for valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is used for backtesting, thanks to its larger pool of figures available over that interval.

VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. Despite the limits of any composite metric based on historical scenarios, VaR also has two significant strengths:
- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry);
- it makes it possible, through the backtesting process, to check the hypotheses underpinning not only the calculation of the daily VaR but also the entire simulation.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risks. More specifically, limits have been established on the impact on the economic value of parallel shifts (+/- 100 basis points) in the yield curve and the inflation curve. Furthermore, more granular limits set by the Chief Executive Officer are in place.

CDP also assesses the impact of interest rate risk on earnings for shorter horizons using internal planning and ALM systems, specifically quantifying the impact of parallel shifts in the yield curve on net interest income.

CDP's ALM approach seeks to limit the volume of hedging derivatives by exploiting "natural hedges" between fixed-rate assets and liabilities. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance function.

The measurement and the monitoring of interest rate risk are performed by Risk Management and discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methods and receives periodic reports on the results achieved.

Price risk regards the possibility that the net economic value, profitability or the book equity of CDP could be adversely affected by variables associated with equities, in particular the market prices of such securities and related derivatives, or changes in the current and future profitability of the investment in such instruments.

In line with the net economic value approach, equity risk is quantified in terms of VaR (with a one-year time horizon). The VaR gives a proxy of the risk that the listed and liquid securities – even when they are not recognised at their current fair value – do not recover any impairment over time. It is calculated based on hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments in the long term.

An additional source of price risk lies in CDP's funding operations, namely the issue — which is no longer active — of "Europa" postal savings bonds, whose yield is indexed to the Euro Stoxx 50 index. Risk Management monitors the net exposure to such risk.

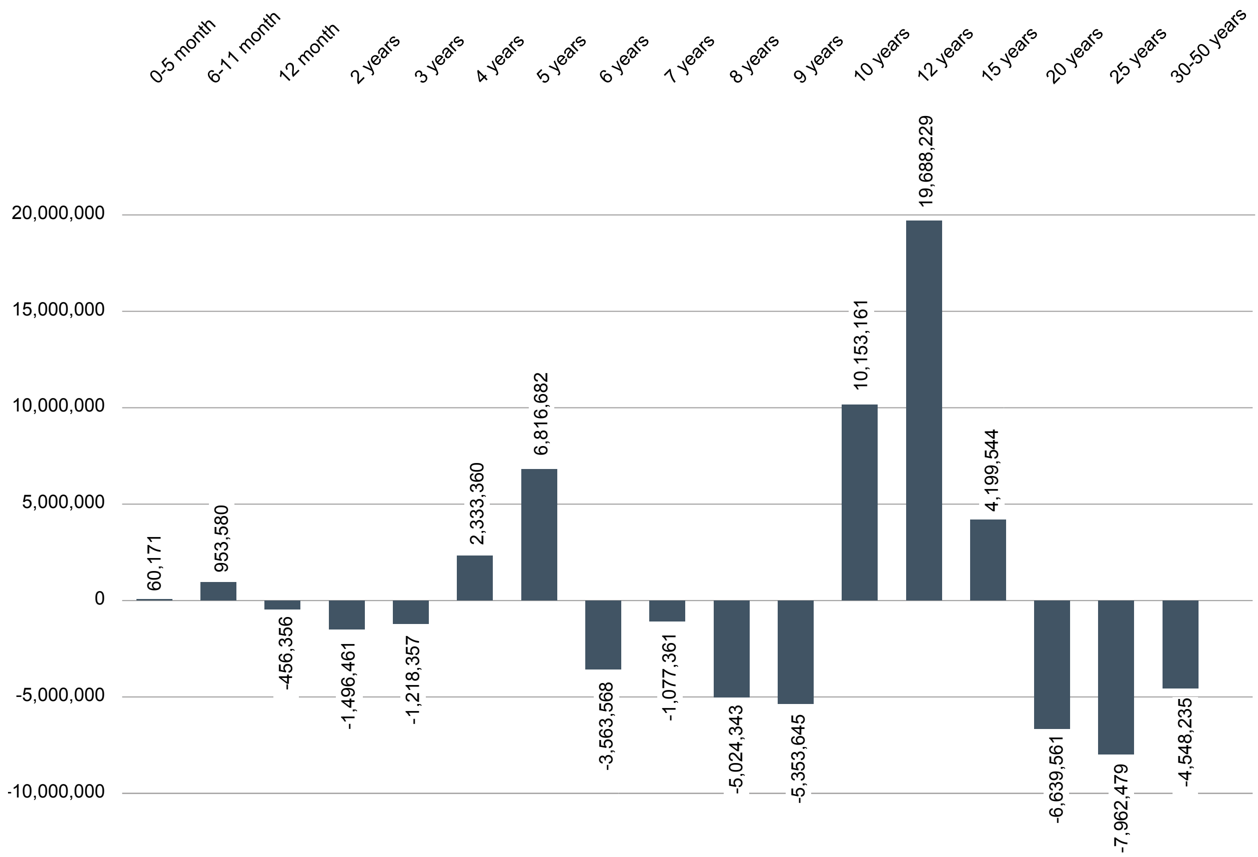
Quantitative disclosures

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

The following figure shows an analysis of CDP's interest rate risk sensitivity developed on the basis of internal models, in line with the economic value approach.

Sensitivity to zero-coupon rates by maturity (increase of 1 basis point)

Market figures at 31/12/2019



2.3 Exchange rate risk

Qualitative disclosures

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

Exchange rate risk is the risk that changes in exchange rates might have a negative impact on the profitability and/or the economic value of CDP.

Certain activities of CDP can generate exchange rate risk. CDP undertakes such activities only if covered by appropriate exchange rate hedges. When uncertain disbursements and/or early repayment options exist, the hedging strategy might leave a small portion of the exchange rate risk unhedged.

The activities of CDP that can engender such exposure are normally associated with the issue of bonds denominated in foreign currencies, the purchase of bonds denominated in foreign currencies, and the granting of loans denominated in currencies other than the Euro under the "Export Bank" system.

B. Hedging exchange rate risk

With regard to the exposure to the US Dollar, there was a residual component of unhedged exchange rate risk at 31 December 2019. This was tied mainly to refinancing operations of assets denominated in US dollars, in the short and medium term.

With regard to the exposure to the Yen, the exchange rate risk arising from a bond issue denominated in Yen is fully hedged through a Cross Currency Swap, which makes the net cash flows paid by CDP equivalent to those of a fixed-rate issue denominated in Euro.

With regard to the exposure to the Renminbi, there was a residual component of unhedged exchange rate risk at 31 December 2019, linked to the reinvestment of the liquidity raised through a bond issue in that currency completed in 2019.

Quantitative disclosures

1. Breakdown of assets, liabilities and derivatives by currency

(thousands of euro) Items	Currency		
	US dollar	Chinese renminbi	Yen
A. Financial assets	**2,887,294**	**128,465**	
A.1 Debt securities	328,840		
A.2 Equity securities			
A.3 Loans to banks	19,817	92,005	
A.4 Loans to customers	2,533,045	36,460	
A.5 Other financial assets	5,592		
B. Other assets			
C. Financial liabilities	**426,972**	**129,763**	**61,723**
C.1 Due to banks	325,733		
C.2 Due to customers	3,652		
C.3 Debt securities	93,074	129,515	61,723
C.4 Other financial liabilities	4,513	248	
D. Other liabilities			
E. Financial derivatives			
- Options:			
+ long positions			
+ short positions			
- Other derivatives:			
+ long positions			61,506
+ short positions	2,344,301		
Total assets	**2,887,294**	**128,465**	**61,506**
Total liabilities	**2,771,273**	**129,763**	**61,723**
Difference (+/-)	**116,021**	**(1,298)**	**(217)**

Section 3 - The financial derivatives and hedging policies

3.1 Derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: period-end notional values

(thousands of euro) Underlying assets/Type of derivatives	31/12/2019 Over the counter Central counterparties	31/12/2019 Over the counter Without central counterparties With netting arrangements	31/12/2019 Over the counter Without central counterparties Without netting arrangements	31/12/2019 Organised markets	31/12/2018 Over the counter Central counterparties	31/12/2018 Over the counter Without central counterparties With netting arrangements	31/12/2018 Over the counter Without central counterparties Without netting arrangements	31/12/2018 Organised markets
1. Debt securities and interest rates		**4,412,350**	**40,000**			**3,167,824**	**40,000**	
a) Options								
b) Swap		4,412,350	40,000			3,167,824	40,000	
c) Forward								
d) Futures								
e) Other								
2. Equity securities and equity indices		**775,250**	**1,058,632**			**4,664,350**	**3,927,136**	
a) Options		775,250	1,058,632			4,664,350	3,927,136	
b) Swap								
c) Forward								
d) Futures								
e) Other								
3. Foreign currencies and gold		**772,654**				**200,873**		
a) Options								
b) Swap								
c) Forward		772,654				200,873		
d) Futures								
e) Other								
4. Commodities								
5. Other								
Total		**5,960,254**	**1,098,632**			**8,033,047**	**3,967,136**	

A.2 Financial derivatives held for trading: gross positive and negative fair value – breakdown by product

(thousands of euro) Type of derivatives	31/12/2019 Over the counter Central counterparties	31/12/2019 Over the counter Without central counterparties With netting arrangements	31/12/2019 Over the counter Without central counterparties Without netting arrangements	31/12/2019 Organised markets	31/12/2018 Over the counter Central counterparties	31/12/2018 Over the counter Without central counterparties With netting arrangements	31/12/2018 Over the counter Without central counterparties Without netting arrangements	31/12/2018 Organised markets
1. Positive fair value								
a) Options		4,154				3,107		
b) Interest rate swap		105,839	14,969			57,565	10,354	
c) Cross currency swap								
d) Equity swap								
e) Forward		7,392						
f) Future								
g) Other								
Total		**117,385**	**14,969**			**60,672**	**10,354**	
2. Negative fair value								
a) Options			7,786				1,881	
b) Interest rate swap		120,809				69,058		
c) Cross currency swap								
d) Equity swap								
e) Forward		335				42		
f) Future								
g) Other								
Total		**121,144**	**7,786**			**69,100**	**1,881**	

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair values by counterparty

(thousands of euro) Underlying assets	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X			40,000
- positive fair value	X			14,969
- negative fair value	X			
2) Equity securities and equity indices				
- notional value	X			1,058,632
- positive fair value	X			
- negative fair value	X			7,786
3) Foreign currencies and gold				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
4) Commodities				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
5) Other				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value		2,375,715	1,062,635	974,000
- positive fair value		35,520	6,438	63,881
- negative fair value		120,210	599	
2) Equity securities and equity indices				
- notional value		775,250		
- positive fair value		4,154		
- negative fair value				
3) Foreign currencies and gold				
- notional value		772,654		
- positive fair value		7,392		
- negative fair value		335		
4) Commodities				
- notional value				
- positive fair value				
- negative fair value				
5) Other				
- notional value				
- positive fair value				
- negative fair value				

A.4 Residual life of OTC financial derivatives held for trading: notional values

(thousands of euro) Underlying assets/Residual maturity	Up to 1 year	From 1 to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	2,570,000	1,274,350	608,000	4,452,350
A.2 Financial derivatives on equity securities and equity indices	1,833,882			1,833,882
A.3 Financial derivatives on foreign currencies and gold	772,654			772,654
A.4 Financial derivatives on commodities				
A.5 Other financial derivatives				
Total 31/12/2019	**5,176,536**	**1,274,350**	**608,000**	**7,058,886**
Total 31/12/2018	**7,962,655**	**3,957,528**	**80,000**	**12,000,183**

B. Credit derivatives

There were no credit derivatives.

3.2 Accounting hedges

Qualitative disclosures

A. Fair value hedges

Within the scope of its Asset Liability Management policies, CDP, where possible, makes use of natural hedges between assets and liabilities exposed to the same risks, also with a view to minimising recourse to hedging through derivatives.

Moreover, CDP's transactions in derivatives have the sole purpose of risk hedging, mainly for interest, exchange rate, liquidity and equity risk. Derivatives are designated as accounting hedges under IAS 39 or as operational hedges; the latter are monitored according to a framework established under the provisions of the EMIR.

A fair value hedge is applied when the exposure to a specific risk leads to a change in fair value of assets or liabilities which impacts on profits and losses.

As regards the activity of fair value hedging, CDP implements the following types of hedges:
- micro fair value hedges of loans in the Separate Account and Ordinary Account;
- micro fair value hedges of asset and liability bonds in the Separate Account and Ordinary Account;
- partial term hedges of loans and bonds in the Separate Account;
- macro fair value hedges of specifically selected uniform portfolios, exposed to interest rate risk within the Separate Account.

As for the micro fair value hedges, the hedged item is one or more individually selected contracts, exposed proportionately to the same risk and hedged with one or more derivatives.

As for the partial term hedges, the hedged item is a subset of the cash flows of one or more contracts, specifically selected according to duration and/or amount.

As for the hedging of portfolios exposed to interest rate risk, the hedged item consists of portfolios of homogeneous loans. These hedges differ from micro hedges since the hedged item does not identify the flows (or part of the flows) of a specific loan that is being hedged (or an aggregate of similar loans), and the univocal relationship (link) between hedged loan and hedging derivative loses significance.

Fair value hedges are performed through the use of Interest Rate Swap derivatives, which provide for the exchange of fixed-rate interest payments with floating-rate interest payments that are linked to the 6M Euribor index or, to a lesser extent and for specific ALM purposes, to the 3M Euribor and 6M USD Libor indices.

B. *Cash flow hedges*

Cash flow hedges are risk hedges associated with the variability of cash flows, whose objective is the stabilisation of expected flows. At 31 December 2019, the following cash flow hedges existed in the Separate Account, relating to exchange rate risk, interest rate risk and inflation risk:

- EUR/USD exchange rate risk hedge of asset bonds;
- EUR/JPY exchange rate risk hedge of liability bonds;
- Interest rate risk hedge of liability bonds;
- Inflation risk hedge of asset bonds.

Exchange rate risk hedges are performed through the use of Cross Currency Swaps which exchange the cash flows of the securities, denominated in US Dollar or Yen, with fixed-rate cash flows denominated in Euro.

Interest-rate risk hedges are performed through the use of Interest Rate Swaps which exchange cash flows indexed to the 3M Euribor or the European inflation index with fixed-rate cash flows in Euro.

C. Hedging of foreign investments

Currently there are no foreign investment hedges.

D. Hedging instruments

The hedging instruments used by CDP for fair value hedge strategies are mainly vanilla Interest Rate Swaps which exchange fixed-rate flows with floating-rate flows indexed to the Euribor, plus any market spread. For some specific hedges, such as those on inflation-linked securities, it is likely that the derivatives also provide for the collection or payment of upfront premiums. In a limited number of cases, CDP has taken out fair value hedges through Cross Currency Swaps, which exchange floating-rate cash flows indexed to the USD Libor for floating-rate flows indexed to the Euribor (again with any market spreads), to hedge the interest rate and exchange rate risks associated with the granting of US Dollar loans within the Export Bank system.

The hedging swaps of loans in micro hedging relationships have amortising profiles that mirror those of the loans or groups of similar loans hedged, generally with spot starting date. The partial term relationships are used in particular to hedge specific curve segments. These can have amortising or bullet profiles and, in some cases, forward start date. Swaps originated as macro hedges typically have bullet profiles and spot start date. All swaps have payment frequency that is the same as the refixing frequency, except in some cases for any initial or final periods.

Interest Rate and Cross Currency Swaps are used in cash flow hedges which have amortising profiles and payment frequencies that mirror those of securities hedged.

All derivatives are traded Over the Counter (OTC), concluded with market counterparties with whom ISDA agreements are in place (2002 ISDA agreement), where netting is used to reduce exposure. Within the scope of executed CSA agreements high frequency exchanges of collateral are also provided for.

E. Hedged items

The existing accounting hedges at the end of 2019 were all carried out on asset and liability items, such as loans, receivables and bonds. There are also small remaining number of operational hedges of equity risk resulting from the issue – which is no longer active – of postal bonds savings indexed to the EuroStoxx 50, through the purchase of options with financial and payoff characteristics that mirror those embedded in the issued bonds.

Within the scope of fair value hedges, loans and securities are typically represented by dummy instruments with cash flows representing the hedged risk, namely only the part of the cash flows at market level at the time of the hedge. For loans and securities this produces an item which has:

- capital flows of the loan or of the hedged bond;
- interest flows of the loan or hedged bond net of the hedge spread (spread on the floating-rate leg);
- in the event of IRS with forward starting date, an initial capital outflow, equal to the nominal value of the swap on the start date.

In the cash flow hedges, the hedged items are usually represented with the hypothetical derivative method, namely instruments that mirror the executed derivatives, less the credit risk embedded in the real derivative.

Quantitative disclosures

A. Financial derivatives held for hedging

A.1 Financial derivatives held for hedging: period-end notional values

(thousands of euro) Underlying assets/Type of derivatives	31/12/2019 Over the counter Central counterparties	31/12/2019 Over the counter Without central counterparties With netting arrangements	31/12/2019 Over the counter Without central counterparties Without netting arrangements	31/12/2019 Organised markets	31/12/2018 Over the counter Central counterparties	31/12/2018 Over the counter Without central counterparties With netting arrangements	31/12/2018 Over the counter Without central counterparties Without netting arrangements	31/12/2018 Organised markets
1. Debt securities and interest rates		**40,982,705**				**39,396,679**		
a) Options								
b) Swap		40,982,705				39,396,679		
c) Forward								
d) Futures								
e) Other								
2. Equity securities and equity indices								
a) Options								
b) Swap								
c) Forward								
d) Futures								
e) Other								
3, Foreign currencies and gold		**1,633,152**				**533,927**		
a) Options								
b) Swap		1,633,152				533,927		
c) Forward								
d) Futures								
e) Other								
4. Commodities								
5. Other								
Total		**42,615,857**				**39,930,606**		

A.2 Financial derivatives held for hedging: gross positive and negative fair value – breakdown by product

(thousands of euro) Type of derivatives	Positive and negative fair value							
	31/12/2019				31/12/2018			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counterparties	With netting arrangements	Without netting arrangements	Organised markets	Central counterparties	With netting arrangements	Without netting arrangements	Organised markets
1. Positive fair value								
a) Options								
b) Interest rate swap		363,642				602,962		
c) Cross currency swap		17,704				76,192		
d) Equity swap								
e) Forward								
f) Future								
g) Other								
Total		**381,346**				**679,154**		
2. Negative fair value								
a) Options								
b) Interest rate swap		2,675,688				656,433		
c) Cross currency swap		6,867						
d) Equity swap								
e) Forward								
f) Future								
g) Other								
Total		**2,682,555**				**656,433**		

A.3 OTC financial derivatives held for hedging: notional values, gross positive and negative fair values by counterparty

(thousands of euro) Underlying assets	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
2) Equity securities and equity indices				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
3) Foreign currencies and gold				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
4) Commodities				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
5) Other				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value		38,156,654	2,826,051	
- positive fair value		347,290	16,352	
- negative fair value		2,437,563	238,125	
2) Equity securities and equity indices				
- notional value				
- positive fair value				
- negative fair value				
3) Foreign currencies and gold				
- notional value		1,038,533	594,619	
- positive fair value		6,267	11,437	
- negative fair value		6,867		
4) Commodities				
- notional value				
- positive fair value				
- negative fair value				
5) Other				
- notional value				
- positive fair value				
- negative fair value				

A.4 Residual life of OTC financial derivatives held for hedging: notional values

(thousands of euro) Underlying assets/Residual maturity	Up to 1 year	From 1 to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	2,822,078	11,359,793	26,800,834	40,982,705
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on currencies and gold	119,826	568,322	945,004	1,633,152
A.4 Financial derivatives on commodities				
A.5 Other financial derivatives				
Total 31/12/2019	**2,941,904**	**11,928,115**	**27,745,838**	**42,615,857**
Total 31/12/2018	**3,297,766**	**11,105,342**	**25,527,498**	**39,930,606**

B. Credit derivatives held for hedging purposes

There were no credit derivatives.

3.3 Other information on derivatives (held for trading and hedging)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

(thousands of euro)	Central counterparties	Banks	Other financial companies	Other
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value		40,532,369	3,888,686	1,014,000
- net positive fair value		382,810	22,789	78,851
- net negative fair value		2,557,772	238,724	
2) Equity securities and equity indices				
- notional value		775,250		1,058,632
- net positive fair value		4,154		
- net negative fair value				7,786
3) Foreign currencies and gold				
- notional value		1,811,187	594,619	
- net positive fair value		13,659	11,438	
- net negative fair value		7,202		
4) Commodities				
- notional value				
- net positive fair value				
- net negative fair value				
5) Other				
- notional value				
- net positive fair value				
- net negative fair value				
B. Credit derivatives				
1) Protection purchases				
- notional value				
- net positive fair value				
- net negative fair value				
2) Protection sales				
- notional value				
- net positive fair value				
- net negative fair value				

Section 4 - Liquidity risk

Qualitative disclosures

A. General aspects, management processes, and methods for measurement of liquidity risk

Liquidity risk arises in the form of "asset liquidity risk[34]" and "funding liquidity risk[35]".

Since CDP does not engage in trading activities, the exposure to liquidity risk in the sense of asset liquidity risk is limited.

In view of the dominant weight of demand deposits (savings accounts) and bonds redeemable on demand (postal savings bonds) on the liability side of the Separate Account, for CDP liquidity risk becomes significant mainly in the form of funding liquidity risk.

In order to ensure that any uncontrolled run-off scenario remains remote, CDP benefits from the mitigating effect of the state guarantee on postal savings. In addition to the key function of that guarantee, the ability of CDP to ensure that such a scenario does in fact remain remote is based on its capital strength, on the protection and promotion of postal savings reputation with the public, on safeguarding CDP's reputation in the market and on liquidity management. With regard to the latter, CDP adopts a series of specific measures to prevent the emergence of unexpected funding requirements and to be able to meet them if it should prove necessary.

To this end, Risk Management (RM) monitors a lower limit on the stock of liquid assets together with a number of aggregates that represent the capacity of CDP to cope with potential crisis. As an operational protection measure for liquidity risk, CDP has adopted a Contingency Funding Plan (CFP). The CFP sets out the processes and strategies used by CDP to manage possible liquidity crises, whether of systemic origin – caused by an unexpected non performing exposures on in monetary and financial market conditions – or due to idiosyncratic difficulties at CDP itself.

As regards the Ordinary Account, CDP raises funds through the market or the EIB, adopting approaches, opportunities and constraints more similar to those of ordinary banks.

CDP prevents the emergence of unexpected liquidity requirements by developing effective loan disbursement forecasting systems, setting structural limits on maturity transformation, monitoring the short-term liquidity position, carried out on a continuous basis by the Finance function, and monitoring liquidity gaps at short, medium and long term, which is performed by RM.

Management of treasury activities by the Finance function enables CDP to raise funds using repos, for both the Separate and Ordinary Account.

CDP can also take part in European Central Bank refinancing operations, as it holds a significant stock of eligible negotiable and non-negotiable assets.

As a further control, for both the Separate and the Ordinary Account, RM monitors the incremental liquidity available in a stress scenario through transactions with the European Central Bank and by refinancing liquid assets with market counterparts.

In addition to the monitoring tools described, RM performs a stress test to assess the potential effects of an extremely unfavourable scenario on the liquidity position.

34 Asset liquidity risk means the impossibility, for a financial institution or a generic investor, of selling assets on the market without significantly reducing their price.
35 Funding liquidity risk means the impossibility, for a financial institution, to meet its obligations by collecting liquidity at non-penalising conditions or selling assets held.

Quantitative disclosures

1. Breakdown of financial assets and liabilities by residual maturity

(thousands of euro) Items/Maturities	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
On-balance-sheet assets	**156,829,109**	**8,479**	**751,397**	**1,081,053**	**4,994,985**	**2,383,120**	**6,332,842**	**47,086,978**	**112,992,287**	**13,286,951**
A.1 Government securities		8,479	186,302		2,858,601	1,621,498	2,511,564	22,064,221	36,830,404	
A.2 Other debt securities	500		32	309,260	262,493	197,878	372,945	3,943,731	3,767,520	
A.3 Units in collective investment undertakings	2,615,821									
A.4 Loans:	154,212,788		565,064	771,793	1,873,892	563,745	3,448,333	21,079,025	72,394,363	13,286,951
- banks	151,963		63,935		30,570	103,813	810,966	2,914,838	8,146,340	13,286,951
- customers	154,060,824		501,129	771,793	1,843,322	459,932	2,637,367	18,164,188	64,248,023	
On-balance-sheet liabilities	**108,530,502**	**8,291,101**	**7,719,084**	**8,075,657**	**20,907,702**	**17,898,799**	**12,565,407**	**146,901,750**	**24,983,740**	
B.1 Deposits and current accounts:	108,243,054	178,712	4,405,203	4,551,414	7,812,578	9,616,022	5,414,583	136,882,924	10,734,605	
- banks	452,152							1,278,921	85,373	
- customers	107,790,902	178,712	4,405,203	4,551,414	7,812,578	9,616,022	5,414,583	135,604,003	10,649,231	
B.2 Debt securities			50,000	140,000	140,000	310,000	3,975,000	7,641,885	7,460,506	
B.3 Other liabilities	287,448	8,112,389	3,263,881	3,384,243	12,955,124	7,972,777	3,175,823	2,376,941	6,788,629	
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of capital:										
- long positions			26,358		241,177	1,915,430		89,015	150,521	
- short positions			26,705		241,667	1,912,946		90,752	147,888	
C.2 Financial derivatives without exchange of capital:										
- long positions										
- short positions										
C.3 Deposits and loans to receive:										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds:										
- long positions	28,672,474						5,000,039	302	196	
- short positions	28,672,474						5,000,039	302	196	
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital:										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital:										
- long positions										
- short positions										

Section 5 - Operational risks

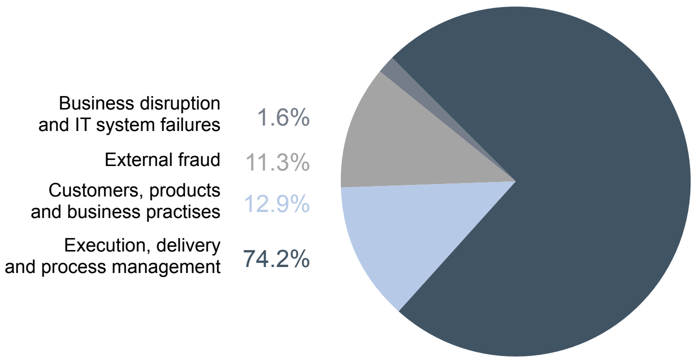
Qualitative disclosures

Details of the “Qualitative disclosures” can be found in Part E of the Notes to the Consolidated Financial Statements.

Quantitative disclosures

The chart below gives the breakdown by event type, showing the impact and number of occurrences in 2019, based on the based on the event type classification scheme established by the New Basel Capital Accord.

Breakdown by number of events (actual and near-miss losses)



In 2019, the most frequently observed event type was “Execution, Delivery, & Process Management”, which includes losses mainly related to unintentional errors or delays in the management of operational and support activities, as well as contractual disputes with counterparties that do not qualify as customers, outsourcers or suppliers.

Legal disputes

Civil and administrative disputes

At 31 December 2019, there were 77 pending disputes in civil and administrative matters in which CDP is a defendant, for a total amount of approximately 875 million euro.

In particular, the most significant dispute in civil matters related to the exercise of the right of withdrawal by Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona, on the occasion of conversion of preference shares into CDP ordinary shares which took place in 2012. The dispute, initiated by the Foundation in June 2013 before the Court of Rome, amounted to approximately 432 million euro and was subsequently increased to 651 million euro when the parties’ conclusions were presented.

These proceedings ended with the judgment of the Court of Rome in January 2020, in which CDP was ordered to pay Cariverona the sum of approximately 432 million euro, plus interest, taxes and expenses. The judgment can be appealed before the Court of Appeal. Further detailed information is provided in sections 10.1 Provisions for risks and charges: breakdown, 12.1 “Share capital” and “Treasury shares”: breakdown and 11.3 Net provisions for other risks and charges: breakdown in the Notes to the Separate Financial Statements of the Parent Company.

With reference to the remaining disputes, there are 43 disputes with a risk of a ruling against the company estimated to be probable. Of these, 27 refer to positions relating to Postal Savings products amounting to approximately 186 thousand euro and 16 refer to credit positions or other civil and administrative law issues amounting to approximately 169 million euro.

There are also 19 disputes with a risk of a ruling against the company estimated to be possible. Of these, 1 refers to a position relating to Postal Savings products amounting to approximately 26 thousand euro and 18 refer to credit positions or other civil and administrative law issues amounting to approximately 54 million euro.

With reference to ongoing disputes, at 31 December 2019 a provision for risks and charges was set up amounting to approximately 534 million euro.

Employment disputes

At 31 December 2019, there were 18 pending disputes in labour matters in which CDP is a defendant, for which provisions were made for a total of about 3.5 million euro.

Part F - Capital

Section 1 - Capital

Qualitative disclosures

As indicated in the introduction, CDP is subject to “informational” supervision only. Therefore, it is not required to indicate own funds, capital adequacy ratios and the related information.

Part G - Business combinations

During the year, some intragroup extraordinary transactions were carried out, i.e. between entities subject to the same control, which consequently had no effect on the CDP Group's consolidated financial statements. These transactions, excluded from the scope of IFRS 3 (under common control), involved the transfer of equity investments between i) CDP and companies directly controlled by it or ii) between companies directly controlled by CDP.

The 2019-2021 Business plan requires the reorganisation of CDP Group's portfolio of strategic equity investments based on the pertinent sectors and according to a long-term industrial logic, through the various extraordinary transactions being carried out

Specifically, the intragroup transactions finalised in the financial year concerned:
- reorganising the business related to the engineering chain, achieved through: i) Spin-off of the equity investment in Fincantieri, equal to 71% of the share capital, held by Fintecna (Spun-off) in favour of CDP Industria (Beneficiary); ii) Spin-off of the equity investment in Saipem, equal to 12.5%, of the share capital, held by CDP Equity (Spun-off) in favour of CDP Industria (Beneficiary);
- reorganising the business referring to the equity investments held by CDP in the asset management companies, achieved through the transfer to CDP Equity of the equity investments held by CDP in: Fondo Italiano di Investimento SGR (68%), FSI SGR (39%), Invitalia Ventures SGR (70%), F2i SGR (14%), and QuattroR SGR (40%).

In view of the purely re-organisational purpose of the above transactions, which can be assimilated to business on the whole, these were recognised based on the principle of continuity of carrying amounts in the separate financial statements of the companies involved.

In particular, in the separate financial statements these transactions had no effect on profit or equity, but led to a different allocation of the value of the equity investments held by CDP in the companies concerned by the extraordinary transactions.

Part H - Transactions with related parties

1. Information on the remuneration of key management personnel

Directors' and statutory auditors' remuneration

(thousands of euro)	31/12/2019
a) Board of Directors	1,126
b) Board of Statutory Auditors	185
Total	**1,311**

Remuneration of other key management personnel

(thousands of euro)	31/12/2019
a) Short-term benefits	5,406
b) Post-employment benefits	521
Total	**5,927**

Remuneration paid to the Board of Directors and the Board of Statutory Auditors

(thousands of euro) Name and surname	Position		Period in office	End of term (*)	Compensation and bonuses
Directors in office at 31 December 2019					
Giovanni Gorno Tempini	Chairman	(note 1)	24/10/2019-31/12/2019	2020	55
Luigi Paganetto	Vice Chairman		01/01/2019-31/12/2019	2020	35
Fabrizio Palermo	Chief Executive Officer		01/01/2019-31/12/2019	2020	189 (***)
Fabrizia Lapecorella	Director		01/01/2019-31/12/2019	2020	(**)
Fabiana Massa Felsani	Director		01/01/2019-31/12/2019	2020	35
Valentino Grant	Director		01/01/2019-31/12/2019	2020	35
Francesco Floro Flores	Director		01/01/2019-31/12/2019	2020	35
Matteo Melley	Director		01/01/2019-31/12/2019	2020	35
Alessandra Ruzzu	Director		01/01/2019-31/12/2019	2020	35
Directors with office ceased in 2019					
Massimo Tononi	Chairman	(note 1)	01/01/2019-24/10/2019		241
Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003)					
Biagio Mazzotta	Director	(note 2)	20/05/2019-31/05/2019		(**)
Pier Paolo Italia	Director	(note 3)	01/01/2019-19/05/2019 and 01/06/2019-31/12/2019	2020	(**)
Alessandro Rivera	Director	(note 4)	01/01/2019-31/12/2019	2020	(**)
Davide Carlo Caparini	Director		01/01/2019-31/12/2019	2020	35
Antonio Decaro	Director		01/01/2019-31/12/2019	2020	35
Achille Variati	Director	(note 5)	01/01/2019-16/09/2019		
De Pascale Michele	Director		22/10/2019-31/12/2019	2020	7
Statutory Auditors in office at 31 December 2019 (note 6)					
Carlo Corradini	Chairman		01/01/2019-31/12/2019	2021	40
Enrica Salvatore	Auditor		23/05/2019-31/12/2019	2021	11
Franca Brusco	Auditor		23/05/2019-31/12/2019	2021	11
Mario Romano Negri	Auditor		23/05/2019-31/12/2019	2021	18
Giovanni Battista Lo Prejato	Auditor		23/05/2019-31/12/2019	2021	(**)
Statutory Auditors with office ceased in 2019					
Alessandra Dal Verme	Auditor		01/01/2019-23/05/2019	2018	(**)
Giusella Finocchiaro	Auditor		01/01/2019-23/05/2019	2018	12
Luciano Barsotti	Auditor		01/01/2019-23/05/2019	2018	12
Ines Russo	Auditor		01/01/2019-23/05/2019	2018	12

(*) Date of Shareholders' Meeting called to approve financial statements for the year.
(**) The remuneration is paid to the Ministry for the Economy and Finance.
(***) The remuneration shown includes the MBO for 2018.
(1) On 24 October 2019, the Board of Directors appointed by co-optation Giovanni Gorno Tempini as the Chairman, following the resignation of Massimo Tononi from the same position on the same day. On 8 November 2019, the Shareholders' Meeting approved the appointment of Giovanni Gorno Tempini as Chairman of the Board of Directors.
(2) State Accountant General.
(3) Delegate of the State Accountant General.
(4) Director General of the Treasury.
(5) The director Achille Variati did not receive any remuneration in accordance with Article 5.9 of Law 135 of 2012.
(6) On 23 May 2019, the Shareholders' Meeting appointed the new members of the Board of Statutory Auditors who will remain in office up to the date of the Shareholders' Meeting called for the approval of the financial statements as at end of the year ended 31 December 2021. The standing auditors are: Carlo Corradini (Chairman), Franza Brusco, Giovanni Battista Lo Prejato, Mario Romano Negri and Erica Salvatore.

2. Information on transactions with related parties

This paragraph provides information about the relationship with:
- CDP's directly or indirectly controlled or affiliated companies;
- the majority shareholder MEF;
- MEF's directly and indirectly controlled or affiliated companies.

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

The table below shows the main existing related-party relationships at 31 December 2019.

(thousands of euro) Items	Ministry for the Economy and Finance	CDP subsidiaries and associates	MEF subsidiaries and associates	Other	Total transaction with related parties
Assets					
Financial assets measured at fair value through profit or loss		70,320			70,320
Financial assets measured at fair value through other comprehensive income	8,787,184	352,064	416,263		9,555,511
Financial assets measured at amortised cost	238,929,723	2,444,809	5,275,180	1,365,256	248,014,968
Other assets	165,763	13,043	79	39,698	218,584
Liabilities					
Financial liabilities measured at amortised cost*	13,450,805	10,301,465	1	65,761	23,818,032
Financial liabilities held for trading					
Other liabilities	2,662	495,735		12,686	511,083
Provisions for risks and charges					
Commitments and guarantees issued	3,220,599	5,251,923	647,200	2,007,034	11,126,756
Other		3,447,013		278	3,447,291
Income statement					
Interest income and similar revenues	4,981,654	11,763	78,620	7,520	5,079,557
Interest expense and similar charges	(2,344)	(32,040)		(636)	(35,020)
Commission income	312,984	4	1,681	5,111	319,780
Commission expense	(4,848)	(1,471,415)			(1,476,263)
Net gain (loss) on trading activities		1,241			1,241
Gains (Losses) on disposal of financial assets	(50)		48	14	12
Administrative expenses:					
a) staff costs		4,926		733	5,659
b) other administrative expenses		(659)		(49)	(708)
Net provisions for risks and charges					
Other operating income (costs)		3,462	19	3,236	6,717

(*) Securities issued shown under liabilities exclusively comprise securities held by the subsidiaries, which are relevant at consolidation, and securities subscribed by associated companies in the context of private placements.

Transactions with the Ministry of Economy and Finance

The main transactions conducted with the Ministry of Economy and Finance were related to cash held on an account with the Treasury, and to lending transactions, government securities recognised as financial assets, and management of MEF's liquidity (OPTES).

The investment in government securities is recognised in the following items:
- "financial assets measured at fair value through other comprehensive income", of about 8.7 billion euro;
- "financial assets measured at amortised cost", of about 59.4 billion euro.

The item "financial assets measured at amortised cost" also includes the cash and cash equivalents held with the Central State Treasury, on the interest-bearing current account no. 29814, for approximately 151 billion euro (of which 684 million euro credited after the reporting date) and receivables mainly related to funding activities, of about 28.5 billion euro.

The cash deposited at the Central State Treasury earned interest for 2019 at a 6-month floating rate equal to the weighted average (using weightings at 25% and 75%) of the yields, respectively on 6-month BOTs and 10-year BTPs.

The item "financial liabilities at amortised cost - b) due to customers" mainly refers to the balance of MEF's liquidity management transactions (OPTES) (around 12 billion euro), and amounts not yet disbursed at the end of the financial year on loans being repaid (approximately 1.3 billion euro).

"Commitments and guarantees issued" includes the balance of residual loan commitments and financial guarantees issued, which amounted to around 3.2 billion euro at year-end.

The income statement reports Interest income and similar revenues for approximately 4.9 billion euro. The interest expense and similar expenses of approximately 2 million euro relate to the negative yields on certain government securities held in the portfolio.

Commission income, equal to around 313 million euro, is due primarily to the fees, established with dedicated agreements, for the management of loans and postal savings products owned by the MEF and funds dedicated to the financing of particular economic sectors.

Transactions with subsidiaries and direct associates, and other related parties

Financial assets measured at fair value through profit or loss:

The item mainly includes the positive fair value of the outstanding swap contracts with CDP Reti S.p.A and SACE S.p.A. CDP Reti uses swap contracts to reduce the interest rate risk arising from its lending activity. CDP has implemented a full operational hedge of these financial instruments, by taking out mirror swaps.

Financial assets measured at fair value through other comprehensive income

This item comprises the bond issued by CDP Reti S.p.A. and subscribed by CDP in May 2015, for around 352 million euro.

Financial assets measured at amortised cost - a) loans to banks

The most significant exposure in the loans to banks relates to Banca Monte dei Paschi di Siena S.p.A., of around 1.9 billion euro (of which 1.3 billion euro refers to securities and 551 million euro to loans).

Financial assets measured at amortised cost - b) loans to customers

The most significant exposures in the loans to customers, which mainly consist of loans and debt securities, relate to: Ferrovie dello Stato Italiane S.p.A., around 1.5 billion euro; SACE S.p.A., around 2 billion euro; E-distribuzione S.p.A., around 804 million euro; and SACE Fct S.p.A., around 872 million euro.

Other assets

The amounts relate mainly to receivables resulting from joining the "national fiscal consolidation" mechanism, for the supply of outsourcing services, the recovery of expenses for seconded personnel and receivables for attached personnel.

Financial liabilities measured at amortised cost - b) due to customers

The item includes mainly CDP's funding resulting from the centralisation of the treasury of Group Companies. The most significant amounts refer to SACE S.p.A., for around 5.2 billion euro, and Fintecna S.p.A., for around 1.1 billion euro.

Financial liabilities measured at amortised cost - c) securities issued

The previous table shows exclusively securities issued by CDP known to be held by subsidiaries by virtue of the information received during consolidation. These are EMTN securities issued by CDP and held by SACE S.p.A. amounting to 90 million euro.

There were also 5 bonds issued by CDP and guaranteed by the Italian government, subscribed by Poste Italiane S.p.A. for a total nominal value of 3.75 billion euro.

Other liabilities

The item includes mainly the liability towards Poste Italiane S.p.A. for the outstanding share of the commission for the collection of postal savings products and the liabilities resulting from the Group Companies joining the national fiscal consolidation mechanism.

Commitments and guarantees issued

This item reports the loan commitments and financial guarantees issued. The most significant exposures refer to: Poste Italiane S.p.A., around 5.2 billion euro; E-distribuzione S.p.A., around 804 million euro and SACE Fct S.p.A., around 830 million euro.

Other off-balance sheet items

Other off-balance sheet items refer primarily to securities received as a deposit from CDP Equity, CDP Industria, CDP Reti and FSI Investimenti.

Interest income and similar income

The amounts refer primarily to interest for 2019 accrued on loans granted to counterparties and debt securities held in the portfolio.

Interest expense and similar expense

The amounts refer primarily to interest expense accrued on deposits of Group companies.

Commission income

Commission income mainly refers to commissions received from CDP for the provision of lending and guarantee services.

Commission expense

Commission expense, equal to about 1.5 billion euro, mainly refers to the postal savings collection service provided by Poste Italiane S.p.A.

Profits (losses) on trading activities

The profits (losses) on trading activities, amounting to 1.2 million euro, mainly consist of interest and the effects of the measurement on derivatives held for trading.

Administrative expenses - a) staff costs

The item mainly includes revenues linked to the reimbursement of expenses for CDP staff seconded to Group Companies. These revenues are partly offset by the costs incurred by CDP relating to Group Companies' personnel seconded to CDP.

Administrative expenses – b) other administrative expenses

This item mainly consists of rental expenses.

Other operating income (costs)

This item mainly consists of revenues for the supply of outsourced auxiliary services and revenues for corporate offices of CDP employees at Group Companies.

Part I - Share-based payments

There were no share-based payments in place (IFRS 2).

Part L - Operating segments

Pursuant to paragraph 4 of IFRS 8 “Operating segments”, since the financial statements contain both the consolidated financial statements of the CDP Group and the separate financial statements of CDP S.p.A., information on operating segments only needs to be provided for the consolidated financial statements, to which the reader is referred for more details.

Part M - Disclosure of leases

The main new developments and impacts relating to the adoption of the new IFRS 16 are illustrated in a specific section in Part A - Accounting policies, Section 4 - Other issues. This section contains some information indicated by the new IFRS 16 standard.

Section 1 - Lessee

Qualitative disclosures

As at 31 December 2019, CDP's lease contracts are mainly represented by contracts regarding real estate, whose values cover almost all of the assets, including property used as offices but also as employee housing.

To a lesser extent, there are machinery rental contracts (e.g. printers and scanners).

CDP calculated the duration of the lease for each individual contract, considering the "non-cancellable" period during which it has the right to use the underlying asset by measuring all the contractual aspects that may change this duration, among which, in particular, is the possible presence of:
- any period covered by an option to extend the lease, if it is reasonably certain that the option will be exercised;
- any period covered by an option to terminate the lease, if it is reasonably certain that the option will be exercised.

In accordance with the rules of the principle according to which "the underlying asset can be of low value only if:
- the lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the lessee; and
- the underlying asset is not highly dependent on, or highly interrelated with, other assets;

CDP applies the exemption for lease contracts when the value of the asset on the purchase date is lower than 5,000 euro.

The Standard also specifies that "a contract containing the purchase option cannot be considered a short-term lease".

CDP considers a lease to be "short-term" when it has a maximum lease duration of 12 months and does not include any option to extend (and to purchase) that may be exercised at the discretion of the lessee.

For these contracts, the related payments are recorded in the income statement on a straight line basis for the corresponding duration.

Quantitative disclosures

Reported below is the information required by IFRS 16 with regard to contracts where CDP acts as a lessee, contained in these notes in the following sections:
- Part B - Assets, Section 8 — for information on the rights of use acquired under a lease;
- Part B - Liabilities, Section 1, table 1.6 "Lease liabilities" — for information on lease liabilities;
- Part C - Section 1, table 1.3 "Interest expense and similar expense: breakdown" — for information on interest expense on the lease liabilities;
- Part C - Section 12, table 12.1 "Net adjustments to property, plant and equipment: breakdown" — for information on the amortisation of the rights of use acquired under a lease.

Short-term leases and leases of a low value are accounted for in accordance with paragraph 6 of IFRS 16. The costs are reported in Part C, Section 10, table 10.5 "Other administrative expenses: breakdown".

Section 2 - Lessor

Qualitative disclosures

Regarding the scope of the contracts that are subject to the provisions of the new IFRS 16, for CDP there is a real estate lease and various intragroup real estate sublease contracts.

CDP carries out finance lease activities associated with subleasing properties to other Group companies.

Quantitative disclosures

1. Disclosures on the balance sheets and income statements

Reported below is the information required by IFRS 16 with regard to contracts where CDP acts as a lessor, contained in these notes in the following sections:

- in Part B, Assets, Section 4, table 4.2 “Financial assets measured at amortised cost: breakdown by type of loans to customers” — for information on finance leases;
- in Part B, Assets, Section 8, table 8.2 “Investment property: breakdown of assets measured at cost” and table 8.7 “Investment property: changes for the year” — for information on assets granted under an operating lease;
- in Part C, Section 1, table 1.1 “Interest income and similar income: breakdown” — for information on interest income on finance leases;
- in Part C, Section 14, table 14.2 “Other operating income: breakdown” — for information on income resulting from operating leases.

2. Finance leases

2.1 Classification by time band of the payments to be received and reconciliation with finance leases recognised under assets

(thousands of euro) Time bands	31/12/2019 Lease payments to be received
Up to 1 year	1,832
More than 1 year to 2 years	1,832
More than 2 years to 3 years	1,832
More than 3 years to 4 years	1,832
More than 4 years to 5 years	1,832
More than 5 years	7,940
Total lease payments to be received	**17,100**
Reconciliation with finance leases	
Unearned finance income (-)	(1,963)
Non-secured residual value (-)	
Finance leases	**15,137**

The table contains the payment flows to be received on finance leases, relating to real estate sublease contracts with Group companies, gross of impairment of around 15 thousand euro.

2.2 Other information

There is no addition information to report.

3. Operating leases

3.1 Classification by time band of the payments to be received

(thousands of euro) Time bands	31/12/2019 Lease payments to be received
Up to 1 year	19,241
More than 1 year to 2 years	13,285
More than 2 years to 3 years	13,268
More than 3 years to 4 years	12,883
More than 4 years to 5 years	11,800
More than 5 years	289,100
Total	**359,577**

3.2 Other information

There is no addition information to report.

Proposal for allocation of the net income for the year

We hereby submit for shareholder approval the financial statements for 2019, consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, and the notes to the financial statements with the relevant annexes. The financial statements are accompanied by the directors' report on operations.

Article 6, paragraphs 1 and 2, of Legislative Decree 38/2005 provides for capital gains recognised in the income statement, net of the corresponding tax charges, other than those that refer to financial instruments held for trading and to foreign exchange and hedging transactions, deriving from fair value measurement, to be recognised in a reserve that is not available for distribution. As at 31 December 2019, this amount was equal to 44,855,574 euro.

It is not necessary, instead, to allocate amounts pursuant to Art. 2430 of the Italian Civil Code, since the legal reserve has reached the limit of one-fifth of share capital.

	(euro)
Net income (loss)	2,736,284,081
Reserve - art. 6 c.2 of Legislative Decree 38/2005	44,855,574
Distributable net income	**2,691,428,507**

Rome, 2 April 2020

The Chairman

Giovanni Gorno Tempini

Annexes

1. Annexes to the separate financial statements

1.1 Accounting separation statements

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Article 1 paragraphs 125-129

2. Annexes to the report on operations

2.1 Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP S.p.A.

2.2 Details of alternative performance indicators - CDP S.p.A.

1. Annexes to the separate financial statements

1.1 Accounting separation statements

CDP is subject to a system of organisational and accounting separation under article 5, paragraph 8, of Decree Law 269 of 30 September 2003, converted with amendments by Law 326 of 24 November 2003.

In order to create an accounting separation system, the organisational structure of the Company was therefore divided into three operating units called, respectively, Separate Account, Ordinary Account and Joint Services, within which CDP's existing organisational units have been re-grouped.

Separate account

The role of the Separate Account is to pursue the mission of general economic interest entrusted to CDP by law.

The Articles of Association of CDP, in accordance with art. 5 of Decree Law 269 and with the ministerial decree of 5 December 2003, allocate the following activities to the Separate Account:
- the financing of Government, regions, local authorities, public entities and public law organisations;
- the granting of loans:
  - to public or private entities with legal personality, with the exception of natural persons, for public interest initiatives promoted by the entities mentioned in the aforementioned paragraph based on the criteria established in the decrees of the Minister of the Economy and Finance, adopted pursuant to article 5, paragraph 11, letter e), of the above mentioned decree law;
  - to private entities with legal personality, with the exception of natural persons, for transactions in the general interest sectors identified in the decrees of the Minister of the Economy and Finance, adopted pursuant to article 5, paragraph 11, letter e), of the above mentioned decree law;
  - to public or private entities with legal personality, with the exception of natural persons, to support the international expansion of companies and exports based on the criteria established in the decrees of the Minister of the Economy and Finance, adopted pursuant to article 8 of Decree Law 78 of 1 July 2009, converted with amendments by Law 102 of 3 August 2009;
  - to companies in order to support the economy through the banking system or through the subscription of units of mutual funds managed by an asset management company, whose corporate purpose achieves one or more of the institutional missions of Cassa Depositi e Prestiti S.p.A.;
  - to public or private entities with legal personality, with the exception of natural persons, within the framework of international development cooperation activities;
  - to banks operating in Italy for the disbursement of mortgage loans secured by residential real estate mainly for the purchase of principal dwellings and for renovation and energy efficiency works;
- acquiring equity investments transferred or assigned to the company by decree of the Minister of the Economy and Finance as per article 5, paragraph 3, letter b), of the above mentioned decree law, whose management is in line - where required - with the criteria set out by decree of the Minister of the Economy and Finance pursuant to article 5, paragraph 11, letter d), of the above mentioned decree law;
- acquiring - also indirectly - equity investments in companies of major national interest having a stable financial position and performance and adequate profit-generating prospects, which satisfy the requirements set out in the decree of the Minister of the Economy and Finance pursuant to article 5, paragraph 8-*bis*, of the above mentioned decree law;
- acquiring: (i) covered bank bonds backed by mortgages on residential real estate and/or securities issued under Law 130 of 30 April 1999, as part of securitisation transactions involving receivables deriving from mortgages on residential real estate; (ii) securities issued under Law 130 of 30 April 1999, as part of securitisation transactions involving receivables from SMEs;
- the management, where assigned by the Minister of the Economy and Finance, of the functions, assets and liabilities of Cassa Depositi e Prestiti, prior to its transformation, transferred to the Ministry of the Economy and Finance pursuant to article 5, paragraph 3, letter a), of the above mentioned decree law, as well as the management of any other public function and activities of general interest assigned by act of law, administrative regulations or contract;
- providing advisory and consultancy services in favour of the entities described in point a) or to support the transactions or the entities under letter b), points i., ii., iii., iv. and v.;
- providing consultancy services and conducting studies, research and analysis of economic and financial matters.

With regard to the organisational structure of CDP at 31 December 2019, the following units operate exclusively under the Separate Account organisation: "International Cooperation", "Development Financing", "Financial Institutions" (reporting to the "Enterprises and Financial Institutions Debt and Guarantees"), "R&D, Innovation, Aerospace, Defense & Materials" (pertaining to the “Corporate” structure), “International Financing”, “Transportation & Social Infrastructure – Execution GS” and “Energy, Utilities & TLC – Execution GS” (pertaining to the “Infrastructure Financing” structure) and “Public Sector and Territorial Development”.

Ordinary account

All of CDP’s other business activities that are not specifically attributed to the Separate Account are carried out by the Ordinary Account organisational unit. While not specifically cited in article 5 of Decree Law 269, the Ordinary Account encompasses the other activities of CDP, specifically, those that are not assigned by law to the Separate Account.

Specifically, pursuant to article 5, paragraph 7, letter b), of Decree Law 269, CDP’s Articles of Association include among the activities designed to achieve its mission that are not assigned to the Separate Account:
- the granting of loans, preferably under joint financing arrangements with credit institutions, for: (i) works, systems, networks and equipment designed for initiatives of public utility; (ii) investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and the green economy; (iii) initiatives for the growth, also by business combination, of companies in Italy and abroad;
- acquiring - also indirectly - equity investments in companies of major national interest having a stable financial position and performance and adequate profit-generating prospects, which satisfy the requirements set out in the decree of the Minister of the Economy and Finance pursuant to article 5, paragraph 8-*bis*, of the above mentioned decree law;
- acquiring: (i) covered bank bonds backed by mortgages on residential real estate and/or securities issued under Law 130 of 30 April 1999, as part of securitisation transactions involving receivables deriving from mortgages on residential real estate; (ii) securities issued under Law 130 of 30 April 1999, as part of securitisation transactions involving receivables from SMEs;
- providing consultancy services and conducting studies, research and analysis of economic and financial matters.

From an organisational point of view, the following units operate exclusively within the Ordinary Account organisation: “Industrial” and “Automotive, Food & Beverage, Pharma & Shipping” (pertaining to the “Corporate” structure), “Transportation & Social Infrastructure – Execution GO” and “Energy, Utilities & TLC – Execution GO” (reporting to the “Infrastructure Financing” Area).

Joint Services

Joint Services include:
- the “Governance and Control” and “Operations” organisational units that make up CDP’s organisational structure
- specific business organisational units reporting directly to “CDP Infrastructures, Public Sector & Territorial Development”, “CDP Corporate”, “CDP International Cooperation & Development Finance”, “CDP Think Tank”, “Chief Real Estate Officer”;
- the Corporate Bodies and the Bodies provided for in the Articles of Association (with the exception of the Parliamentary Supervisory Committee, which concerns the Separate Account);
- the offices of the Chairman and Chief Executive Officer.

For the purposes of accounting separation, costs and revenues of the “Chief Investments Officer” Department and the “Finance” O.U. are allocated to the Separate Account, Ordinary Account and Joint Services depending on the specific business to which they refer.

Reclassified Income Statement

(millions of euro)	Separate Account	Ordinary Account	Joint Services	Total CDP
Net interest income	**1,327**	**28**		**1,355**
Dividends	1,411	13		1,424
Other net revenues	761	11	(2)	770
Gross income	**3,499**	**51**	**(2)**	**3,549**
Write-downs	104	15		119
Operating costs	(15)	(1)	(162)	(178)
Operating income	**3,588**	**65**	**(164)**	**3,489**

Reclassified Balance Sheet

(millions of euro)	Separate Account	Ordinary Account	Joint Services	Total CDP
Cash and cash equivalents	171,107	156	(1)	171,262
Loans	94,702	6,279		100,981
Debt securities	70,097	902		70,998
Equity investments and shares	33,451	217	540	34,208
Funding	348,351	7,342		355,693
of which:				
- *postal funding*	*265,067*			*265,067*
- *funding from banks*	*45,023*	*3,086*		*48,108*
- *funding from customers*	*22,876*			*22,876*
- *bond funding*	*15,385*	*4,256*		*19,641*

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Article 1, paragraphs 125-129

This section is dedicated to the fulfilment of the disclosure obligations introduced, starting from 2018, by Law 124 of 4 August 2017, whose rules have been reformulated by Article 35 of Decree Law no. 34 of 30 April 2019, relating to the disclosure obligations connected to public funds.

The reformulation of the original regulatory provisions clarified some significant interpretation issues raised by the previous formulation, confirming the interpretation guidance shared during the first application of the disclosure obligations, and contained in Assonime circular no. 5 of 22 February 2019 regarding "Transparency in the system of public funding: analysis of the rules and interpretation guidance".

According to the contents of Article 35 of Decree no. 34/2019:
- companies publish in the notes to the separate financial statements and to the consolidated financial statements, if any, the amounts and information relating to subsidies, subventions, benefits, contributions or aid, paid in cash or in kind, not of a general nature and with no consideration, remuneration or compensation, effectively granted to them by government agencies and from companies controlled, directly or indirectly, on a legal or de facto basis, by government agencies, including listed companies and their subsidiaries;
- the publication obligations established for government agencies by Article 26 of Legislative Decree no. 33 of 2013 apply also to entities and companies controlled, directly or indirectly, on a legal or de facto basis by government agencies, with the publication in the notes to their annual accounting reports.

The disclosure obligations established by Law 124 of 2017, in continuity with what was represented during the first application, are thus limited to transactions that provide the beneficiary a direct or indirect economic benefit through the provision of incentives or concessions that have the effect of providing relief, savings or the acquisition of resources, and that are in the nature of gifts or donations.

The disbursements, unless otherwise specified, are recognised on a cash basis. With reference to any disbursements not in cash, the cash criterion is understood in a substantial sense, allocating the economic benefit to the financial year in which it is received.

In accordance with the guidance provided by the Assonime circular no. 5/2019, the information provided in application of Law 124/2017 is provided in table form, indicating:
- the identification details of the granting entity and the beneficiary;
- the amount of the economic benefit awarded or received;
- a brief description of the type of benefit (reason for payment).

Therefore, regarding the public funding received, worth mentioning is the free use of facilities as offices granted by Fintecna S.p.A. during the second half of 2019 for an estimated benefit of 120 thousand euro.

With reference to subsidies disbursed, the following cases were identified:
- in regard to emergencies generated by earthquakes or other disasters, the suspension of loan instalments, granted to local authorities, whereby the borrowers were offered the option of deferring the payment of the instalments, for principal and interest, to a future date. The table shows the amounts of the instalments due in 2019, for principal and interest, the collection of which was deferred to a future date;

- the concession in free use of facilities and furniture in favour of the project "Agenda per l'Italia Digitale", for which the value of the benefit is measured by taking into account both the portion related to the free use of the facilities and the portion related to connected services, such as maintenance, cleaning, and utilities.

Therefore, the tables below show the subsidies disbursed in 2019 by CDP, broken down by category.

Public funding granted pursuant to Art. 1, par. 126, Law 124/2017

(thousands of euro) Grantor	Beneficiary	Motive	2019 instalment amount with collection deferred to a future date
CDP S.p.A.	Comune di Genova	Collapse of Genoa Viaduct 2018	33,804
CDP S.p.A.	Comune di Bagnolo di Po	Earthquake 2012	166
CDP S.p.A.	Comune di Bastiglia	Earthquake 2012	57
CDP S.p.A.	Comune di Bergantino	Earthquake 2012	349
CDP S.p.A.	Comune di Borgo Mantovano	Earthquake 2012	22
CDP S.p.A.	Comune di Calto	Earthquake 2012	47
CDP S.p.A.	Comune di Camposanto	Earthquake 2012	96
CDP S.p.A.	Comune di Canaro	Earthquake 2012	215
CDP S.p.A.	Comune di Casalmaggiore	Earthquake 2012	20
CDP S.p.A.	Comune di Castelmassa	Earthquake 2012	343
CDP S.p.A.	Comune di Castelnovo Bariano	Earthquake 2012	55
CDP S.p.A.	Comune di Ceneselli	Earthquake 2012	70
CDP S.p.A.	Comune di Cento	Earthquake 2012	1,968
CDP S.p.A.	Comune di Crevalcore	Earthquake 2012	247
CDP S.p.A.	Comune di Ficarolo	Earthquake 2012	6
CDP S.p.A.	Comune di Fiesso Umbertiano	Earthquake 2012	189
CDP S.p.A.	Comune di Finale Emilia	Earthquake 2012	639
CDP S.p.A.	Comune di Gaiba	Earthquake 2012	67
CDP S.p.A.	Comune di Galliera	Earthquake 2012	60
CDP S.p.A.	Comune di Gavello	Earthquake 2012	75
CDP S.p.A.	Comune di Giacciano Con Baruchella	Earthquake 2012	101
CDP S.p.A.	Comune di Gonzaga	Earthquake 2012	242
CDP S.p.A.	Comune di Guastalla	Earthquake 2012	205
CDP S.p.A.	Comune di Luzzara	Earthquake 2012	124
CDP S.p.A.	Comune di Melara	Earthquake 2012	87
CDP S.p.A.	Comune di Motteggiana	Earthquake 2012	69
CDP S.p.A.	Comune di Occhiobello	Earthquake 2012	1,235
CDP S.p.A.	Comune di Pieve di Cento	Earthquake 2012	333
CDP S.p.A.	Comune di Poggio Rusco	Earthquake 2012	226
CDP S.p.A.	Comune di Pomponesco	Earthquake 2012	47
CDP S.p.A.	Comune di Quingentole	Earthquake 2012	27
CDP S.p.A.	Comune di Ravarino	Earthquake 2012	105
CDP S.p.A.	Comune di Reggiolo	Earthquake 2012	155
CDP S.p.A.	Comune di Rodigo	Earthquake 2012	343
CDP S.p.A.	Comune di Roncoferraro	Earthquake 2012	188
CDP S.p.A.	Comune di Salara	Earthquake 2012	46
CDP S.p.A.	Comune di San Daniele Po	Earthquake 2012	115
CDP S.p.A.	Comune di San Felice Sul Panaro	Earthquake 2012	655
CDP S.p.A.	Comune di San Giacomo Delle Segnate	Earthquake 2012	99
CDP S.p.A.	Comune di San Giovanni Del Dosso	Earthquake 2012	75

(thousands of euro) Grantor	Beneficiary	Motive	2019 instalment amount with collection deferred to a future date
CDP S.p.A.	Comune di San Prospero	Earthquake 2012	174
CDP S.p.A.	Comune di Schivenoglia	Earthquake 2012	70
CDP S.p.A.	Comune di Stienta	Earthquake 2012	292
CDP S.p.A.	Comune di Sustinente	Earthquake 2012	72
CDP S.p.A.	Comune di Trecenta	Earthquake 2012	387
CDP S.p.A.	Comune di Viadana	Earthquake 2012	702
CDP S.p.A.	Comune di Vigarano Mainarda	Earthquake 2012	507
CDP S.p.A.	Comune di Accumoli	Central Italy Earthquake	97
CDP S.p.A.	Comune di Acquasanta Terme	Central Italy Earthquake	179
CDP S.p.A.	Comune di Amandola	Central Italy Earthquake	127
CDP S.p.A.	Comune di Amatrice	Central Italy Earthquake	102
CDP S.p.A.	Comune di Antrodoco	Central Italy Earthquake	132
CDP S.p.A.	Comune di Apiro	Central Italy Earthquake	226
CDP S.p.A.	Comune di Appignano del Tronto	Central Italy Earthquake	65
CDP S.p.A.	Comune di Arquata del Tronto	Central Italy Earthquake	60
CDP S.p.A.	Comune di Arrone	Central Italy Earthquake	203
CDP S.p.A.	Comune di Ascoli Piceno	Central Italy Earthquake	1,086
CDP S.p.A.	Comune di Belforte del Chienti	Central Italy Earthquake	102
CDP S.p.A.	Comune di Belmonte Piceno	Central Italy Earthquake	39
CDP S.p.A.	Comune di Bolognola	Central Italy Earthquake	23
CDP S.p.A.	Comune di Borbona	Central Italy Earthquake	42
CDP S.p.A.	Comune di Cagnano Amiterno	Central Italy Earthquake	10
CDP S.p.A.	Comune di Caldarola	Central Italy Earthquake	98
CDP S.p.A.	Comune di Camerino	Central Italy Earthquake	675
CDP S.p.A.	Comune di Campli	Central Italy Earthquake	216
CDP S.p.A.	Comune di Camporotondo di Fiastrone	Central Italy Earthquake	23
CDP S.p.A.	Comune di Campotosto	Central Italy Earthquake	50
CDP S.p.A.	Comune di Cantalice	Central Italy Earthquake	140
CDP S.p.A.	Comune di Capitignano	Central Italy Earthquake	13
CDP S.p.A.	Comune di Cascia	Central Italy Earthquake	151
CDP S.p.A.	Comune di Castel Castagna	Central Italy Earthquake	27
CDP S.p.A.	Comune di Castel di Lama	Central Italy Earthquake	372
CDP S.p.A.	Comune di Castel Sant’angelo	Central Italy Earthquake	24
CDP S.p.A.	Comune di Castelli	Central Italy Earthquake	132
CDP S.p.A.	Comune di Castelraimondo	Central Italy Earthquake	620
CDP S.p.A.	Comune di Castelsantangelo sul Nera	Central Italy Earthquake	114
CDP S.p.A.	Comune di Castignano	Central Italy Earthquake	13
CDP S.p.A.	Comune di Castorano	Central Italy Earthquake	95
CDP S.p.A.	Comune di Cerreto d’Esi	Central Italy Earthquake	530
CDP S.p.A.	Comune di Cerreto di Spoleto	Central Italy Earthquake	90
CDP S.p.A.	Comune di Cessapalombo	Central Italy Earthquake	45
CDP S.p.A.	Comune di Cingoli	Central Italy Earthquake	958
CDP S.p.A.	Comune di Cittaducale	Central Italy Earthquake	586
CDP S.p.A.	Comune di Cittareale	Central Italy Earthquake	27
CDP S.p.A.	Comune di Civitella del Tronto	Central Italy Earthquake	272
CDP S.p.A.	Comune di Colledara	Central Italy Earthquake	151

(thousands of euro) Grantor	Beneficiary	Motive	2019 instalment amount with collection deferred to a future date
CDP S.p.A.	Comune di Colli del Tronto	Central Italy Earthquake	124
CDP S.p.A.	Comune di Colmurano	Central Italy Earthquake	98
CDP S.p.A.	Comune di Comunanza	Central Italy Earthquake	256
CDP S.p.A.	Comune di Corridonia	Central Italy Earthquake	389
CDP S.p.A.	Comune di Cortino	Central Italy Earthquake	125
CDP S.p.A.	Comune di Cossignano	Central Italy Earthquake	25
CDP S.p.A.	Comune di Crognaleto	Central Italy Earthquake	223
CDP S.p.A.	Comune di Esanatoglia	Central Italy Earthquake	282
CDP S.p.A.	Comune di Fabriano	Central Italy Earthquake	2,010
CDP S.p.A.	Comune di Falerone	Central Italy Earthquake	142
CDP S.p.A.	Comune di Fano Adriano	Central Italy Earthquake	39
CDP S.p.A.	Comune di Farindola	Central Italy Earthquake	47
CDP S.p.A.	Comune di Fiastra	Central Italy Earthquake	77
CDP S.p.A.	Comune di Fiuminata	Central Italy Earthquake	158
CDP S.p.A.	Comune di Folignano	Central Italy Earthquake	488
CDP S.p.A.	Comune di Force	Central Italy Earthquake	90
CDP S.p.A.	Comune di Gagliole	Central Italy Earthquake	70
CDP S.p.A.	Comune di Gualdo	Central Italy Earthquake	96
CDP S.p.A.	Comune di Isola del Gran Sasso d'Italia	Central Italy Earthquake	143
CDP S.p.A.	Comune di Leonessa	Central Italy Earthquake	92
CDP S.p.A.	Comune di Loro Piceno	Central Italy Earthquake	202
CDP S.p.A.	Comune di Macerata	Central Italy Earthquake	2,185
CDP S.p.A.	Comune di Maltignano	Central Italy Earthquake	5
CDP S.p.A.	Comune di Massa Fermana	Central Italy Earthquake	71
CDP S.p.A.	Comune di Matelica	Central Italy Earthquake	881
CDP S.p.A.	Comune di Micigliano	Central Italy Earthquake	26
CDP S.p.A.	Comune di Mogliano	Central Italy Earthquake	336
CDP S.p.A.	Comune di Monsampietro Morico	Central Italy Earthquake	52
CDP S.p.A.	Comune di Montalto delle Marche	Central Italy Earthquake	78
CDP S.p.A.	Comune di Montappone	Central Italy Earthquake	156
CDP S.p.A.	Comune di Monte Cavallo	Central Italy Earthquake	43
CDP S.p.A.	Comune di Monte Rinaldo	Central Italy Earthquake	26
CDP S.p.A.	Comune di Monte San Martino	Central Italy Earthquake	56
CDP S.p.A.	Comune di Monte Vidon Corrado	Central Italy Earthquake	43
CDP S.p.A.	Comune di Montefalcone Appennino	Central Italy Earthquake	25
CDP S.p.A.	Comune di Montefortino	Central Italy Earthquake	32
CDP S.p.A.	Comune di Montefranco	Central Italy Earthquake	30
CDP S.p.A.	Comune di Montegallo	Central Italy Earthquake	61
CDP S.p.A.	Comune di Montegiorgio	Central Italy Earthquake	346
CDP S.p.A.	Comune di Monteleone di Fermo	Central Italy Earthquake	29
CDP S.p.A.	Comune di Monteleone di Spoleto	Central Italy Earthquake	13
CDP S.p.A.	Comune di Montelparo	Central Italy Earthquake	84
CDP S.p.A.	Comune di Montereale	Central Italy Earthquake	86
CDP S.p.A.	Comune di Montorio al Vomano	Central Italy Earthquake	293
CDP S.p.A.	Comune di Muccia	Central Italy Earthquake	39
CDP S.p.A.	Comune di Norcia	Central Italy Earthquake	321

(thousands of euro) Grantor	Beneficiary	Motive	2019 instalment amount with collection deferred to a future date
CDP S.p.A.	Comune di Offida	Central Italy Earthquake	200
CDP S.p.A.	Comune di Ortezzano	Central Italy Earthquake	35
CDP S.p.A.	Comune di Palmiano	Central Italy Earthquake	2
CDP S.p.A.	Comune di Penna San Giovanni	Central Italy Earthquake	151
CDP S.p.A.	Comune di Petriolo	Central Italy Earthquake	87
CDP S.p.A.	Comune di Pietracamela	Central Italy Earthquake	57
CDP S.p.A.	Comune di Pieve Torina	Central Italy Earthquake	392
CDP S.p.A.	Comune di Pioraco	Central Italy Earthquake	104
CDP S.p.A.	Comune di Pizzoli	Central Italy Earthquake	154
CDP S.p.A.	Comune di Poggio Bustone	Central Italy Earthquake	34
CDP S.p.A.	Comune di Poggiodomo	Central Italy Earthquake	29
CDP S.p.A.	Comune di Polino	Central Italy Earthquake	65
CDP S.p.A.	Comune di Pollenza	Central Italy Earthquake	308
CDP S.p.A.	Comune di Posta	Central Italy Earthquake	7
CDP S.p.A.	Comune di Preci	Central Italy Earthquake	32
CDP S.p.A.	Comune di Rieti	Central Italy Earthquake	1,970
CDP S.p.A.	Comune di Ripe San Ginesio	Central Italy Earthquake	42
CDP S.p.A.	Comune di Rivodutri	Central Italy Earthquake	42
CDP S.p.A.	Comune di Rocca Santa Maria	Central Italy Earthquake	87
CDP S.p.A.	Comune di Roccafluvione	Central Italy Earthquake	55
CDP S.p.A.	Comune di San Ginesio	Central Italy Earthquake	297
CDP S.p.A.	Comune di San Severino Marche	Central Italy Earthquake	435
CDP S.p.A.	Comune di Santa Vittoria in Matenano	Central Italy Earthquake	30
CDP S.p.A.	Comune di Sant’anatolia di Narco	Central Italy Earthquake	45
CDP S.p.A.	Comune di Sant’angelo in Pontano	Central Italy Earthquake	109
CDP S.p.A.	Comune di Sarnano	Central Italy Earthquake	400
CDP S.p.A.	Comune di Scheggino	Central Italy Earthquake	46
CDP S.p.A.	Comune di Sefro	Central Italy Earthquake	61
CDP S.p.A.	Comune di Serrapetrona	Central Italy Earthquake	13
CDP S.p.A.	Comune di Serravalle di Chienti	Central Italy Earthquake	97
CDP S.p.A.	Comune di Servigliano	Central Italy Earthquake	71
CDP S.p.A.	Comune di Smerillo	Central Italy Earthquake	32
CDP S.p.A.	Comune di Spoleto	Central Italy Earthquake	1,401
CDP S.p.A.	Comune di Teramo	Central Italy Earthquake	1,771
CDP S.p.A.	Comune di Tolentino	Central Italy Earthquake	1,581
CDP S.p.A.	Comune di Torricella Sicura	Central Italy Earthquake	49
CDP S.p.A.	Comune di Tossicia	Central Italy Earthquake	58
CDP S.p.A.	Comune di Treia	Central Italy Earthquake	331
CDP S.p.A.	Comune di Urbisaglia	Central Italy Earthquake	244
CDP S.p.A.	Comune di Ussita	Central Italy Earthquake	745
CDP S.p.A.	Comune di Valfornace	Central Italy Earthquake	189
CDP S.p.A.	Comune di Valle Castellana	Central Italy Earthquake	113
CDP S.p.A.	Comune di Vallo di Nera	Central Italy Earthquake	7
CDP S.p.A.	Comune di Venarotta	Central Italy Earthquake	96
CDP S.p.A.	Comune di Visso	Central Italy Earthquake	177
CDP S.p.A.	Provincia di Ancona	Central Italy Earthquake	1,593

(thousands of euro) Grantor	Beneficiary	Motive	2019 instalment amount with collection deferred to a future date
CDP S.p.A.	Provincia di Ascoli Piceno	Central Italy Earthquake	1,201
CDP S.p.A.	Provincia di Fermo	Central Italy Earthquake	1,469
CDP S.p.A.	Provincia di Macerata	Central Italy Earthquake	1,270
CDP S.p.A.	Provincia di Perugia	Central Italy Earthquake	4,893
CDP S.p.A.	Provincia di Pescara	Central Italy Earthquake	2,709
CDP S.p.A.	Provincia di Rieti	Central Italy Earthquake	988
CDP S.p.A.	Provincia di Teramo	Central Italy Earthquake	1,008
CDP S.p.A.	Provincia di Terni	Central Italy Earthquake	1,168
CDP S.p.A.	Comune di Casamicciola Terme	Ischia Earthquake	619
CDP S.p.A.	Comune di Lacco Ameno	Ischia Earthquake	612

(thousands of euro) Grantor	Beneficiary	Motive	Benefit amount (*)
CDP S.p.A.	Agenda per l'Italia Digitale	Spaces granted on free loan for 2019	96

(*) Including the estimate for services.

2. Annexes to the report on operations

2.1 Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP S.p.A.

The following tables provide a reconciliation of the financial statements prepared in accordance with Bank of Italy circular no. 262/2005, as amended, and the aggregates as reclassified on an operational basis.

These reclassifications mainly concerned:
- the allocation to specific and distinct items of interest-bearing amounts and non-interest-bearing amounts;
- the revision of portfolios for IAS/IFRS purposes with their reclassification into uniform aggregates in relation to both products and business lines.

Balance sheet - Assets

(millions of euro) ASSETS - items	31/12/2019	Cash and cash equivalents and other treasury investments	Loans	Debt securities, equity securities
10. Cash and cash equivalents				
20. Financial assets measured at fair value through profit or loss	2,878			129
30. Financial assets measured at fair value through other comprehensive income	12,132			11,210
40. Financial assets measured at amortised cost	337,105			
a) Loans to banks	27,031	16,105	10,901	
b) Loans to customers	310,074	155,156	90,081	59,659
50. Hedging derivatives	381			
60. Fair value change of financial assets in hedged portfolios (+/-)	1,467			
70. Equity investments	30,709			
80. Property, plant and equipment	353			
90. Intangible assets	31			
100. Tax assets	471			
110. Non-current assets and disposal groups held for sale				
120. Other assets	325			
Total assets	**385,851**	**171,262**	**100,981**	**70,998**

Equity investments	Assets held for trading and hedging derivatives	Property, plant and equipment and intangible assets	Accrued income, prepaid expenses and other non-interest bearing assets	Other assets
2,616	132			
884			39	
			25	
			5,178	
	381			
	1,467			
30,709				
		353		
		31		
				471
				325
34,208	**1,981**	**383**	**5,242**	**796**

Balance sheet - Liabilities and equity

(millions of euro) LIABILITIES AND EQUITY - items		31/12/2019	Funding	Postal funding	Funding from banks
10.	Financial liabilities measured at amortised cost	356,166			
	a) Due to banks	30,220	30,214	1,364	28,399
	b) Due to customers	305,896	305,837	263,703	19,709
	c) Securities issued	20,051	19,641		
20.	Financial liabilities held for trading	129			
30.	Financial liabilities designated at fair value				
40.	Hedging derivatives	2,683			
50.	Fair value change of financial liabilities in hedged portfolios	19			
60.	Tax liabilities	285			
70.	Liabilities associated with non-current assets and disposal groups held for sale				
80.	Other liabilities	789			
90.	Staff severance pay	1			
100.	Provisions for risks and charges	829			
110.	Valuation reserves	902			
120.	Redeemable shares				
130.	Equity instruments				
140.	Reserves	15,372			
150.	Share premium reserve	2,379			
160.	Share capital	4,051			
170.	Treasury shares	(489)			
180.	Net income (loss) for the year	2,736			
	Total liabilities and equity	**385,851**	**355,693**	**265,067**	**48,108**

Funding from customers	Bond funding	Liabilities held for trading and hedging derivatives and hedging derivatives	Accrued expenses, prepaid income and other non-interest bearing assets	Other liabilities	Provisions for contingencies, taxes and staff severance pay	Total equity
451			5			
22,425			59			
	19,641		409			
		129				
		2,683				
		19				
					285	
				789		
					1	
					829	
						902
						15,372
						2,379
						4,051
						(489)
						2,736
22,876	**19,641**	**2,830**	**474**	**789**	**1,115**	**24,951**

Income statement

(millions of euro) INCOME STATEMENT - items	2019	Net interest income	Dividends	Other net revenues (costs)
10. Interest income and similar income	6,988	6,988		
20. Interest expense and similar expense	(4,462)	(4,462)		
40. Commission income	392	300		92
50. Commission expense	(1,484)	(1,471)		(12)
70. Dividends and similar revenues	1,424		1,424	
80. Profits (losses) on trading activities	(22)			(22)
90. Net gain (loss) on hedging activities	(31)			(31)
100. Gains (losses) on disposal or repurchase	744			744
110. Profits (losses) on financial assets and liabilities designated at fair value through profit or loss	(8)			1
130. Net adjustments/recoveries for credit risk	77			
140. Gain/losses from changes in contracts without derecognition				
160. Administrative expenses	(177)			
170. Net accruals to the provisions for risks and charges	(61)			
180. Net adjustments to/recoveries on property, plant and equipment	(9)			
190. Net adjustments to/recoveries on intangible assets	(6)			
200. Other operating income (costs)	13			
220. Gains (losses) on equity investments	61			
230. Gains (Losses) on tangible and intangible assets measured at fair value				
240. Goodwill impairment				
250. Gains (losses) on disposal of investments				
270. Income tax for the year on continuing operations	(703)			
280. Income (loss) after tax on discontinued operations				
Total income statement	**2,736**	**1,355**	**1,424**	**770**

2.2 Details of alternative performance indicators - CDP S.p.A.

In support of the comments on the results for the period, paragraph 4.4.1 of the report on operations also presents and illustrates the reclassified income statement and balance sheet of CDP S.p.A. A reconciliation between the latter and the Parent Company's financial statements at 31 December 2019 is provided in Annex 2, as required in Consob Communication no. 6064293 of 28 July 2006. With a view to providing further information on the Parent Company's performance, the report on operations contains financial information and a number of alternative performance indicators, including, for example, the Cost/Income ratio and Net impaired loans/net loans to customers and banks. In accordance with the guidelines published on 5 October 2015 by the European Securities and Markets Authority (ESMA/2015/1415), details of the calculation method and the content of the aforementioned indicators are provided below.

Structure ratios

Funding / Total liabilities: it measures Total Funding, as shown in the aggregate account (Annex 2), against total liabilities, as shown in the financial statements

Postal Funding / Total Funding: it measures Postal Funding, inclusive of the nominal value of Savings Bonds and Passbook Savings Accounts, interest accrued and premiums on the related options, against Total Funding, as shown in the aggregate account (Annex 2)

Gross income	Write-dows	Operating costs	Operating income	Net provision for risk and charges	Income taxes	Net income (loss) for the year
6,988			6,988			6,988
(4,462)			(4,462)			(4,462)
392			392			392
(1,484)			(1,484)			(1,484)
1,424			1,424			1,424
(22)			(22)			(22)
(31)			(31)			(31)
744			744			744
1	(8)		(8)			(8)
	77		77			77
		(177)	(177)			(177)
	(10)		(10)	(50)		(61)
		(9)	(9)			(9)
		(6)	(6)			(6)
		13	13			13
	61		61			61
					(703)	(703)
3,549	**119**	**(178)**	**3,489**	**(50)**	**(703)**	**2,736**

Profitability ratios

Spread on interest-bearing assets and liabilities: it measures the difference between the return on assets (measured as the ratio of interest income to average interest-bearing assets) and the cost of liabilities (measured as the ratio of interest expense to average interest-bearing liabilities).

Average interest-bearing assets are measured as the average at two dates (31 December 2018 and 31 December 2019) of Cash and Cash Equivalents, Loans to customers and banks and Debt securities, as shown in the aggregate account (Annex 2).

Average interest-bearing liabilities are measured as the average at two dates (31 December 2018 and 31 December 2019), of Funding, as shown in the aggregate account (Annex 2)

Cost/Income Ratio: it measures the ratio of Operating Costs (sum of staff costs, administrative expenses, depreciation and amortisation, and other operating income and costs) to Gross Income, net of the cost of risk, as respectively shown in the aggregate account (Annex 2).

Report of the Board of Statutory Auditors

Shareholders,

With this report, prepared pursuant to Article 2429, second paragraph, of the Italian Civil Code, the Board of Statutory Auditors of Cassa depositi e prestiti S.p.A. ("CDP" or the "Company") reports to the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2019 on the results of that year and the activities performed by the Board of Statutory Auditors in the performance of its duties, in accordance with the standards of conduct recommended by the National Council of the Italian accounting profession and taking account of the recommendations of Consob in its communications, to the extent compatible with the nature of CDP.

During 2019, the Board of Statutory Auditors had the following members, all appointed by the Ordinary Shareholders' Meeting of 23 May 2019: Carlo Corradini (Chairman), Franca Brusco, Giovanni Battista Lo Prejato, Mario Romano Negri and Enrica Salvatore. The Board of Statutory Auditors reaches the end of its term on the occasion of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2021.

Statutory audit activities were performed by PricewaterhouseCoopers S.p.A. ("PwC" or the "Audit Firm") on the basis of the engagement granted to the latter by the Ordinary Shareholders' Meeting of 25 May 2011 for the financial years 2011 to 2019. As from the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019, statutory audit activities will be performed by Deloitte & Touche S.p.A. (Deloitte), on the basis of the engagement granted to the latter by the Ordinary Shareholders' Meeting of 19 March 2019 for the financial years 2020 to 2028.

1. Meetings of the Board of Statutory Auditors

In 2019, the Board of Statutory Auditors held 17 meetings. The magistrate designated by the Italian Court of Auditors was invited to all meetings. The Board of Statutory Auditors — as a whole or represented by some of its members — also participated in the four Shareholders' Meetings held in 2019, the 19 meetings of the Board of Directors as well as the 22 meetings of the Risk Committee of the Board of Directors and, when requested, the three meetings of the Compensation Committee.

2. Monitoring of compliance with the law, the articles of association and the principles of sound administration

In accordance with the provisions of Article 2403 of the Italian Civil Code, the Board of Statutory Auditors monitored compliance with the law and the articles of association, with the principles of sound administration and, in particular, the adequacy of the organisational, administrative and accounting arrangements adopted by the Company and their effective operation (see sections 3 and 4 below). This monitoring activity was carried out by the Board also through participation in the meetings of the Board of Directors and the Board Committees, as well as through meetings and exchanges of information with the heads of the main company departments (in particular, the Chief Audit Officer, the Financial Reporting Officer and the Chief Risk Officer's units responsible for anti-money laundering, risk and compliance matters) and with the Audit Firm.

The Board received, pursuant to and with the frequency required by Article 23, paragraph 4, of the articles of association, information on general developments in operations and the expected outlook, as well as on the most significant transactions in terms of size or characteristics carried out by the Company and its subsidiaries (see section 8 below).

The checks performed found no censurable facts with a significant impact.

The Board of Statutory Auditors did not receive any complaints pursuant to Article 2408 of the Italian Civil Code.

3. Monitoring of the adequacy of the organisational arrangements and the operation of the internal control and risk management system

The Board of Statutory Auditors monitored the adequacy of the organisational arrangements adopted by the Company and their effective operation also through meetings and exchanges of information with the heads of the main company departments.

With reference to the foregoing, the Board of Statutory Auditors has no particular observations to report. The Board of Statutory Auditors also invited the Board of Directors to promptly appoint, in compliance with the applicable corporate governance rules, new corporate boards to replace those whose term has ended at the subsidiaries, especially those subject to the management and coordination of CDP, in order to ensure that they can operate normally. In this regard, the Board of Statutory Auditors notes that the Board of Directors *medio tempore* appointed replacements for those outgoing corporate boards and, at its meeting of

28 January 2020, (i) approved specific rules concerning the selection and appointment of members of the corporate boards of CDP's investee companies and (ii) established a new Board Committee, to support the Board in the appointment of the members of these boards (the Appointments Committee).

The Board also monitored the operation of the internal control and risk management systems in order to assess their appropriateness. In particular, the Board, *inter alia*: *(i)* monitored control processes for risk management activities; *(ii)* monitored the adequacy of activities to control compliance risk; *(iii)* monitored the adequacy of the internal control system and *(iv)* assessed the effectiveness of the internal quality control and risk management systems of the Company and of internal audit with regard to financial reporting through, *inter alia*, participation at meetings of the Risk Committee, examination of the report on the internal control and risk management system prepared by the Chief Audit Officer and meetings held with the latter, during which the Chief Audit Officer also reported on information exchange between those involved in the design (second-level controls) and monitoring (third-level controls) of the internal control system.

In this respect, the Board also verified that the report on operations provided the information required under Article 123-*bis*, paragraph 2, letter b) of Legislative Decree 58/1998 on the main characteristics of the risk management and internal control systems for financial reporting, including on a consolidated basis.

The meetings with the corporate oversight bodies also examined the results of the integrated "dashboard" of the oversight bodies, as well as the reporting to the supervisory authorities and developments in external regulations and company rules concerning the prevention and countering of money laundering and terrorist financing.

The checks performed found no issues with a significant impact.

4. Monitoring of the administrative and accounting system and the financial reporting process

The Board of Statutory Auditors monitored the financial reporting process and the adequacy of the Company's administrative and accounting system and its reliability in accurately and promptly representing operational events. This activity included meetings with the Financial Reporting Officer, the examination of Company documentation and analysis of the results of the activities performed by the Audit Firm.

The Board of Statutory Auditors also verified compliance with the regulations governing the preparation of the financial statements and the report on operations, obtaining information from the Audit Firm where appropriate. In particular, the additional report envisaged under Article 11 of Regulation (EU) no. 537/2014 does not report significant deficiencies in the internal control system for financial reporting. The report was thoroughly discussed in the course of information exchanges between the Board of Statutory Auditors and the Audit Firm.

The checks performed found no issues with a significant impact that could compromise the opinion on the adequacy and the effective application of the administrative and accounting procedures.

5. Financial statements

The Board of Statutory Auditors examined the draft separate financial statements of CDP and the consolidated financial statements of the CDP Group at 31 December 2019, approved by the Board of Directors of CDP at its meeting of 2 April 2020, as well as the report of the Audit Firm.

In this regard, the Board reports the following:

- in application of Legislative Decree 38 of 28 February 2005, the financial statements as at 31 December 2019 have been prepared in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and the associated interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission, as established under Regulation (EC) 1606 of 19 July 2002. The financial statements at 31 December 2019 were prepared, to the extent applicable, on the basis of the "Instructions for the preparation of the separate financial statements and the consolidated financial statements of banks and financial institutions that are parent companies of banking groups" issued by the Bank of Italy in exercising the powers established by Article 9 of Legislative Decree 38/2005 in the measure of 22 December 2005 issuing Circular no. 262/2005 "Bank financial statements: presentation formats and rules of preparation" as amended in the sixth update of 30 November 2018. The IASs/IFRSs endorsed and in effect as of 31 December 2019 (including SIC and IFRIC interpretations) were applied in the preparation of the financial statements;
- the accurate recognition of operational events in the accounts and their representation in the financial statements in accordance with the IASs/IFRSs have been assessed by PwC in the performance of its statutory auditing activities;
- the financial statements include both the activity of the Ordinary Account and that of the Separate Account, although the cash flows of the two accounts and their recognition are separate. The separation of these two accounts, pursuant to Article 16, paragraphs 5 and 6, of the decree of the Ministry for the Economy and Finance (MEF) of 6 October 2004, involves the preparation

of separate accounting statements for the use of the MEF and the Bank of Italy. At the end of the financial year, shared costs incurred by the Separate Account are computed and subsequently reimbursed on a pro-rated basis by the Ordinary Account. The separate accounting statements are presented as an annex to the financial statements;
- the financial statements at 31 December 2019 report net income of 2,736 million euro and equity of 24,951 million euro, including net income for 2019;
- the CDP Group consolidated financial statements at 31 December 2019 report net income of 3,411 million euro (of which 1,784 million euro pertaining to the Parent Company), a decrease over 2018 (4,333 million euro of which 2,891 million euro pertaining to the Parent Company).

Pursuant to Article 154-*bis* of Legislative Decree 58/1998, with a report attached to the draft separate financial statements and the consolidated financial statements at 31 December 2019, the CDP Chief Executive Officer and the Financial Reporting Officer certified: *(i)* the adequacy and effective application of administrative and accounting procedures for the preparation of the financial statements; *(ii)* the compliance of the content of the financial statements with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002; *(iii)* the correspondence of the financial statements with the information contained in the accounting books and records and their suitability to provide a true and fair representation of the performance and financial position of the Company and of the companies included in the scope of consolidation; *(iv)* that the report on operations accompanying the financial statements provides a reliable analysis of performance and the results of operations, as well as the situation of the Company and the companies within the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

6. Consolidated non-financial statement

The Board of Statutory Auditors examined the consolidated non-financial statement of the CDP Group ("NFS") for the 2019 financial year, prepared pursuant to Legislative Decree 254/2016 and, as from this year, included within the Sustainability Report of the CDP Group approved by the Board of Directors of CDP at its meeting of 2 April 2020.

In particular, the Board of Statutory Auditors monitored compliance with the provisions established by the decree in the preparation of the NFS, exchanging information with the corporate units on preparatory activities in this regard (*i.e.* definition of a new materiality matrix to replace that defined for the NFS for 2017), in particular ensuring *(i)* that the scope of application was defined in compliance with applicable provisions; *(ii)* that, in accordance with the principle of materiality, the NFS has been prepared at the level necessary to ensure an understanding of the Group's business, developments in that business, performance and its impact and that it contains information on environmental, social and personnel issues, as well as on matters concerning respect for human rights and the fight against active and passive corruption that have been deemed relevant by the Board of Directors, taking account of the activities and characteristics of the Company; *(iii)* that the NFS describes, among other things, the model applied to the management and organisation of the Company's activities, the policies applied by the Company, the results achieved through them and the related key non-financial performance indicators, as well as the main risks generated or incurred connected with the aforementioned issues and deriving from the Company's activities, its products, services or commercial relationships, and the related methods for managing them; and *(iv)* that the information has been provided in accordance with the methodologies and principles provided for by the reporting standards used as a reference, namely the Global Reporting Initiative (GRI) Sustainability Reporting Standards in the "GRI-referenced" option.

In addition to the foregoing, note that pursuant to Article 3, paragraph 10, of Legislative Decree 254/2016, *(i)* the Audit Firm PwC verified the effective preparation by the Board of Directors, of the non-financial statement included in the Sustainability Report of the CDP Group; *(ii)* the Audit Firm, as engaged by the Company, performed the limited assurance assessment of the NFS, in line with the provisions of Article 5 of Consob Regulation 20267 of 18 January 2018, issuing on 20 April 2020, a specific report with which PwC certifies that no elements have been brought to its attention suggesting that the NFS has not been drafted, in all significant respects, in compliance with the requirements of Articles 3 and 4 of Legislative Decree 254/2016 and the reporting standards used by the Company (the GRI standards).

With regard to the organisational arrangements, note that the office of the Chief External Relations & Sustainability Officer, with the support of the competent units of the office of the Chief Financial Officer is entrusted, *inter alia*, with the task of preparing periodic sustainability reports, among which the NFS. These corporate units, which were involved in the production, reporting, measurement and representation of results of the NFS, were found to be adequate.

In relation to the foregoing, and taking due account of the limited assurance issued by the Audit Firm, it is the view of the Board of Statutory Auditors that the procedures, the process of formation of non-financial disclosures and the support structures were appropriate.

7. Monitoring activities pursuant to Article 19 of Legislative Decree no. 39/2010

In its capacity as the internal control and audit committee ("ICAC"), in accordance with Article 19 of Legislative Decree 39/2010, the Board Statutory of Auditors monitored independent audit activities. In this regard, the Board of Statutory Auditors met with the Audit Firm on a number of occasions, including in connection with the provisions of Article 2409 *septies* of the Italian Civil Code, in order to exchange information concerning the Audit Firm's activities. During the periodic exchanges between the Board and the representatives of the Audit Firms, no significant issues emerged that would require reporting. More specifically:

- the Board of Statutory Auditors met with the Audit Firm, PwC, during the year on the occasion of the preparation of the Half-Year Report at 30 June 2019. On 5 August 2019, PwC issued a report containing an unqualified opinion on the limited audit of the condensed consolidated half-year financial statements;
- on 20 April 2020, PwC issued, pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) no. 537/2014, the audit reports on the financial statements and consolidated financial statements as at 31 December 2019;
- also on 20 April 2020, PwC issued to the Board of Statutory Auditors the additional report envisaged under Article 11 of Regulation (EU) no. 537/2014, which (i) is consistent, as regards the audit opinion, with the audit report referred to in the previous paragraph; (ii) does not report significant deficiencies in the internal control system for financial reporting or in the accounting system; and (iii) does not contain information that should be highlighted in this report. The additional report will be transmitted by the Board of Statutory Auditors to the Board of Directors, together with any comments it may have, in compliance with the provisions of Article 19, paragraph 1, letter a), of Legislative Decree 39/2010.

The Board of Statutory Auditors also verified and monitored the independence of the Audit Firm, in particular as regards the appropriateness of the provision of non-audit services, in compliance with the provisions of Articles 4 and 5 of Regulation (EU) no. 537/2014. In this respect, note that in an attachment to the aforementioned additional report, PwC submitted to the Board of Statutory Auditors the certification of independence required under Article 6 of Regulation (EU) no. 537/2014, confirming that there are no circumstances that could compromise its independence or could be a cause of incompatibility.

Pursuant to the Group Policy for "Engagements of audit firms and their networks" (the "Policy"), the Board of Statutory Auditors, in its capacity as the internal control and audit committee (ICAC) of the Parent Company, reports annually to the Shareholders' Meeting on the fees due to the principal auditor, to its network and to the parties connected to the same for non-audit services pursuant to Article 14 of Legislative Decree no. 39/2010. In this regard, in 2019, CDP and the Group companies subject to management and coordination engaged PwC to perform the following non-audit services:

- for CDP

Service		In euros (before VAT)
1)	Agreed procedures concerning the distribution of unrestricted profit reserves	40,000
2)	Professional services for bond issue in China ("Panda Bond")	145,000
3)	Update of DIP (Debt Issuance Program) 2019 comfort letter	30,000
4)	Retail bond issue comfort letter	60,000
	Total	**275,000**

- for CDP Reti

Service		In euros (before VAT)
5)	Opinion pursuant to Article 2433-*bis* of Civil Code for interim dividend	20,000
	Total	**20,000**

- for Simest

Service		In euros (before VAT)
6)	Review of the schedule of costs incurred for the management of public funds operated by SIMEST	10,000
	Total	**10,000**

- for FSI Investimenti and its investees

Service	In euros (before VAT)
7) Agreed procedures to verify compliance with contractual obligations in re-spect of bank loans (FSIA Investimenti)	20,000
Total	**20,000**
Total CDP Group	**325,000**

During 2019 CDP engaged PricewaterhouseCoopers Advisory S.p.A. (entity belonging to the PwC network) to perform the following:

Service	In euros (before VAT)
1) Review of valuation procedures for business unit	30,000
Total	**30,000**

The Board of Statutory Auditors took note of the Transparency Report prepared by PwC and published on its website pursuant to Article 18 of Legislative Decree 39/2010.

The Board of Statutory Auditors also met on two occasions with the new Audit Firm (Deloitte) in order to get to know (i) the audit team, (ii) the main criteria for performing statutory audit activity, (iii) the procedures envisaged to handle the transition from the current auditor, PwC, and (iv) the preliminary planning of audit activities for 2020.

8. Most significant transactions, transactions with related parties and atypical or unusual operations

The Board of Statutory Auditors received, pursuant to and with the frequency required by Article 23, paragraph 4, of the articles of association, information on the most significant transactions in terms of size or characteristics carried out by the Company and its subsidiaries. These transactions are fully discussed in the report on operations prepared by the Board of Directors and in Part H – Transactions with Related Parties in the notes to the financial statements (please see this section for more information on the type of transactions conducted and their related impact on performance and financial position).

In this respect, the Board of Statutory Auditors finds that the information provided by the Board of Directors in the report on operations is adequate. In particular, the Board did not find any atypical and/or unusual transactions that, due to their significance or materiality, the nature of the counterparties, object and/or consideration may give rise to doubts as to the accuracy/completeness of the information in the financial statements or may be considered manifestly imprudent or reckless or undertaken in violation of the provisions on conflicts of interest.

9. Significant events

The Board of Statutory Auditors reports that 2019 was characterised by a number of key themes, both in the separate financial statements of CDP S.p.A., and in the consolidated financial statements of the CDP Group. In particular:

- First-time application of new accounting standards

  Last year was the first year of mandatory application of the new accounting standard IFRS 16 – Leases. IFRS 16 introduces a single approach to accounting for leases by the lessee, based on a right-of-use model, with the consequent elimination of the distinction between operating and finance leases provided for under IAS 17: all leases must therefore be accounted for in the same way, with the recognition of an asset and a liability. Following CDP's decision to adopt the modified retrospective approach on first-time application, at 1 January 2019 the change generated no impact to be recognised in equity.

  The application of IFRS 16 in the CDP financial statements led to the recognition of right-of-use assets under property, plant and equipment in the amount of 19.8 million euro (of which 12.8 euro classified as "investment property" in respect of property for which CDP acts as sub-lessor within the framework of operating subleases) and lease receivables under "financial assets measured at amortised cost" in the amount of 16.5 million euro (in respect of property for which CDP acts as sub-lessor within the framework of finance subleases). Lease liabilities recognised at FTA totalled 36.3 million euro.

  At the consolidated level, the application of this standard resulted in the recognition of right-of-use assets under property, plant and equipment in the amount of 225.6 million euro and operating lease liabilities of 218 million euro. Lease liabilities recognised at FTA totalled 218.7 million euro.

- Performance and financial position of CDP S.p.A.

  Net interest income amounted to 1,355 million euro, a significant decrease compared with 2018, attributable to the significant reduction in market rates, which had an adverse impact on asset yields. During the period, the process of diversifying funding with new bond issues also continued, together with the increase in hedges on assets with the aim of reducing CDP's exposure to interest rate risk.

  Gross income came to about 3,549 million euro, a decrease of about 7% from 3,807 million euro in 2018. Despite these developments, net income for the period amounted to 2,736 million euro, an increase of about 8% from 2,540 million euro in 2018.

  Total assets amounted to about 386 billion euro, an increase of about 4.3% over 2018. Cash and cash equivalents came to about 171 billion euro, an increase of 2% over the previous year. The aggregate includes the balance of the Treasury current account, which came to about 150 billion euro at 31 December 2019.

  The loans and receivables with customers and banks came to about 101 billion euro, substantially unchanged from year-end 2018, reflecting the combined effect of the increase in loans for direct support to firms, including for international expansion, and the decrease in loans to public entities and financial institutions.

  Debt securities came to about 71 billion euro, an 18% increase over 2018, mainly attributable to investments in government securities.

  At 31 December 2019, the carrying amount of equity investments, investment funds and shares came to about 34 billion euro, up 3% over 2018. The increase is mainly attributable to the increase in the investment in Telecom Italia Spa, carried out to strengthen support for the value creation process undertaken by the company in a sector of primary interest to the country, and in investments in funds and investment vehicles.

  Under liabilities, total funding at 31 December 2019 came to more than 356 billion euro (+4% from the end of 2018).

  Within the aggregate, postal funding (265 billion euro) shows an increase of 3% from year-end 2018, thanks to net CDP funding of 3.4 billion euro and accrued interest income pertaining to postal savers.

  Funding from banks amounted to 48 billion euro, down from 53 billion euro at year-end 2018, mainly due to the contraction in funding through repurchase transactions.

  Funding from customers amounted to 23 billion euro, an increase over 2018 mainly reflecting an increase in the stock of funding from OPTES operations.

  Bond funding, equal to over 19 billion euro, increased by 3% over December 2018 thanks to new bond issues of about 2.6 billion euro, of which 0.75 billion euro of social bonds, 1.5 billion euro of retail bonds, and 0.1 billion euro of Panda Bonds, as well as an increase in commercial paper issues, only partially offset by maturing EMTN securities during the year.

  Shareholders' equity at 31 December 2019 came to about 25 billion euro, a 1% increase over the end of 2018, reflecting the developments in net income, which more than offset dividends paid in 2019.

- Impairment of investments held by CDP S.p.A.

  Following impairment tests carried out in 2019 for CDP Immobiliare S.r.l., Elite S.p.A. and Fintecna S.p.A. write-backs and write-downs were recognised as follows:
  - Fintecna, a write-back of 93 million euro. This had already been recognised in the preparation of the half-yearly financial report for 2019 and mainly reflected the performance of the Fincantieri Group. The write-back was maintained at the end of the year, following the demerger of the investment in Fincantieri in consideration of the greater recoverable value of Fintecna, equal to 1,055 million euro, compared with a carrying amount of 944 million euro;
  - Elite, a write-down of 4 million euro mainly reflecting the lower profitability of the company;
  - CDP Immobiliare, a write-down of 27 million euro reflecting an expected decline in future net income.

  Impairment tests were also conducted for CDP Reti, SACE, CDP Equity, Europrogetti e Finanza, CDP Industria, CDP Investimenti SGR, Poste Italiane, and ENI, finding that their recoverable values were in line with or higher than their respective carrying amounts. As a result, no write-backs (within the limits of any previous write-downs), or write-downs were recognised.

  With regard to other equity investments, no facts or circumstances indicating a need to carry out an impairment test have emerged.

- Individual and collective impairment of loans granted by CDP S.p.A.

  Loans granted by CDP undergo impairment testing at the end of each period to determine whether there is objective evidence of impairment of the recognised asset.

  Impairment is assumed when, due to events occurring after the initial recognition of the asset having an impact on the associated future cash flows (e.g. defaulted payments), it is deemed probable that the value of the asset tested will not be recovered in full. The value of an asset subject to impairment can be restored in subsequent periods if the reason for the write-down ceases to exist.

  The individual assessment of such loans, carried out at 31 December 2019 on the basis of reasonable repayment assumptions, taking account of any guarantees securing these exposures, prompted net write-backs from valuation and collection totalling about 8.6 million euro. With regard the classification of loans, the impaired exposures were identified and presented in the financial statements in accordance with the relevant legislation.

  The staging allocation envisaged by IFRS 9 for financial assets determined the classification of net exposures in Stage 1 in the amount of 364.5 billion euro, in Stage 2 in the amount of 12.8 billion euro and in Stage 3 in the amount of about 0.2 billion euro. Stage 3 includes all impaired exposures classified as bad debts (59.4 million euro net), unlikely to be paid (137.7 million euro net) and impaired past due exposures (13.1 million euro net).

  With regard to the collective assessment of loans and other credit exposures, the net adjustment (a net write-back) recognised in 2019 profit or loss amounted to about 57.8 million euro (of which 42.6 million euro in write-backs of exposures to customers and 15.2 million euro in write-backs of exposures to banks). The provision for collective impairment totalled about 833 million euro (of which 35.5 million euro in respect of banks).

  The provision for collective impairment at 31 December 2019 was equal to 0.22% of gross on- and off-balance-sheet exposures subject to collective impairment.

- Performance and financial position of the CDP Group

  Group net income for 2019 amounted to 3,411 million euro (1,784 million euro of which pertaining to the Parent Company), a decrease over 2018, mainly attributable to the developments in net interest income, which came to 1,208 million euro (2,258 million euro in 2018) and the smaller contribution of 447 million euro (1,120 million euro in 2018) from companies accounted for using the equity method.

  The latter result mainly reflected the impact of equity accounting for ENI (-162 million euro from +873 million euro in 2018), Poste Italiane (+385 million euro from +436 million euro in 2018) and SAIPEM (+2 million euro from -60 million euro in 2018). The item also includes the effect of equity accounting for Ansaldo Energia (-243 million euro), comprising the remeasurement at fair value following determination of control over the company, compared with -239 million euro in 2018) and FSIA in the amount of +329 million euro (comprising the remeasurement at fair value following determination of control over SIA; +18 million euro in 2018), for which only balance sheet figures at 31 December 2019 were fully consolidated, in view of the proximity of the date on which it was determined that control was exercised over the two companies and their subsidiaries and the closing date of the year.

  Profit (loss) on insurance business came to 164 million euro, an increase over 2018 (73 million euro), and includes net premiums and other income and expense from insurance operations.

  Total assets exceeded 449 billion euro, an increase of about 24 billion euro over the previous year (+5.6% compared with 2018).

  Financial assets represented by cash and cash equivalents, loans and securities posted an overall increase of over 15 billion euro compared with 2018 due to the performance of items pertaining to the Parent Company. In particular, note the increase in securities, (i.e. debts securities, equity securities and units in collective investment undertakings), mainly attributable to purchases of financial assets classified in the HTC ("Held To Collect") portfolio, partially offset by a decrease in the stock of cash and cash equivalents.

  Equity investments decreased by an overall 1.4 billion euro, mainly reflecting:
  - the negative contribution of ENI (-162 million euro, including consolidation adjustments, compared with +873 million euro in 2018) which together with the effect of the elimination of the dividend and other minor factors produced a negative change of 927 million euro;
  - the positive contribution of Poste Italiane (including consolidation adjustments) in the amount of 385 million euro, due to net income for the year and the impact of the change in valuation reserves, the elimination of the dividend and other changes for a total amount of 98 million euro;

– for FSIA and Ansaldo Energia, a decrease of 1.1 billion euro, reflecting the line-by-line consolidation of those investees following determination of the exercise of control over both (previously accounted for using the equity method and recognised under that item).

Property, plant and equipment and intangible assets totalled 53 billion euro, an increase of 6 billion euro over the previous year. The increase mainly reflects:
– the contribution of 3.5 billion euro of the companies of the SIA and Ansaldo Energia Group (line-by-line consolidation), including the effect of the provisional allocation to goodwill of the excess value of the investments over the corresponding share of equity held in them;
– investments carried out within the Terna, Snam, Italgas and Fincantieri Groups offset by decreases due to purchase price allocation effects.

The funding of the CDP Group at 31 December 2019 totalled about 386 billion euro, an increase of over 18 billion euro compared with 2018. The increase, which was mainly driven by the developments described above in the postal funding of the Parent Company and funding from customers. Also contributing were other forms of funding: bank borrowing and, above all, bond issues of CDP, the Terna, Snam, Italgas Fincantieri Groups and Ansaldo Energia.

Group equity at 31 December 2019 came to about 36.1 billion euro. First-time application of the new IFRS 16 did not have an impact on equity. Equity pertaining to the shareholders of the Parent Company decreased slightly, to 23.6 billion euro (24.1 billion euro at 31 December 2018).

10. Other activities

In the exercise of the advisory functions attributed by current legislation, the articles of association and other internal provisions on governance, in 2019 the Board of Statutory Auditors issued an opinion:
- on the proposals of the Compensation Committee(1) concerning the remuneration of the corporate bodies, and to the setting and final accounting of the performance objectives related to the variable component of remuneration, to be paid, pursuant to Article 2389, third paragraph, of the Civil Code, to directors vested with special duties in accordance with the articles of association and in particular to the Chairman, the Chief Executive Officer and the General Manager;
- on the award of engagements for a number of non-audit services to the Audit Firm,(2) authorising those granted by CDP;
- on the appointment of the new director and Chairman of the Board, Giovanni Gorno Tempini(3) — following the resignation of Massimo Tononi — by the Board of Directors on 18 December 2019;
- on the appointment of the new Chief Audit Officer(4) Manuela Sabbatini — following the resignation of Marcello Villa — by the Board of Directors on 18 December 2019.

During the period, the Board of Statutory Auditors also participated in induction sessions aimed at providing the newly appointed Board of Directors with an adequate understanding of CDP's business sectors and strategies, also in light of company dynamics and the development of the Group's businesses, as well as issues pertaining to the risk management framework, the financial statements and the Company's corporate governance model. Moreover, the Board participated in training sessions aimed at providing a deeper understanding of issues pertaining to (i) the management of inside information, (ii) the Organisational Model pursuant to Legislative Decree 231/01 ("Model 231"), and (iii) the funds in which CDP has invested.

As from 27 February 2017, the Board of Statutory Auditors performs the functions of the Supervisory Body, pursuant to Legislative Decree 231 of 8 June 2001. In that capacity, during 2019 the Board promoted and monitored the start of the updating of the Model 231 of the Company.

11. COVID-19 health emergency and events occurring after the date of approval of the separate financial statements and the consolidated financial statements

With the spread of the COVID-19 health emergency, the Company has adopted a series of organisational measures (i.e. activation of a task force composed of representatives of the main internal units involved in managing the emergency) that are intended, among other things, to ensure business continuity and preserve the health and safety of company personnel. In particular, in accordance with the measures issued by the competent authorities, the Company insofar as it operates in a sector deemed essential (i.e. the financial sector) and because of its institutional mission – has maintained normal operations by using agile working methods for almost all employees, all of whom are equipped with the tools necessary for remote work. In this context, the Board of Statutory Auditors met with the employer, pursuant to Legislative Decree 81/2008, and verified the adoption of procedures

(1) Also in accordance with the Company Committee Function Chart.
(2) Also in accordance with Group policy on granting engagements to audit firms and their networks.
(3) Pursuant to Article 2386 of Italian Civil Code and Article 15, paragraph 12, of the articles of association.
(4) Also in accordance with the rules governing the office of the Chief Audit Officer.

to minimise the risk of contagion with COVID-19 and, more generally, to protect the health and safety of personnel. The Board also verified the adaptation of information and communications technology, human resources and organizational processes to the emergency situation, meeting with the heads of the units responsible for this.

At the accounting level, the directors, in the explanatory notes (in Sections 3 and 4 – Events subsequent to the reporting date of, respectively, the separate and consolidated financial statements), feel that the status of the emergency and the uncertainties connected with further developments in the impact on the country's productive, economic and social fabric do not allow — as at the date of approval of the separate and consolidated financial statements, which took place on 2 April 2020 — the formulation of any reasonable quantification of the performance of CDP and the Group in 2020. In this regard, the Board of Statutory Auditors met with the Chief Financial Officer also in his capacity as the manager responsible for preparing the financial reports and the Audit Firm. The Company has not ruled out the possibility that the persistence of the current health emergency may lead to short-term losses in profitability, which cannot currently be reliably estimated on the basis of the information available. In application of IAS 10, the Company has concluded that this circumstance does not require any adjustment of the financial statement balances at 31 December 2019 of CDP and the Group, as the events themselves and the related consequences occurred after the closing date of the period, nor does it represent a factor of uncertainty regarding the ability of the company and the Group to continue operating as a going concern. The Board of Statutory Auditors has also verified that further information has been provided with regard to the main subsidiaries in the explanatory notes to the individual and consolidated financial statements.

Finally, it should be noted that, in order to respond to the health emergency, Decree Law 23 of 8 April 2020 (*Urgent measures regarding access to credit and tax obligations for companies, special powers in strategic sectors, as well as health and workplace interventions, and extension of administrative and procedural deadlines*), published in *Gazzetta Ufficiale* no. 94 of 8 April 2020 which took place after the approval of the separate financial statements and the consolidated financial statements for 2019 at the Board meeting of 2 April 2020 — which is still being ratified into law, introduced a number of measures regarding the CDP Group. Among the provisions of greatest interest to the Group, the Board of Statutory Auditors reports the change of the operations of SACE S.p.A., a wholly owned subsidiary of CDP, and the fact that the Decree has established that SACE S.p.A. is not subject to the direction and coordination of CDP S.p.A.

12. Conclusions

Within the scope of the supervision activity of the Board of Statutory Auditors, no omissions, censurable facts or irregularities have been found.

As specifically regards the draft financial statements for the year ended 31 December 2019, as prepared by the Board of Directors and submitted for the approval of the Shareholders' Meeting together with the report on operations, the consolidated financial statements and the consolidated non-financial statement — the Board of Statutory Auditors, bearing in mind the specific duties of the Audit Firm with regard to controlling the accounts and verifying the reliability of the annual financial statements, and having considered the reports issued by the Audit Firm as well as the statements jointly issued by the Chief Executive Officer and the Financial Reporting Officer, has no comments for the Shareholders' Meeting.

Rome, 20 April 2020

For the Board of Statutory Auditors

The Chairman

Carlo Corradini

Independent Auditor’s report

pwc

Independent auditor’s report

in accordance with article 14 of Legislative Decree No.39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Cassa depositi e prestiti SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cassa depositi e prestiti SpA (the “Company”), which comprise the balance sheet as of 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*

Valuation of equity investments in the separate financial statements

Notes to the separate financial statements
Part A: Accounting policies – Part A.2 The Main financial statement items
Part B: Information on the Balance Sheet – Section 7 of assets - Equity investments
Part C: Information on the Income Statement – Section 15: Gains (Losses) on Equity Investments.

The item Equity investments at 31 December 2019 showed a balance of Euro 30,709 million equal to about 8 per cent of total assets of the financial statements.

Cassa depositi e prestiti's portfolio of equity investments includes investments in subsidiaries, jointly controlled subsidiaries and associates, valued at acquisition cost.

If there are indicators that lead to believe that an investment has suffered an impairment loss (impairment indicators), management is required to verify the investment's impairment loss, if any, comparing the book value of the investment with its estimated recoverable amount (impairment test) in accordance with IAS 36.

The valuation of the recoverable amount of equity investments is a complex activity requiring management to make significant estimates mainly regarding the determination of the assumptions and parameters behind the models used in order to estimate the current value of the expected cash flows (value in use) or, alternatively, the fair value less costs to sell.

In carrying out our auditing activities, we paid particular attention to the estimate of the recoverable amount of the equity investments which were considered more significant and showed impairment indicators within the context of the financial statements.

Specifically, we performed the following audit procedures, also with the support of the PwC network experts:

- understanding and analysis of the accounting policies and procedures for carrying out impairment tests;

- understanding and valuation of the controls carried out by the Company management in the context of the monitoring of the value of the equity investments, with a specific focus on the controls put in place in the elaboration phase of the impairment tests at the balance sheet date, and test of the operational effectiveness of these controls;

- collection, analysis and understanding of the set of information used by management to support their valuation, including the information reported to the corporate governance bodies;

- understanding and evaluation of the valuation models used by management;

- check of the consistency and adequacy of the models used, in order to determine the recoverable amount of the most significant equity investments, considering the specific context, the provisions of the applicable accounting standards, as well as the valuation practices;

- verification of the reasonableness of the financial parameters adopted for the purpose of the application of the valuation method chosen;

- verification of the mathematical accuracy of the calculations performed and of the formulae used by management within the impairment testing;

- independent analyses such as:
  a re-calculation of the valuation parameters and analysis of the reasonableness of the results,
  b monitoring of the performance of the stock price, if applicable,
  c collection of additional information and data available in the public domain, which were considered useful in the case;

- check of the adequacy and exhaustiveness of the disclosures in the notes to the separate financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit.

Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 25 May 2011, the shareholders of Cassa depositi e prestiti SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2011 to 31 December 2019.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The directors of Cassa depositi e prestiti SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Cassa depositi e prestiti SpA as of 31 December 2019, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the financial statements of Cassa depositi e prestiti SpA as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Cassa depositi e prestiti SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 20 April 2020

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

Certification of the separate financial statements

pursuant to Art. 154-*bis* of Legislative Decree no. 58/1998

1. The undersigned Fabrizio Palermo, in his capacity as Chief Executive Officer, and Paolo Calcagnini, in his capacity as Manager in charge with preparing the Company's financial reports of Cassa Depositi e Prestiti S.p.A., hereby certify, taking into account the provisions of article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company; and
   - the actual application of the administrative and accounting procedures for the preparation of the separate financial statements during 2019.

2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the separate financial statements at 31 December 2019 was based on a process developed by Cassa Depositi e Prestiti S.p.A in line with the CoSO model and CoBIT model (for the IT component), which make up the generally-accepted internal control framework at international level.

3. In addition, it is hereby certified that:
   3.1 the separate financial statements at 31 December 2019:
      a) have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) correspond to the information in the books and other accounting records;
      c) give a true and fair view of the performance and financial position of the issuer.
   3.2 The report on operations contains a reliable analysis of operations and performance, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 20 April 2020

The Chief Executive Officer

Fabrizio Palermo

The Manager in charge with preparing the Company's financial reports

Paolo Calcagnini

03

2019 consolidated financial statements

Form and content of the consolidated financial statements at 31 December 2019

The consolidated financial statements at 31 December 2019 have been prepared in compliance with applicable regulations and consist of:

- Consolidated balance sheet;
- Consolidated income statement;
- Consolidated statement of comprehensive income;
- Statement of changes in consolidated equity;
- Consolidated statement of cash flows;
- Notes to the consolidated financial statements.

The Notes to the Consolidated Financial Statements are composed of:

- Introduction
- Part A - Accounting policies
- Part B - Information on the consolidated balance sheet
- Part C - Information on the consolidated income statement
- Part D - Consolidated comprehensive income
- Part E - Information on risks and related hedging policies
- Part F - Consolidated capital
- Part G - Business combinations
- Part H - Transactions with related parties
- Part I - Share-based payments
- Part L - Operating segments
- Part M - Disclosure of leases

The following are also included:

- Annexes
- Independent Auditor's report
- Certification pursuant to Article 154-*bis* of Legislative Decree no. 58/98

In the section "Annexes", paragraph 1.1 "Scope of consolidation", which forms an integral part of the consolidated financial statements (Annex 1.1) and paragraph 1.2 "Disclosure pursuant to Law 124 of 4 August 2017, Article 1, paragraphs 125-129" (Annex 1.2) have been added.

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Consolidated financial statements at 31 December 2019

CONSOLIDATED BALANCE SHEET

Assets (thousands of euro)			31/12/2019	31/12/2018
10.	Cash and cash equivalents		1,340	1,166
20.	Financial assets measured at fair value through profit or loss:		4,817,701	4,293,623
	a)	financial assets held for trading	1,473,366	1,035,983
	b)	financial assets designated at fair value		
	c)	other financial assets mandatorily measured at fair value	3,344,335	3,257,640
30.	Financial assets measured at fair value through other comprehensive income		12,360,038	11,582,864
40.	Financial assets measured at amortised cost:		344,205,246	330,074,848
	a)	loans to banks	32,684,128	24,825,040
	b)	loans to customers	311,521,118	305,249,808
50.	Hedging derivatives		431,066	722,177
60.	Fair value change of financial assets in hedged portfolios (+/-)		1,467,343	131,581
70.	Equity investments		18,952,123	20,395,661
80.	Reinsurers’ share of technical reserves		1,002,469	851,681
90.	Property, plant and equipment		39,354,499	37,660,125
100.	Intangible assets		13,192,067	8,804,271
	-	*of which: goodwill*	*2,786,040*	*659,430*
110.	Tax assets:		1,878,706	1,621,844
	a)	current tax assets	243,033	88,949
	b)	deferred tax assets	1,635,673	1,532,895
120.	Non-current assets and disposal groups held for sale		342,486	11,583
130.	Other assets		10,719,235	8,931,506
	Total assets		**448,724,319**	**425,082,930**

Liabilities and equity (thousands of euro)		31/12/2019	31/12/2018
10.	Financial liabilities measured at amortised cost:	385,657,519	366,706,687
	a) due to banks	41,840,044	40,905,821
	b) due to customers	302,011,550	288,788,232
	c) securities issued	41,805,925	37,012,634
20.	Financial liabilities held for trading	89,965	81,747
30.	Financial liabilities designated at fair value	61,200	519,413
40.	Hedging derivatives	3,054,893	826,038
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	18,699	26,033
60.	Tax liabilities:	3,650,788	3,596,661
	a) current tax liabilities	162,971	312,307
	b) deferred tax liabilities	3,487,817	3,284,354
70.	Liabilities associated with non-current assets and disposal groups held for sale	165,706	
80.	Other liabilities	13,407,795	10,959,482
90.	Staff severance pay	252,728	209,449
100.	Provisions for risks and charges:	3,443,251	2,749,453
	a) guarantees issued and commitments	363,636	229,495
	b) pensions and other post-retirement benefit obligations		
	c) other provisions	3,079,615	2,519,958
110.	Technical reserves	2,811,818	2,675,499
120.	Valuation reserves	1,147,528	479,959
130.	Redeemable shares		
140.	Equity instruments		
150.	Reserves	14,677,901	14,312,860
160.	Share premium reserve	2,378,517	2,378,517
170.	Share capital	4,051,143	4,051,143
180.	Treasury shares (-)	(489,111)	(57,220)
190.	Non-controlling interests (+/-)	12,559,778	12,676,358
200.	Net income (loss) for the year	1,784,201	2,890,851
	Total liabilities and equity	**448,724,319**	**425,082,930**

CONSOLIDATED INCOME STATEMENT

Items (thousands of euro)		2019	2018
10.	Interest income and similar income	7,200,997	8,117,598
	- *of which: interest income calculated using the effective interest rate method*	*7,399,310*	*8,174,131*
20.	Interest expense and similar expense	(4,821,434)	(4,632,580)
30.	**Net interest income**	**2,379,563**	**3,485,018**
40.	Commission income	447,476	457,061
50.	Commission expense	(1,523,589)	(1,583,285)
60.	**Net commission income (expense)**	**(1,076,113)**	**(1,126,224)**
70.	Dividends and similar revenues	16,497	11,832
80.	Profits (losses) on trading activities	30,649	19,517
90.	Fair value adjustments in hedge accounting	(110,555)	(42,997)
100.	Gains (losses) on disposal or repurchase of:	742,599	(28,235)
	a) financial assets measured at amortised cost	660,476	55,704
	b) financial assets at fair value through other comprehensive income	110,867	(36,953)
	c) financial liabilities	(28,744)	(46,986)
110.	Profits (losses) on financial assets and liabilities measured at fair value through profit or loss:	(16,668)	(60,984)
	a) financial assets and liabilities designated at fair value	(1,775)	680
	b) other financial assets mandatorily at fair value	(14,893)	(61,664)
120.	**Gross income**	**1,965,972**	**2,257,927**
130.	Net adjustments/recoveries for credit risk relating to:	26,340	(111,879)
	a) financial assets measured at amortised cost	30,339	(110,874)
	b) financial assets at fair value through other comprehensive income	(3,999)	(1,005)
140.	Gains/losses from changes in contracts without derecognition	(497)	(2,199)
150.	**Financial income (expense), net**	**1,991,815**	**2,143,849**
160.	Net premium income	308,430	202,651
170.	Net other income (expense) from insurance operations	(144,093)	(130,130)
180.	**Net income from financial and insurance operations**	**2,156,152**	**2,216,370**
190.	Administrative expenses:	(7,909,775)	(7,411,688)
	a) staff costs	(1,976,626)	(1,956,925)
	b) other administrative expenses	(5,933,149)	(5,454,763)
200.	Net accruals to the provisions for risks and charges:	(122,894)	(16,343)
	a) guarantees issued and commitments	(9,221)	(11,511)
	b) other net accrual	(113,673)	(4,832)
210.	Net adjustments to/recoveries on property, plant and equipment	(1,627,816)	(1,442,922)
220.	Net adjustments to/recoveries on intangible assets	(617,968)	(599,116)
230.	Other operating income (costs)	12,680,849	11,919,545
240.	**Operating costs**	**2,402,396**	**2,449,476**
250.	Gains (losses) on equity investments	430,489	1,108,254
260.	Gains (losses) on tangible and intangible assets measured at fair value		
270.	Goodwill impairment		
280.	Gains (losses) on disposal of investments	15,346	18,767
290.	**Income (loss) before tax from continuing operations**	**5,004,383**	**5,792,867**
300.	Income tax for the year on continuing operations	(1,565,476)	(1,459,412)
310.	**Income (loss) after tax on continuing operations**	**3,438,907**	**4,333,455**
320.	Income (loss) after tax on discontinued operations	(28,205)	
330.	**Net income (loss) for the year pertaining to non-controlling interests**	**3,410,702**	**4,333,455**
340.	Net income (loss) for the year pertaining to non-controlling interests	1,626,501	1,442,604
350.	**Net income (loss) for the year pertaining to shareholders of the Parent Company**	**1,784,201**	**2,890,851**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Items (thousands of euro)		2019	2018
10.	**Net income (loss) for the year**	**3,410,702**	**4,333,455**
	Other comprehensive income (net of tax) or transferred to income statement	**(82)**	**(259,450)**
20.	Equity securities designated at fair value through other comprehensive income	65,811	(268,782)
30.	Financial liabilities designated at fair value through profit or loss (change in the entity's own credit risk)		
40.	Hedging of equity securities designated at fair value through other comprehensive income		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit	(6,988)	5,393
80.	Non-current assets held for sale		
90.	Share of valuation reserves of equity investments accounted for using equity method	(58,905)	3,939
	Other comprehensive income (net of tax) transferred to income statement	**545,214**	**(509,688)**
100.	Hedging of foreign investments		
110.	Exchange rate differences	17,894	7,096
120.	Cash flow hedges	(178,570)	(150,059)
130.	Hedging instruments (elements not designated)		
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	294,905	(213,529)
150.	Non-current assets held for sale		
160.	Share of valuation reserves of equity investments accounted for using equity method	410,985	(153,196)
170.	**Total other comprehensive income (net of tax)**	**545,132**	**(769,138)**
180.	**Comprehensive income (items 10 + 170)**	**3,955,834**	**3,564,317**
190.	Consolidated comprehensive income pertaining to non-controlling interests	1,492,694	1,376,237
200.	**Consolidated comprehensive income pertaining to shareholders of the Parent Company**	**2,463,140**	**2,188,080**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY: CURRENT FINANCIAL YEAR

				Allocation of net income for previous year		Changes for the period		
							Equity transactions	
(thousands of euro)	Balance at 31/12/2018	Changes in opening balance	Balance at 01/01/2019	Reserves	Dividends and other allocations	Changes in reserves	Issues of new shares	Purchase of own shares
Share capital:	7,141,669		7,141,669				3,621	
a) ordinary shares	7,141,669		7,141,669				2,271	
b) preference shares							1,350	
Share premium reserve	4,150,414		4,150,414			(187,643)		
Reserves:	21,720,843		21,720,843	1,471,172		74,142		
a) income	20,950,560		20,950,560	1,471,172		70,096		
b) other	770,283		770,283			4,046		
Valuation reserves	345,008		345,008			14,865		
Equity instruments								
Interim dividends	(474,375)		(474,375)	474,375				
Treasury shares	(484,546)		(484,546)					(270,724)
Net income (loss)	4,333,455		4,333,455	(1,945,547)	(2,387,908)			
Total Equity	**36,732,468**		**36,732,468**		**(2,387,908)**	**(98,636)**	**3,621**	**(270,724)**
Equity Group	**24,056,110**		**24,056,110**		**(1,554,707)**	**(31,618)**		**(431,890)**
Equity non-controlling interests	**12,676,358**		**12,676,358**		**(833,201)**	**(67,018)**	**3,621**	**161,166**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY: PREVIOUS FINANCIAL YEAR

				Allocation of net income for previous year		Changes for the period		
							Equity transactions	
(thousands of euro)	Balance at 31/12/2017	Changes in opening balance	Balance at 01/01/2018	Reserves	Dividends and other allocations	Changes in reserves	Issues of new shares	Purchase of own shares
Share capital:	7,269,899		7,269,899			(1,561)		
a) ordinary shares	7,269,899		7,269,899			(1,561)		
b) preference shares								
Share premium reserve	4,248,963		4,248,963			(87,673)		
Reserves:	20,033,814	(218,779)	19,815,035	1,824,176		(14,948)		
a) income	19,235,885	(218,779)	19,017,106	1,824,176		13,970		
b) other	797,929		797,929			(28,918)		
Valuation reserves	681,619	409,657	1,091,276			22,870		
Equity instruments								
Interim dividends	(496,111)		(496,111)	496,111				
Treasury shares	(278,461)		(278,461)					(206,085)
Net income (loss)	4,461,658		4,461,658	(2,320,287)	(2,141,371)			
Total Equity	**35,921,381**	**190,878**	**36,112,259**		**(2,141,371)**	**(81,312)**		**(206,085)**
Equity Group	**23,061,093**	**191,217**	**23,252,310**		**(1,345,159)**	**(118,809)**		
Equity non-controlling interests	**12,860,288**	**(339)**	**12,859,949**		**(796,212)**	**37,497**		**(206,085)**

Changes for the period									
Equity transactions									
Interim dividends	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests	Comprehensive income for 31/12/2019	Shareholders' Equity at 31/12/2019	Group's Equity at 31/12/2019	Equity non-controlling interests at 31/12/2019
					80,259		7,225,549	4,051,143	3,174,406
					80,259		7,224,199	4,051,143	3,173,056
							1,350		1,350
					160,774		4,123,545	2,378,517	1,745,028
	(959,862)			129	(620,109)		21,686,315	14,677,901	7,008,414
	(959,862)				(694,016)		20,837,950	14,676,855	6,161,095
				129	73,907		848,365	1,046	847,319
					(45,290)	545,132	859,715	1,147,528	(287,813)
(440,599)							(440,599)		(440,599)
							(755,270)	(489,111)	(266,159)
						3,410,702	3,410,702	1,784,201	1,626,501
(440,599)	**(959,862)**			**129**	**(424,366)**	**3,955,834**	**36,109,957**	**23,550,179**	**12,559,778**
	(959,862)				**9,006**	**2,463,140**	**23,550,179**	**23,550,179**	
(440,599)				**129**	**(433,372)**	**1,492,694**	**12,559,778**		**12,559,778**

Changes for the period									
Equity transactions									
Interim dividends	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests	Comprehensive income for 31/12/2018	Shareholders' Equity at 31/12/2018	Group's Equity at 31/12/2018	Equity non-controlling interests at 31/12/2018
					(126,669)		7,141,669	4,051,143	3,090,526
					(126,669)		7,141,669	4,051,143	3,090,526
					(10,876)		4,150,414	2,378,517	1,771,897
	(9,382)			1,364	104,598		21,720,843	14,312,860	7,407,983
	(9,382)				104,690		20,950,560	14,311,786	6,638,774
				1,364	(92)		770,283	1,074	769,209
						(769,138)	345,008	479,959	(134,951)
(474,375)							(474,375)		(474,375)
							(484,546)	(57,220)	(427,326)
						4,333,455	4,333,455	2,890,851	1,442,604
(474,375)	**(9,382)**			**1,364**	**(32,947)**	**3,564,317**	**36,732,468**	**24,056,110**	**12,676,358**
					79,688	**2,188,080**	**24,056,110**	**24,056,110**	
(474,375)	**(9,382)**			**1,364**	**(112,635)**	**1,376,237**	**12,676,358**		**12,676,358**

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(thousands of euro)	2019	2018
A. OPERATING ACTIVITIES		
1. Operations	**9,797,306**	**9,061,534**
Net income for the year (+/-)	3,410,702	4,333,455
Gains (losses) on financial assets held for trading and other financial assets/liabilities measured at fair value through profit or loss (-/+)	10,524	88,164
Gains (losses) on hedging activities (-/+)	99,132	42,064
Net impairment adjustments (+/-)	(26,340)	111,879
Net value adjustments to property, plant and equipment and intangible assets (+/-)	2,245,784	2,042,038
Net provisions and other costs/revenues (+/-)	122,894	16,343
Net premiums not received (-)	(16,186)	(14,284)
Other insurance income not received/paid (-/+)	93,492	246,352
Unpaid charges, taxes and tax credits (+/-)	39,060	(299,469)
Writedowns/writebacks of equity investments (+/-)	(276,182)	(1,103,473)
Income (loss) after tax on discontinued operations (+/-)		
Other adjustments (+/-)	4,094,426	3,598,465
2. Cash generated by/used in financial assets	**(20,182,812)**	**3,878,215**
Financial assets held for trading	(427,966)	(157,453)
Financial assets designated at fair value		
Other financial assets mandatorily measured at fair value	(86,488)	(541,507)
Financial assets measured at fair value through other comprehensive income	(497,767)	(2,322,629)
Financial assets measured at amortised cost	(19,296,993)	7,033,499
Other assets	126,402	(133,695)
3. Cash generated by/used in financial liabilities	**12,196,631**	**1,520,430**
Financial liabilities measured at amortised cost	12,868,656	1,962,437
Financial liabilities held for trading	8,218	(103,948)
Financial liabilities designated at fair value	(462,129)	865
Other liabilities	(218,114)	(338,924)
Cash generated by/used in operating activities	**1,811,125**	**14,460,179**
B. INVESTMENT ACTIVITIES		
1. Cash generated by	**1,308,477**	**1,263,576**
Sale of equity investments	47,153	69,320
Dividends from equity investments	1,180,968	1,124,797
Sale of property plant and equipment	77,856	67,956
Sale of intangibles	2,500	1,503
Sales of subsidiaries and business units		
2. Cash used in	**(4,516,159)**	**(3,335,265)**
Purchase of equity investments	(401,753)	(490,454)
Purchase of property, plant and equipment	(2,358,323)	(2,008,343)
Purchase of intangible assets	(908,489)	(684,818)
Purchases of subsidiaries and business units	(847,594)	(151,650)
Cash generated by/used in investing activities	**(3,207,682)**	**(2,071,689)**
C. FINANCING ACTIVITIES		
Issue/purchase of treasury shares	(42,378)	
Issue/purchase of equity instruments		
Dividend distribution and other allocations	(3,534,751)	(2,625,128)
Sale/purchase of third-party control	2,639	
Cash generated by/used in financing activities	**(3,574,490)**	**(2,625,128)**
CASH GENERATED/USED DURING THE YEAR	**(4,971,047)**	**9,763,362**

RECONCILIATION

Items (*)	2019	2018
Cash and cash equivalents at beginning of the year	**161,429,877**	**151,666,515**
Total cash generated/used during the year	(4,971,047)	9,763,362
Cash and cash equivalents at end of the year	**156,458,830**	**161,429,877**

(*) The cash and cash equivalents reported in the cash flow statement comprise the balance of item 10 “Cash and cash equivalents”, the balance on the current account held with the Central Treasury and the positive balance of the bank current accounts, both reported under item 40 “Financial assets measured at amortised cost”, net of current accounts with a negative balance reported under item 10 “Financial liabilities measured at amortised cost” under liabilities.

Notes to the consolidated financial statements

Introduction

Form and content of the financial statements

As in previous years, the consolidated financial statements of the Cassa Depositi e Prestiti Group ("CDP Group" or "Group") have been prepared according to the provisions of the Bank of Italy, as applicable, specified in the "Credit and Financial Supervision" circular issued on 22 December 2005, in the 6th update of 30 November 2018, on the "Bank financial statements: presentation formats and rules", which regulates the preparation of the financial statements of banks according to the IFRS.

With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2006 financial year, to adopt the IAS/IFRSs in preparing the financial statements of EU companies that issue equity or debt securities on a regulated market in the European Union.

Italian Legislative Decree 38 of 28 February 2005 was then issued in order to govern the application of:
- the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB);
- the International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC);

and interpretation sources adopted by the International Financial Reporting Interpretations Committee ("IFRIC", formerly SIC - Standing Interpretations Committee).

The currency used for the preparation of the consolidated financial statements is the euro. The consolidated financial statements consist of the Consolidated balance sheet, the Consolidated income statement, the Consolidated statement of comprehensive income, the Statement of changes in consolidated equity, the Consolidated statement of cash flows, and these Notes to the consolidated financial statements with the relevant annexes as well as the Board of Directors' report on operations.

The consolidated financial statements clearly present, and give a true and fair view of, the Group's financial performance and results of operations for the year.

Basis of presentation

The consolidated financial statements and the tables of the notes to the consolidated financial statements are expressed in thousands of euros, unless otherwise specified.

Items with zero balances for both the current and prior financial year have been excluded. In the income statement, income is indicated as positive numbers, while expenses are shown in brackets.

The figures of the items, sub-items, and the "of which" specifications in the consolidated financial statements and in the tables of the notes to the financial statements have been rounded as appropriate, while ignoring the fractions of amounts equal to or less than 500 euro and raising fractions greater than 500 euro to the next highest thousand. The rounded amounts for the various items are the sum of the rounded balances of sub-items.

The cash and cash equivalents reported in the Statement of cash flows comprise the balance of item 10 "Cash and cash equivalents", the balance on the current account held with the Central State Treasury reported under item 40 b "Loans to customers", and the positive balance on bank accounts reported under item 40 a "Loans to banks", net of current accounts with a negative balance reported under item 10 a "Due to banks" of liabilities.

Comparison and disclosure

As detailed below, the Notes to the financial statements provide all information required by law, as applicable to CDP and its Group, as well as any supplemental information deemed necessary in order to give a true and fair view of the company's financial performance and standing.

The mandatory tables and other details required by the Bank of Italy, where applicable, have been numbered in accordance with the parts and sections specified in Annex "B" of the supervisory instructions issued by the Bank of Italy.

With regard to the requirements of the afore-mentioned Circular 262/2005 on presentation of data and information for the scope of "prudential consolidation", we note that, in line with the Italian and EU regulatory framework, the CDP Group is not subject to prudential supervision on a consolidated basis. Therefore, the Parent Company CDP S.p.A. and the following companies, subject to supervision on an individual basis, were included where reference is made to the scope of "prudential consolidation": CDP Investimenti SGR, SACE Factoring and Fondo Italiano di Investimento SGR. In contrast, the subsidiary SIApay S.r.l. (included among Other companies) has not been included the scope of the "prudential consolidation", due to the small significance of its operations with respect to those of the entities listed above.

Where significant, detailed information has been provided distinguishing between "prudential consolidation" (which can be referred to alternatively as "banking group"), "insurance companies" and "other companies". The scope of "insurance companies" includes SACE S.p.A. and SACE BT. All fully consolidated subsidiaries, other than those already included in the scope of the "prudential consolidation", or "banking group", and in the "insurance companies" scope, are included in the "other companies" scope.

Pursuant to Art. 5, Decree Law no. 269, 30 September 2003, on the transformation of CDP into a joint-stock company, the provisions of Title V, Legislative Decree no. 385, 1 September 1993 ("Consolidated Law on Banking") for intermediaries in the list referred to in Art. 106 of the same legislative decree, "taking into account the characteristics of the supervised entity and the special regulations applicable to the separate account […]" shall apply to CDP.

On this point, it should be noted that since 2004 the Bank of Italy has been exercising mainly "informational" supervision over CDP, conducted by using management data based on sectorial legislation, geared to acquiring aspects of knowledge and assessment on the business and organisation of CDP.

"Section F - Consolidated capital" was therefore not prepared.

Tables with zero amounts both for the reporting period and for the comparison year were omitted.

Auditing of the financial statements

The consolidated financial statements of the CDP Group are subject to statutory audit pursuant to Legislative Decree 39/2010 by the independent auditing firm PricewaterhouseCoopers S.p.A., following award of the audit engagement for the 2011-2019 period by the Shareholders' Meeting of 25 May 2011.

In view of the expiry of the audit engagement awarded to PricewaterhouseCoopers S.p.A., starting from the second half of 2018, CDP began the procedure for selecting the new independent auditors for the nine-year period 2020-2028. At the end of that process, the Shareholders' Meeting of CDP S.p.A., held in ordinary session on 19 March 2019, awarded the above-mentioned audit engagement to Deloitte & Touche S.p.A.

Annexes to the consolidated financial statements

The consolidated financial statements include Annex 1.1 "Scope of consolidation" and Annex 1.2 "Disclosure pursuant to Law 124 of 4 August 2017, Article 1, paragraphs 125-129".

Part A - Accounting policies

A.1 - General information

Section 1 - Declaration of compliance with the International Financial Reporting Standards

These consolidated financial statements at 31 December 2019 have been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, in force at 31 December 2019, endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Journal L 243 on 11 September 2002.

To the extent applicable, these consolidated financial statements have been prepared on the basis of Circular no. 262 of the Bank of Italy of 22 December 2005, as amended, which establishes the mandatory financial statement formats and compilation procedures, and also the contents of the notes to the financial statements.

More specifically, on 30 November 2018, the Bank of Italy published the 6th update to Circular no. 262/2005 ("Bank financial statements: presentation formats and rules"), which incorporates the changes introduced by IFRS 16 "Leases". In particular, the update of the Circular also took into account the consequent changes in other international accounting standards, including IAS 40 regarding investment property, introduced to guarantee the overall consistency of the accounting framework[36], the amendment to IFRS 12 "Disclosure of Interests in Other Entities", which clarifies that the disclosure obligations envisaged for equity investments also apply to investments held for sale, and the additional disclosure in the notes on credit risk with details referring to financial assets classified as "non-current assets and disposal groups held for sale" pursuant to IFRS 5.

This update to Circular no. 262/2005 is applied from 1 January 2019.

The IFRS applied for preparation of these consolidated financial statements are found in the list given in "Section 5 — Other issues".

Section 2 - General preparation principles

The consolidated financial statements of the GDP Group include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows (prepared according to the "indirect method"), and these notes to the financial statements, as well as the Board of Directors' report on operations. These documents, the separate financial statements and the annexes to both separate and consolidated financial statements, make up the annual report.

The consolidated financial statements and tables in the notes to the consolidated financial statements present not only the net amounts for the current financial year but also the corresponding comparative values for the previous financial year.

The consolidated balance sheet does not contain those items having a zero amount in the reporting financial year and in the previous financial year. The consolidated income statement and the consolidated statement of comprehensive income do not contain items that have a zero amount in the reporting financial year and the previous financial year.

In the consolidated income statement, the consolidated statement of comprehensive income, and the tables in the notes to the consolidated financial statements, revenues are indicated without sign, while costs are shown in brackets, when presented inside tables that also include revenue items.

For the purposes of interpretation and to provide support in applying the financial reporting standards, the following documents have also been considered, although they have not been endorsed by the European Commission:
- Conceptual framework for financial reporting;
- Implementation Guidance and Basis for Conclusions;
- SIC/IFRIC interpretations;
- interpretation documents concerning the application of the IFRS in Italy, prepared by the Italian Accounting Board Organismo Italiano di Contabilità, OIC) and the Italian Banking Association (Associazione Bancaria Italiana, ABI);
- documents issued by the EBA, ESMA and Consob concerning the application of specific IFRS rules.

36 The sphere of application of IAS 40 was extended, which now includes investment property leased amongst investment property. The rights of use acquired through leases connected to investment properties are therefore governed by this standard, with the exception of some specific provisions, which refer to IFRS 16 (such as for example the rules on classification and initial recognition).

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

These consolidated financial statements have been prepared in accordance with the provisions of IAS 1 - "Presentation of financial statements":

- going concern basis: pursuant to the provisions of joint Bank of Italy/Consob/Isvap Document no. 2 of 6 February 2009 concerning disclosures on the going concern basis and in compliance with the requirements on the same issue contained in IAS 1 Revised and recommendations made in the ESMA's Public Statement 71-99-1290 of 11 March 2020, the CDP Group has conducted an assessment of its ability to continue to operate as a single going concern, considering all available information over a medium-term time horizon. Based on an analysis of the information and the results achieved in previous years, CDP feels that it is appropriate to prepare its consolidated financial statements on a going concern basis;
- accruals basis: operations are recognised in the accounting records and in the consolidated financial statements of the CDP Group (except for the disclosure about cash flows) when they accrue, regardless of the payment or collection date. Costs and revenues are taken to profit or loss in accordance with the matching principle;
- materiality and aggregation: all items containing assets, liabilities, revenues and expense of a similar nature and with similar characteristics are presented separately in the financial statements, unless they are immaterial;
- offsetting: no assets have been offset with liabilities, nor income with expenses, unless expressly required or allowed by the instructions of the Bank of Italy or by an accounting standard or a related interpretation;
- Frequency of reporting: the CDP Group has prepared these consolidated financial statements, presenting the related disclosures, on an annual basis. No changes occurred with respect to the reporting date, which remains at 31 December of each year;
- comparative information: comparative information is disclosed in respect of the previous financial year. Comparative information, at the same reporting date, is provided for each document comprising the financial statements, including the notes thereto. The comparative information does not take into account the effects of IFRS 16, adopted as of 1 January 2019, using the "Modified Retrospective Approach" as set out in paragraphs C5 b and C8 b (ii).

Use of estimates

The application of International Financial Reporting Standards in preparing the consolidated financial statements requires the CDP Group to make accounting estimates that are considered reasonable and realistic according to the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities, costs, revenues, and the disclosures on contingent assets and liabilities as of the reporting date, as well as the amounts reported for revenues and costs for the reference financial year.

Changes in the conditions underlying the judgements, assumptions and estimates used could also have an impact on the consolidated financial statement items and future earnings results.

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

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

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

The main areas in which management is required to make subjective assessments are:

- the calculation of impairment losses on loans, equity investments and, in general, other financial assets;
- the measurement of other non-financial assets (goodwill, property, plant and equipment, including the value in use of assets acquired through leases and intangible assets);

- the use of measurement techniques to determine the fair value of financial instruments not quoted on an active market;
- the estimate and assumptions used in assessing the recoverability of deferred tax assets and interpretative issues concerning tax treatment;
- the estimate of the liabilities deriving from defined employee benefits;
- the quantification of provisions for risks and charges;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products.

The description of the accounting policies used for the main consolidated financial statement items provides details on the main assumptions and assessments used in preparing the consolidated financial statements.

Section 3 - Scope and methods of consolidation

Subsidiaries are consolidated on a line-by-line basis, while companies subject to joint control or significant influence are accounted for using the equity method. An exception is made for a number of equity investments in companies in liquidazione or subsidiaries in the start-up phase with assets and liabilities that are non-existent or of insignificant value, whose contribution to the consolidated financial statements is immaterial.

The financial statements of the subsidiaries used for line-by-line consolidation are those at 31 December 2019, as approved by competent corporate bodies of consolidated companies, adjusted as necessary to harmonise them with Group accounting policies and reclassified on the basis of the formats established by the Bank of Italy in Circular no. 262 of 22 December 2005, updated to 30 November 2018.

The following statement shows the companies consolidated on a line-by-line basis.

1. Equity investments in subsidiaries

Company name	Operational headquarters	Registered office	Type of relation-ship (1)	Equity investment		% of votes (2)
				Investor	% holding	
1. ACE Marine LLC	Green Bay - WI	Green Bay - WI	1	Fincantieri Marine Group LLC	100.00%	100.00%
2. Alfiere S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
3. Alivieri Power Units Maintenance SA	n.a.	Athens	1	Ansaldo Energia Switzerland AG	100.00%	100.00%
4. Ansaldo Energia Holding USA Co	n.a.	Wilmington	1	Ansaldo Energia S.p.A.	100.00%	100.00%
5. Ansaldo Energia IP UK Ltd	n.a.	London	1	Ansaldo Energia S.p.A.	100.00%	100.00%
6. Ansaldo Energia Iranian LLC	n.a.	Teheran	1	Ansaldo Energia S.p.A.	70.00%	70.00%
			1	Ansaldo Russia LLC	30.00%	30.00%
7. Ansaldo Energia Korea YH	n.a.	Seoul	1	Ansaldo Energia Switzerland AG	95.00%	95.00%
			1	Ansaldo Energia S.p.A.	5.00%	5.00%
8. Ansaldo Energia Messico S. de R.L. de C.V.	n.a.	Mexico City (CTI)	1	Ansaldo Energia Switzerland AG	95.00%	95.00%
			1	Ansaldo Energia S.p.A.	5.00%	5.00%
9. Ansaldo Energia Muscat LLC	n.a.	Muscat	1	Ansaldo Energia S.p.A.	50.00%	50.00%
			1	Ansaldo Energia Switzerland AG	50.00%	50.00%
10. Ansaldo Energia S.p.A.	Genoa	Genoa	1	CDP Equity S.p.A.	59.94%	59.94%
11. Ansaldo Energia Spain S.L.	n.a.	Saragozza	1	Ansaldo Energia Switzerland AG	100.00%	100.00%
12. Ansaldo Energia Switzerland AG	n.a.	Baden	1	Ansaldo Energia S.p.A.	100.00%	100.00%
13. Ansaldo Nigeria Limited	n.a.	Lagos	1	Ansaldo Energia S.p.A.	70.00%	70.00%
			1	Ansaldo Russia LLC	30.00%	30.00%
14. Ansaldo Nucleare S.pA.	n.a.	Genoa	1	Ansaldo Energia S.p.A.	100.00%	100.00%
15. Ansaldo Russia LLC	n.a.	Moscow	1	Ansaldo Energia S.p.A.	100.00%	100.00%
16. Ansaldo Servicos de Energia Brasil Ltda	n.a.	Saint Paul	1	Ansaldo Energia Switzerland AG	95.00%	95.00%
			1	Ansaldo Energia S.p.A.	5.00%	5.00%
17. Ansaldo Thomassen B.V.	n.a.	Rheden	1	Ansaldo Energia S.p.A.	100.00%	100.00%
18. Ansaldo Thomassen Gulf	n.a.	Abu Dhabi	1	Ansaldo Thomassen B.V.	100.00%	100.00%
19. Asia Power Project Private Ltd	n.a.	Chennai	1	Ansaldo Energia S.p.A.	100.00%	100.00%
20. Asset Company 2 S.r.l.	San Donato Milanese	San Donato Milanese	1	Snam S.p.A.	100.00%	100.00%

Company name	Operational headquarters	Registered office	Type of relation-ship (1)	Equity investment		% of votes (2)
				Investor	% holding	
21. Asset Company 4 S.r.l.	San Donato Milanese	San Donato Milanese	1	Snam S.p.A.	100.00%	100.00%
22. Avvenia the Energy Innovator S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	70.00%	70.00%
23. Bacini di Palermo S.p.A.	Palermo	Palermo	1	Fincantieri S.p.A.	100.00%	100.00%
24. Bonafous S.p.A. in liquidazione	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
25. BOP6 S.c.ar.l.	Trieste/Aix en Provence	Trieste	1	Fincantieri SI S.p.A.	95.00%	95.00%
			1	Fincantieri S.p.A.	5.00%	5.00%
26. C.S.I. S.r.l.	Rome	Milan	1	INSIS S.p.A.	75.65%	75.65%
27. CDP Equity S.p.A.	Milan	Milan	1	CDP S.p.A.	100.00%	100.00%
28. CDP Immobiliare S.r.l.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
29. CDP Industria S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
30. CDP Investimenti SGR S.p.A.	Rome	Rome	1	CDP S.p.A.	70.00%	70.00%
31. CDP Reti S.p.A.	Rome	Rome	1	CDP S.p.A.	59.10%	59.10%
32. CDP Technologies AS	Alesund	Alesund	1	Seaonics AS	100.00%	100.00%
33. CDP Technologies Estonia OÜ	Tallinn	Tallinn	1	CDP Technologies AS	100.00%	100.00%
34. Centro per gli Studi di Tecnica Navale - Cetena S.p.A.	Genoa	Genoa	1	Fincantieri S.p.A.	71.10%	71.10%
			1	Seaf S.p.A.	15.00%	15.00%
35. Cinque Cerchi S.p.A. in liquidazione	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
36. Consorzio Stabile Ansaldo Newclear	n.a.	Genoa	1	Ansaldo Nucleare S.pA.	72.73%	72.73%
			1	Ansaldo Energia S.p.A.	18.18%	18.18%
37. Cubogas S.r.l.	San Donato Milanese	San Donato Milanese	1	Snam 4 Mobility S.p.A.	100.00%	100.00%
38. Difebal S.A.	Montevideo	Montevideo	1	Terna S.p.A.	100.00%	100.00%
39. Ecoprogetto Milano S.r.l.	Bolzano	Bolzano	1	Renerwaste Lodi S.r.l.	55.00%	45.45%
			1	Renerwaste S.r.l.	45.00%	37.18%
40. Ecoprogetto Tortona S.r.l.	Bolzano	Bolzano	1	Renerwaste S.r.l.	100.00%	82.63%
41. Emmecom S.r.l.	Milan	Turin	1	SIA S.p.A.	100.00%	100.00%
42. Enersi Sicilia S.r.l.	Caltanissetta	San Donato Milanese	1	Snam 4 Mobility S.p.A.	100.00%	100.00%
43. Enura S.p.A.	San Donato Milanese	San Donato Milanese	1	Snam S.p.A.	55.00%	55.00%
44. Esseti sistemi e tercnologie S.r.l.	Terni	Terni	1	INSIS S.p.A.	51.00%	51.00%
45. Estaleiro Quissamã Ltda	Rio de Janeiro	Rio de Janeiro	1	Vard Group AS	50.50%	50.50%
46. FIA 2	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
47. Fincantieri (Shanghai) Trading Co. Ltd	Shanghai	Shanghai	1	Fincantieri S.p.A.	100.00%	100.00%
48. Fincantieri Australia Pty Ltd	Sydney	Sydney	1	Fincantieri S.p.A.	100.00%	100.00%
49. Fincantieri Do Brasil Partecipacoes S.A.	Rio de Janeiro	Rio de Janeiro	1	Fincantieri S.p.A.	80.00%	80.00%
			1	Fincantieri Holding B.V.	20.00%	20.00%
50. Fincantieri Dragaggi Ecologici S .p.A.	Rome	Rome	1	Fincantieri S.p.A.	55.00%	55.00%
51. Fincantieri Europe S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
52. Fincantieri Holding B.V.	Amsterdam	Amsterdam	1	Fincantieri S.p.A.	100.00%	100.00%
53. Fincantieri India Private Limited	New Delhi	New Delhi	1	Fincantieri Holding B.V.	99.00%	99.00%
			1	Fincantieri S.p.A.	1.00%	1.00%
54. Fincantieri Infrastructure Opere Marittime S.p.A.	n.a.	Trieste	1	Fincantieri Infrastructure S.p.A.	100.00%	100.00%
55. Fincantieri Infrastructure S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
56. Fincantieri Marine Group Holdings Inc.	Green Bay - WI	Green Bay - WI	1	Fincantieri USA Inc.	87.44%	87.44%
57. Fincantieri Marine Group LLC	Washington, DC	Washington, DC	1	Fincantieri Marine Group Holdings Inc.	100.00%	100.00%
58. Fincantieri Marine Systems North America Inc.	Chesapeake - VI	Chesapeake - VI	1	Fincantieri Holding B.V.	100.00%	100.00%
59. Fincantieri Oil & Gas S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
60. Fincantieri S.p.A.	Trieste	Trieste	1	CDP Industria S.p.A.	71.32%	71.32%
61. Fincantieri Services Middle East LLC	Doha	Doha	1	Fincantieri S.p.A.	100.00%	100.00%

Company name		Operational headquarters	Registered office	Type of relation-ship (1)	Equity investment		% of votes (2)
					Investor	% holding	
62.	Fincantieri Services USA LLC	Miami	Miami	1	Fincantieri USA Inc.	100.00%	100.00%
63.	Fincantieri SI S.p.A.	Trieste	Trieste	1	Seaf S.p.A.	100.00%	100.00%
64.	Fincantieri Sweden AB	n.a.	Stockholm	1	Fincantieri S.p.A.	100.00%	100.00%
65.	Fincantieri USA Inc.	Washington, DC	Washington, DC	1	Fincantieri S.p.A.	100.00%	100.00%
66.	Fintecna S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
67.	FIT - Fondo Investimenti per il Turismo	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
68.	FT1 - Fondo Turismo 1	Rome	Rome	4	FIT Fondo Investimenti per il Turismo	100.00%	100.00%
69.	FIV Extra	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
70.	FIV Plus	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
71.	FMSNA YK	Nagasaki	Nagasaki	1	Fincantieri Marine Systems North America Inc.	100.00%	100.00%
72.	FOF Private Debt	Milan	Milan	1	CDP S.p.A.	62.50%	62.50%
73.	Fondo Italiano di Investimento SGR S.p.A.	Milan	Milan	1	CDP Equity S.p.A.	68.00%	68.00%
74.	Fondo Sviluppo Export	Milan	Milan	4	SACE S.p.A.	100.00%	100.00%
75.	FSI Investimenti S.p.A.	Milan	Milan	1	CDP Equity S.p.A.	77.12%	77.12%
76.	Fsia Investimenti S.r.l.	Milan	Milan	1	FSI Investimenti S.p.A.	70.00%	70.00%
77.	Gannouch Maintenance S.ar.l.	n.a.	Tunis	1	SPVTCCC BV	99.00%	99.00%
				1	Ansaldo Energia Switzerland AG	1.00%	1.00%
78.	Gasrule Insurance D.A.C.	Dublin	Dublin	1	Snam S.p.A.	100.00%	100.00%
79.	Gaxa S.p.A.	Milan	Milan	1	Italgas S.p.A.	51.85%	51.85%
80.	Gestione Bacini La Spezia S.p.A.	La Spezia	La Spezia	1	Fincantieri S.p.A.	99.89%	99.89%
81.	GNL Italia S.p.A.	San Donato Milanese	San Donato Milanese	1	Snam S.p.A.	100.00%	100.00%
82.	HMS IT S.p.A.	Rome	Rome	1	INSIS S.p.A.	60.00%	60.00%
83.	IES Biogas S.r.l.	Pordenone	Pordenone	1	Snam 4 Mobility S.p.A.	100.00%	70.00%
84.	Infrastrutture Trasporto Gas S.p.A.	Milan	San Donato Milanese	1	Asset Company 2 S.r.l.	100.00%	100.00%
85.	INSIS S.p.A.	Follo (La Spezia)	Milan	1	Fincantieri S.p.A.	55.50%	55.50%
86.	Isotta Fraschini Motori S.p.A.	Bari	Bari	1	Fincantieri S.p.A.	100.00%	100.00%
87.	Issel Nord S.r.l.	Follo	Follo	1	Fincantieri S.p.A.	100.00%	100.00%
88.	Italgas Acqua S.p.A.	Caserta	Milan	1	Italgas S.p.A.	100.00%	100.00%
89.	Italgas Reti S.p.A.	Turin	Turin	1	Italgas S.p.A.	100.00%	100.00%
90.	Italgas S.p.A.	Milan	Milan	4	CDP Reti S.p.A.	26.04%	26.04%
				4	Snam S.p.A.	13.50%	13.50%
91.	Luxury Interiors Factory S.r.l.	Naples	Naples	1	Marine Interiors S.p.A.	100.00%	100.00%
92.	Marina Bay S.A.	Luxembourg	Luxembourg	1	INSIS S.p.A.	100.00%	100.00%
93.	Marine Interiors Cabins S.p.A.	Caneva (PN)	Trieste	1	Seaf S.p.A.	100.00%	100.00%
94.	Marine Interiors S.p.A.	n.a.	Trieste	1	Marine Interiors S.p.A.	100.00%	100.00%
95.	Marinette Marine Corporation	Marinette - WI	Marinette - WI	1	Fincantieri Marine Group LLC	100.00%	100.00%
96.	Medea S.p.A.	Sassari	Sassari	1	Italgas Reti S.p.A.	51.85%	51.85%
97.	MI S.p.A.	n.a.	Trieste	1	Seaf S.p.A.	100.00%	100.00%
98.	New SIA Greece S.A.	Athens	Athens	1	SIA S.p.A.	100.00%	100.00%
99.	Niehlgas GmbH	n.a.	Oberursel	1	Ansaldo Energia Switzerland AG	100.00%	100.00%
100.	Nuclear Enginnering Group Limited	Warrington	Wolverhampton	1	Ansaldo Nucleare S.p.A.	100.00%	100.00%
101.	P4cards S.r.l.	Verona	Verona	1	SIA S.p.A.	100.00%	100.00%
102.	Pentagramma Perugia S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
103.	Pentagramma Romagna S.p.A. in liquidazione unipersonale	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
104.	Perago Financial System Enablers Ltd	Centurion	Centurion	1	SIA S.p.A.	100.00%	100.00%

Company name	Operational headquarters	Registered office	Type of relation-ship [1]	Equity investment		
				Investor	% holding	% of votes [2]
105. PforCards GmbH	Vienna	Vienna	1	SIA S.p.A.	100.00%	100.00%
106. PI.SA. 2 S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
107. Power System M Japan	n.a.	Tokyo	1	Power System MSG LLC	100.00%	100.00%
108. Power System MSG LLC	n.a.	Jupiter (USA)	1	Ansaldo Energia Holding USA Co	100.00%	100.00%
109. Quadrifoglio Modena S.p.A in liquidazione unipersonale	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
110. REICOM S.r.l.	Padova	Milan	1	INSIS S.p.A.	100.00%	100.00%
111. Renerwaste Lodi S.r.l.	Bolzano	Bolzano	1	Renerwaste S.r.l.	100.00%	82.63%
112. Renerwaste S.r.l.	Bolzano	Bolzano	1	Snam 4 Environment	100.00%	82.63%
113. Resia Interconnector S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
114. Residenziale Immobiliare 2004 S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	82.62%	82.62%
115. Rete S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
116. Rete Verde 17 S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100.00%	100.00%
117. Rete Verde 18 S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100.00%	100.00%
118. Rete Verde 19 S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100.00%	100.00%
119. Rete Verde 20 S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100.00%	100.00%
120. SACE BT	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%
121. SACE do Brasil	Saint Paul	Saint Paul	1	SACE S.p.A.	100.00%	100.00%
122. SACE FCT	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%
123. SACE Servizi	Rome	Rome	1	SACE BT	100.00%	100.00%
124. SACE S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
125. Seanergy a Marine Interiors Company S.r.l.	Pordenone	Pordenone	1	Marine Interiors S.p.A.	85.00%	85.00%
126. Seaonics AS	Alesund	Alesund	1	Vard Group AS	56.40%	56.40%
127. Seaonics Polska Sp.Zo.o.	Gdańsk	Gdańsk	1	Seaonics AS	100.00%	100.00%
128. Seaside S.r.l.	Bologna	Bologna	1	Italgas S.p.A.	100.00%	100.00%
129. Seastema S.p.A.	Genoa	Genoa	1	Fincantieri S.p.A.	100.00%	100.00%
130. Securitè des environnements Complexes S.r.l.	Aosta	Milan	1	INSIS S.p.A.	100.00%	100.00%
131. SIA Central Europe Zrt.	Budapest	Budapest	1	SIA S.p.A.	100.00%	100.00%
132. SIA Croatia d.o.o.	Zagreb	Zagreb	1	SIA S.p.A.	100.00%	100.00%
133. SIA Czech Republic. S.r.o.	Praha	Praha	1	SIA S.p.A.	100.00%	100.00%
134. SIA Hungary Ltd.	Budapest	Budapest	1	SIA S.p.A.	100.00%	100.00%
135. SIA Romania Payment Technologies S.r.l.	Bucharest	Bucharest	1	SIA S.p.A.	100.00%	100.00%
136. SIA RS d.o.o. Beograd	Belgrade	Belgrade	1	SIA S.p.A.	100.00%	100.00%
137. SIA S.p.A.	Milan	Milan	1	FSIA Investimenti S.r.l.	57.42%	57.42%
			1	CDP Equity S.p.A.	25.69%	25.69%
138. SIA Slovakia a.s.	Bratislava	Bratislava	1	SIA S.p.A.	100.00%	100.00%
139. SIAadvisor S.r.l.	Rome	Rome	1	SIA S.p.A.	100.00%	51.00%
140. SIApay S.r.l.	Milan	Milan	1	SIA S.p.A.	100.00%	100.00%
141. SIMEST S.p.A.	Rome	Rome	1	SACE S.p.A.	76.01%	76.01%
142. Snam 4 Environment	San Donato Milanese	San Donato Milanese	1	Snam S.p.A.	100.00%	100.00%
143. Snam 4 Mobility S.p.A.	San Donato Milanese	San Donato Milanese	1	Snam S.p.A.	100.00%	100.00%
144. Snam Gas & Energy Services (Beijing) Co. Ltd.	n.a.	n.d.	1	Snam International B.V.	100.00%	100.00%
145. Snam International B.V.	Amsterdam	Amsterdam	1	Snam S.p.A.	100.00%	100.00%
146. Snam RETE GAS S.p.A.	San Donato Milanese	San Donato Milanese	1	Snam S.p.A.	100.00%	100.00%
147. Snam S.p.A.	San Donato Milanese	San Donato Milanese	4	CDP Reti S.p.A.	31.04%	31.04%
148. Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%

Company name	Operational headquarters	Registered office	Type of relation-ship (1)	Equity investment		% of votes (2)
				Investor	% holding	
149. SPE Santa Lucia Transmissora de Energia S.A.	Rio de Janeiro	Rio de Janeiro	1	Terna Plus S.r.l.	99.99%	99.99%
			1	Terna Chile S.p.A.	0.01%	0.01%
150. SPE Santa Maria Transmissora de Energia S.A.	Rio de Janeiro	Rio de Janeiro	1	Terna Plus S.r.l.	99.99%	99.99%
			1	Terna Chile S.p.A.	0.01%	0.01%
151. Spe Transmissora de Energia Linha Verde II S.A.	Belo Horizonte	Belo Horizonte	1	Terna Plus S.r.l.	75.00%	75.00%
152. Stogit S.p.A.	San Donato Milanese	San Donato Milanese	1	Snam S.p.A.	100.00%	100.00%
153. Tamini Transformers USA L.L.C.	Sewickley	Sewickley	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
154. Tamini Trasformatori India Private Limited	Magarpatta City, Pune	Magarpatta City, Pune	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
155. Tamini Trasformatori S.r.l.	Legnano (MI)	Legnano (MI)	1	Terna Energy Solutions S.r.l.	70.00%	70.00%
156. Tea Servizi S.r.l.	Brescia	Brescia	1	Asset Company 4 S.r.l.	100.00%	100.00%
157. Tep Energy Solution S.r.l.	Milan	Rome	1	Asset Company 4 S.r.l.	100.00%	82.00%
158. Terna 4 Chacas S.A.C.	Lima	Lima	1	Terna Plus S.r.l.	99.99%	99.99%
			1	Terna Chile S.p.A.	0.01%	0.01%
159. Terna Chile S.p.A.	Santiago del Chile	Santiago del Chile	1	Terna Plus S.r.l.	100.00%	100.00%
160. Terna Crna Gora d.o.o.	Podgorica	Podgorica	1	Terna S.p.A.	100.00%	100.00%
161. Terna Energy Solutions S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
162. Terna Interconnector S.r.l.	Rome	Rome	1	Terna S.p.A.	65.00%	65.00%
			1	Terna Rete Italia S.p.A.	5.00%	5.00%
163. Terna Peru S.A.C.	Lima	Lima	1	Terna Plus S.r.l.	99.99%	99.99%
			1	Terna Chile S.p.A.	0.01%	0.01%
164. Terna Plus S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
165. Terna Rete Italia S.p.A.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
166. Terna S.p.A.	Rome	Rome	4	CDP Reti S.p.A.	29.85%	29.85%
167. Toscana Energia Green S.p.A.	Pistoia	Pistoia	1	Toscana Energia S.p.A.	100.00%	100.00%
168. Toscana Energia S.p.A.	Florence	Florence	1	Italgas S.p.A.	50.66%	50.66%
169. Vard Accommodation AS	Tennfjord	Tennfjord	1	Vard Group AS	100.00%	100.00%
170. Vard Accommodation Tulcea SRL	Tulcea	Tulcea	1	Vard Accommodation AS	99.77%	99.77%
			1	Vard Tulcea SA	0.23%	0.23%
171. Vard Aqua Chile SA	n.a.	Puerto Montt	1	Vard Aqua Sunndal AS	95.00%	95.00%
172. Vard Aqua Scotland Ltd	Lochgilphead	Lochgilphead	1	Vard Aqua Sunndal AS	100.00%	100.00%
173. Vard Aqua Sunndal AS	Sunndalsøra	Sunndalsøra	1	Vard Group AS	100.00%	100.00%
174. Vard Braila SA	Braila	Braila	1	Vard RO Holding S.r.l.	94.12%	94.12%
			1	Vard Group AS	5.88%	5.88%
175. Vard Contracting AS	Vatne	Vatne	1	Vard Group AS	100.00%	100.00%
176. Vard Design AS	Alesund	Alesund	1	Vard Group AS	100.00%	100.00%
177. Vard Design Liburna Ltd.	Rijeka	Rijeka	1	Vard Design AS	51.00%	51.00%
178. Vard Electrical Installation and Engineering (India) Private Limited	New Delhi	New Delhi	1	Vard Electro AS	99.50%	99.50%
			1	Vard Electro Tulcea S.r.l.	0.50%	0.50%
179. Vard Electro AS	Sovik	Sovik	1	Vard Group AS	100.00%	100.00%
180. Vard Electro Braila S.r.l.	Braila	Braila	1	Vard Electro AS	100.00%	100.00%
181. Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niteroi	Niteroi	1	Vard Electro AS	99.00%	99.00%
			1	Vard Group AS	1.00%	1.00%
182. Vard Electro Canada Inc.	Vancouver	Vancouver	1	Vard Electro AS	100.00%	100.00%
183. Vard Electro Italy S.r.l.	n.a.	Genoa	1	Vard Electro AS	100.00%	100.00%
184. Vard Electro Tulcea S.r.l.	Tulcea	Tulcea	1	Vard Electro AS	99.96%	99.96%
185. Vard Engineering Brevik AS	Brevik	Brevik	1	Vard Group AS	100.00%	100.00%

Company name		Operational headquarters	Registered office	Type of relationship (1)	Equity investment		% of votes (2)
					Investor	% holding	
186.	Vard Engineering Constanta S.r.l.	Costanza	Costanza	1	Vard RO Holding S.r.l.	70.00%	70.00%
				1	Vard Braila SA	30.00%	30.00%
187.	Vard Engineering Gdansk Sp.Zo.o.	n.a.	Gdansk	1	Vard Engineering Brevik AS	100.00%	100.00%
188.	Vard Group AS	Alesund	Alesund	1	Vard Holdings Limited	100.00%	100.00%
189.	Vard Holdings Limited	Singapore	Singapore	1	Fincantieri Oil & Gas S.p.A.	98.22%	98.22%
190.	Vard Infraestrutura Ltda	n.a.	Recife	1	Vard Promar SA	99.99%	99.99%
				1	Vard Group AS	0.01%	0.01%
191.	Vard Marine Inc.	Vancouver	Vancouver	1	Vard Group AS	100.00%	100.00%
192.	Vard Marine US Inc.	n.a.	Houston	1	Vard Marine Inc.	100.00%	100.00%
193.	Vard Niterói Ltda	Rio de Janeiro	Rio de Janeiro	1	Vard Group AS	99.99%	99.99%
				1	Vard Electro Brazil (Instalaçoes Eletricas) Ltda	0.01%	0.01%
194.	Vard Offshore Brevik AS	Porsgrunn	Porsgrunn	1	Vard Group AS	100.00%	100.00%
195.	Vard Piping AS	Tennfjord	Tennfjord	1	Vard Group AS	100.00%	100.00%
196.	Vard Promar SA	Recife	Recife	1	Vard Group AS	100.00%	100.00%
197.	Vard RO Holding S.r.l.	Tulcea	Tulcea	1	Vard Group AS	100.00%	100.00%
198.	Vard Seaonics Holding AS	Alesund	Alesund	1	Vard Group AS	100.00%	100.00%
199.	Vard Shipholding Singapore Pte Ltd	Singapore	Singapore	1	Vard Holdings Limited	100.00%	100.00%
200.	Vard Singapore Pte. Ltd.	Singapore	Singapore	1	Vard Group AS	100.00%	100.00%
201.	Vard Tulcea SA	Tulcea	Tulcea	1	Vard RO Holding S.r.l.	99.996%	99.996%
				1	Vard Group AS	0.004%	0.004%
202.	Vard Vung Tau Ltd	Vung Tau	Vung Tau	1	Vard Singapore Pte. Ltd.	100.00%	100.00%
203.	VBD1 AS	Norvegia	Norvegia	1	Vard Group AS	100.00%	100.00%
204.	VBD2 AS	Alesund	Alesund	1	Vard Group AS	100.00%	100.00%
205.	Yeni Aen Insaat Anonim Sirketi	n.a.	Istanbul	1	Ansaldo Energia S.p.A.	100.00%	100.00%

Key
(1) Type of relationship:
1 = majority of voting rights in ordinary shareholders' meeting
2 = dominant influence in ordinary shareholders' meeting;
3 = agreements with other shareholders
4 = other form of control;
5 = unitary management pursuant to Article 26.1 of Legislative Decree 87/92;
6 = Unitary management pursuant to Article 26.2 of Legislative Decree 87/92.
(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes.

Compared with 31 December 2018, the greatest changes in the scope of line-by-line consolidation are represented by the entry into the scope of consolidation of:

- Ansaldo Energia, from 31 December 2019, previously subjected to joint control through CDP Equity;
- FSIA and its investee SIA, from 31 December 2019, both previously subjected to joint control, respectively, through FSI Investimenti and FSIA itself;
- Fondo Italiano di Investimenti SGR, from 31 December 2019, previously subjected to significant influence from the Parent Company;
- Toscana Energia, previously subjected to the joint control of Mediterranea S.r.l., Isgastrentatrè and Sienergas, through Italgas which, during the year also acquired the business units Aquamet and Isgas Energit Multiutilities;
- Alfiere and Quadrifoglio Modena, respectively from 1 July and 1 October 2019, both previously subjected to joint control through CDP Immobiliare;
- Luxury Interiors Factory S.r.l and INSIS, respectively from 1 January and 1 July 2019, through Fincantieri.

It should be noted, finally, that during the year, CDP acquired control over CDP Venture SGR (formerly Invitalia Venture SGR) which, in accordance with the practice adopted for the purpose of defining the scope of consolidation on a line-by-line basis or with the equity method, has been excluded from consolidation in view of the overall value of the investee's assets and the size of its equity.

2. Significant assessments and assumptions to determine whether there is control, joint control or significant influence

Line-by-line consolidation

Line-by-line consolidation involves the line-by-line use of the aggregate amounts on the balance sheets and income statements of the subsidiaries. After the allocation to non-controlling interests, reported as a separate item, of their share of equity and net income, the value of the equity investment is cancelled against the residual value of the equity of the subsidiary.

Assets, liabilities, income and expenses between consolidated companies are totally eliminated.

Acquisitions of companies are accounted for using the "acquisition method" provided for under IFRS 3, as modified by Regulation 495/2009, under which the identifiable assets acquired and the identifiable liabilities assumed (including contingent liabilities) are recognised at their respective fair values at the acquisition date.

For the newly acquired companies, the difference between the purchase price and equity is provisionally allocated to goodwill if positive or to liabilities under item 80 "Other liabilities" if negative, net of any goodwill in the balance sheets of the investees. In accordance with IFRS 3.45 et seq., the difference resulting from the transaction is allocated within twelve months of the acquisition date. If positive, the difference is recognised — after any allocation to the assets and liabilities of the subsidiary — as goodwill or other intangible assets under intangible assets. If negative, it is recognised through profit or loss.

The acquisition method is applied as from the moment in which control of the investee is effectively acquired.

Accounting for companies using the equity method

Associates and joint ventures are accounted for using the equity method.

The equity method involves initial recognition of the equity investment at cost, which is subsequently adjusted on the basis of the share held in the equity of the investee.

The difference between the value of the equity investment and the share held of the equity of the investee is included in the carrying amount of the investee.

The share of profit or loss of the investee is recognised in a specific item of the consolidated income statement.

If there is evidence of impairment, the recoverable amount of the equity investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value. If the recoverable value is lower than the carrying amount resulting from the application of the equity method, the difference is recognised through profit or loss.

The consolidation of joint ventures and investments in associates was based on the most recent (annual or interim) financial statements of the companies.

Subsidiaries

Subsidiaries are entities, including structured entities, which are directly or indirectly controlled by the Group. Control over an entity is shown by the Group's capacity to exercise powers in order to influence variable returns to which the Group is exposed as a result of its relationship with the aforementioned entity.

In order to verify the existence of control, the Group considers the following factors:
- the purpose and structure of the investee, in order to identify the entity's objectives, the activities that generate its revenues and how such activities are governed;
- power, in order to understand whether the Group has contractual rights enabling it to govern relevant activities; to this end, only substantial rights that confer effective governance are considered;
- the exposure to the investee, in order to assess whether the Group has business relationships with the investee whose returns vary as a result of changes in the investee's performance;
- the existence of potential principal-agent relationships.

Where significant activities are governed through voting rights, the following factors show evidence of control:
- direct or indirect ownership — through a subsidiary — of over fifty per cent of voting rights of an entity, unless it can be demonstrated — in exceptional cases — that such ownership does not constitute control;

- ownership of fifty per cent or less of the votes that can be exercised in the Shareholders' Meeting and unilateral ability to govern the main activities through:
  - control of over half of voting rights by virtue of an agreement with other investors;
  - power to determine the financial and operational policies of the entity by virtue of a clause of the Articles of Association or an agreement;
  - power to appoint or remove the majority of the members of the Board of Directors or the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body;
  - power to exercise the majority of voting rights in the meetings of the Board of Directors or those of the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body. Presence of the aforementioned factors was verified for equity investments in Snam, Terna and Italgas, over which, therefore, de facto control was ascertained.

The presence and the effect of potential voting rights, where substantial, are taken into account when assessing whether the power of governing another entity's financial and operational policies exists.

Subsidiaries may include any "structured entities" in which voting rights are not significant with respect to control assessment, including special purpose entities and investment funds.

Structured entities are considered as subsidiaries where:
- the Group has power through contractual rights that enable governance of relevant activities;
- the Group is exposed to variable returns resulting from the aforementioned activities.

The carrying value of equity stakes in entities consolidated on a line-by-line basis held by the Parent Company or other Group companies is offset — against the assets and the liabilities of the investees — as a balancing entry of the relevant equity share pertaining to the Group.

Assets and liabilities, off-balance sheet transactions, income and expenses, as well profits and losses between entities included into the scope of consolidation are fully eliminated, in line with the consolidation method adopted.

A subsidiary's revenues and costs are consolidated starting from the date on which control is acquired. Revenues and costs of a divested subsidiary sold are included into the consolidated income statement up to the divestment date, i.e. until the Group no longer controls the investee. The difference between the disposal price for the subsidiary and the carrying value of its net assets at the same date is recorded in the income statement under item 280. "Gains (Losses) on disposal of investments" for companies consolidated on a line-by-line basis.

Non-controlling interests are presented in the balance sheet under item 190. "Non-controlling interests", separately from liabilities and equity pertaining to the Group. In the income statement, non-controlling interests are also presented separately under item 340. "Net income (loss) for the year pertaining to non-controlling interests".

For companies included into the scope of consolidation for the first time, the fair value of the cost incurred to acquire control over the equity investment, including ancillary charges, is measured at the acquisition date.

The difference between the disposal price of an interest held in a subsidiary and the relevant carrying value of net assets is recognised as a balancing entry in Equity, when the disposal does not entail a loss of control.

Joint arrangements

A joint arrangement is a contractual agreement in which two or more counterparties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

According to IFRS 11, joint arrangements must be classified as joint operation or joint venture depending on the Group's contractual rights and obligations.

A joint operation is a joint arrangement in which the parties have rights on the assets and obligations on the liabilities of the arrangement.

A joint venture is a joint arrangement in which the parties have rights on the net assets of the agreement.

Equity investments in jointly controlled companies are valued at equity.

Associate companies

An associate is a company over which the owner exercises a significant influence and which is neither a subsidiary nor a joint venture. Significant influence is presumed when the owner:
- owns, directly or indirectly, at least 20% of another company's share capital; or
- can, *inter alia* through shareholders' agreements, exercise significant influence through:
  - representation in the company's management body;
  - participation in the policy-making process, including in decision-making on dividends or other allocations;
  - existence of significant transactions;
  - exchange of managerial personnel;
  - provision of key know-how.

Equity investments in associates are measured at equity.

3. Equity investments in subsidiaries with significant non-controlling interests

For the purposes of preparing the following tables, an interest was considered significant if:
- non-controlling interests are equal to or greater than 50% of the share capital of the investee;
- the investee's accounts are of material significance for the reader of this report.

3.1 Non-controlling interests, availability of non-controlling interest votes and dividends distributed to non-controlling interests

(thousands of euro) Company name	% of non-controlling interests	Availability of votes of non-controlling votes (1)	Dividends paid to non-controlling interests (2)
1. Terna S.p.A.	82.36%	70.15%	395,139
2. Snam S.p.A.	81.09%	68.00%	617,086
3. Italgas S.p.A.	82.05%	60.46%	155,358

(1) Available voting rights at Ordinary Shareholders' Meeting.
(2) Including interim dividend.

3.2 Equity investments in subsidiaries with significant non-controlling interests: accounting data

(thousands of euro) Company name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Equity	Net interest income	Gross income	Operating costs	Income (loss) before tax from continuing operations	Income (loss) after tax on continuing operations	Income (loss) after tax on disposal groups held for sale	Income (loss) for the period (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3) = (1) + (2)
1. Terna S.p.A.	18,085,685	206	2,027,797	14,406,863	9,880,327	4,231,891	(69,577)	(80,454)	1,149,977	1,077,433	763,941		763,941	(107,488)	656,453
2. Snam S.p.A.	24,485,890	539	2,892,316	17,429,372	14,836,648	6,258,770	(152,906)	(193,768)	1,443,997	1,468,079	1,094,226	(3,876)	1,090,350	(46,748)	1,043,602
3. Italgas S.p.A.	8,486,116	229	270,004	7,081,990	4,765,954	1,794,939	(65,924)	(70,411)	509,301	547,627	423,699		423,699	(5,548)	418,151

4. Significant restrictions

No significant restrictions were found to exist except as indicated in paragraph 7.9 of these Notes.

5. Other information

No other information to be reported.

Section 4 - Events subsequent to the reporting date

No events requiring changes to the figures approved occurred between the reporting date of these consolidated financial statements and the date of their approval by the Board of Directors.

Significant events after the reporting date

The significant transactions which occurred after 31 December 2019 are summarised below.

Initially, it should be noted that after the end of the financial year, during March 2020, the new COVID-19 virus, originating in China, spread to many countries around the world, with the World Health Organisation consequently defining the epidemic as a "pandemic situation" on 11 March 2020.

At the date of preparing these notes, Italy represents one of the worst hit countries in Europe. This has led to considerable pressure on the country's health system and the consequent enactment of a series of measures by the Government (adoption by the Prime Minister of the Decrees of 4, 8, 9 March 2020 and of the "Cura Italia" Decree Law on 17 March 2020), which have introduced restrictive and unprecedented measures to the activities of the Public Administration, the economy in general and the daily life of Italian citizens, as well as substantial economic measures to support families, workers and businesses.

In a scenario where the virus does not stop spreading in the short term, this pandemic development could also significantly affect the global outlook for future growth, influencing the general macroeconomic framework and financial markets.

On this point, CDP's Directors deemed that the trend of the emergency along with uncertainties surrounding further developments in terms of impact on the productive, economic and social fabric of the country does not allow - at present - any approximation of a reasonable quantification of the Group's 2020 performance.

It is not excluded that the possible continuation of the current health emergency may result in short-term losses in margins, which at present cannot be reliably estimated with the elements available.

In accordance with IAS 10, this circumstance is not deemed to lead to any adjustment to the balances in the consolidated financial statements at 31 December 2019, since the fact itself and its consequences occurred after the reporting date, nor a factor of uncertainty as to the Company's ability to continue to operate as a going concern.

Fincantieri

On 14 January 2020, the first Board of Directors meeting was held of Naviris, the joint venture between Fincantieri and Naval Group. This partnership strengthens the shared desire of both companies to build a future of excellence for the shipbuilding industry and for the Navies. Giuseppe Bono was awarded the Chairmanship and Hervé Guillou is a member of the Board of Directors. During the Franco-Italian summit in Naples on 27 February 2020, an intergovernmental agreement was signed that reaffirms France and Italy's full support for the joint venture. This agreement makes the long-term alliance, launched by the two industrial groups, fully operational.

On 24 January 2020, Fincantieri and the Ministry of Defence of Qatar, through Barzan Holdings, a company owned 100% by the Ministry of Defence of Qatar, signed a Memorandum of Understanding (MoU) in Doha aimed at strengthening the strategic partnership through the assessment and studies of new technologies and capacities, which could already lead to the future acquisition of new units in 2020.

On 24 February 2020, Marakeb Technologies, a provider of leading automation solutions, and Fincantieri, one of the largest naval engineering groups in the world, signed a Memorandum of Understanding to explore opportunities for collaboration in the field of automation on a global level.

On 6 March 2020, Cassa Depositi e Prestiti, Eni and Fincantieri, confirming their joint commitment in the transition towards decarbonisation and environmental sustainability, signed a Memorandum of Understanding for the development of joint projects in the field of the circular economy, designed to identify and implement technological solutions to address in a synergistic manner the issue of marine litter, which is jeopardising marine and coastal ecosystems mainly due to floating plastic waste and micro-plastics. The agreement was signed with the aim of studying and developing technologies for the collection of scattered waste at sea and along the coasts and use it to generate mobility products and industrial applications.

On 10 March 2020, Fincantieri Infrastructure launched into the air the new maxi steel-superstructure measuring 100 metres. The bridge whose profile will be reminiscent of a ship's hull, as designed by Renzo Piano, has spanned the Polcevera river.

The Fincantieri group responded promptly to the Coronavirus (COVID-19) pandemic, by activating certain initiatives to achieve its main objectives of protecting the health of its employees and of those of the satellite industries. As regards manufacturing, despite the mitigating actions promptly implemented by the Company, including the purchase of health safeguards to allow company operations to be conducted correctly, the COVID-19 emergency is having significant effects on the regular and ordinary performance of the group's activities in 2020. In particular, the Management believes that the pandemic will mainly have an impact on production schedules, on the supply chain, on investment plans and business negotiations.

At a global level, one of the sectors hardest-hit by the current emergency situation is that of tourism, with particular attention on the cruise market with operations inevitably being suspended. In this context, the group's priorities and efforts are focused on the actions needed to protect the current order book, an essential element not only for Fincantieri and the satellite system, but also within the scope of helping the national economy to recover. It should be noted that the current health emergency constitutes a force majeure event under contracts, allowing the group to amend production schedules and delivery dates of vessels.

If the situation were to be resolved within a reasonable timescale, Fincantieri believes that the financial and economic structure of the group will be able to cope with the effects of the emergency.

In view of the uncertainty regarding the impact of the emergency on the productive, economic and social fabric of the country, as soon as developments allow clearer analysis, the company will finalise its new 2020-2024 Business Plan and will promptly announce it to the market.

Terna

As part of the strategy for the development of Non-Regulated Activities, through the subsidiary Terna Energy Solutions S.r.l., 29 February 2020 saw the closing of the acquisition, announced on 20 December 2019 by Terna, of 90% of Brugg Kabel AG (Brugg group), one of the main European operators in the terrestrial cable sector, active in the design, development, construction, installation and maintenance of electrical cables of all voltages and accessories for high voltage cables. The agreement follows the transaction announced on 20 December by Terna. The acquisition of Brugg Kabel will enable the Terna group to equip itself with a centre of excellence for research, development and testing in one of the core technologies for the TSO, i.e. terrestrial cables.

Italgas

On 20 January 2020, Italgas Reti filed a petition before the Veneto Regional Administrative Court for the annulment of the decisions taken by the Assembly of Municipalities within the Belluno Territorial Area, i.e. to revoke Belluno's role of Contracting Entity in the tender for the award of the gas distribution service. In December 2019, the Municipalities in the Area had asked the Municipality of Belluno, as the Contracting Entity, to suspend the tender in order to make further investigations, in light of an expert report which stated that the reimbursement for the networks owned by the outgoing operator, BIM Belluno (controlled by the Municipalities themselves), appeared to be 15 million euro higher than the value established during preparations for the tender. Faced with the Contracting Entity's decision to continue with the tender award procedure, won by Italgas Reti, the Municipalities in the Area had therefore decided to revoke Belluno's role of Contracting Entity.

With Resolution no. 9/2020/R/gas of 21 January 2020, the Authority approved transitional provisions regarding the management of commercial relations within the natural gas sector.

In particular, with Resolution No. 155/2019/R/gas, the Authority:
- defined the provisions to execute the process of updating the correspondence between the balancing service user and the redelivery point present in the distribution contract of each distribution user, within the scope of the Integrated Information System (IIS);
- specified, moreover, that for each redelivery point the IIS will check on a monthly basis the presence of a valid correspondence between redelivery point, distribution user and balancing service user and, in the event of the absence of such a correspondence, the IIS will report the information relating to the redelivery point to the Head of the Balancing Service and the other transport companies, in order to activate the default transport service from the first day of the following month, and notify the distribution user and the relevant distribution company that the service has been activated.

In this respect, Resolution no. 249/2012/R/gas, as amended and supplemented by Resolution no. 155/2019/R/gas, specifies that, following the activation of the default transport service, if the distribution user does not identify a balancing service user, the distribution company shall terminate the distribution contract in advance due to the loss of the requirements for access and the IIS shall activate the last-resort services.

In order to avoid the activation of last-resort services for a significant number of redelivery points, in cases of activation of the default service due to the lack of valid correspondence between the balancing service user and redelivery point, Resolution no. 9/2020/R/gas:

- suspended, until 1 March 2020, the application of the provisions relating to the termination of the distribution agreement and the activation of the last-resort services by the IIS, under Article 6 of Resolution no. 249/2012/gas;
- identified 1 April 2020 as the date of the first possible terminations of distribution contracts with the subsequent activation of last-resort services;
- specified that the Manager of the IIS shall send a report to the Authority within 30 days, containing updated information on the number of cases where there is no valid correspondence that has effect from 1 March 2020, and the cause that has led to this absence.

With decision dated 21 January 2020, the Italian Competition Authority concluded the investigation, making the commitments presented by Italgas Reti, Ireti and 2i Rete Gas mandatory, without ascertaining any unlawful conduct on their part and consequently without applying any sanctions. The commitment proposal submitted by Italgas — and supplemented following the "market test" — establishes in its final version that each time a specific request is received from a contracting entity/granting entity, within 60 days of the request Italgas Reti must provide all the documents relating to the municipalities to which it distributes natural gas under the concession, including the maps, in electronic form in open, interoperable formats as well as the information it has about the networks and plants pertaining to the natural gas distribution service, with evidence about their year of construction and their constructional, functional characteristics and state of repair, with specific information, to the extent that Italgas Reti has possession thereof, about the year they were laid, also as regards the stretches of network prior to 2006.

The agreement for the sale of certain non-core industrial activities between Italgas and A2A signed on 7 October 2019 was finalised on 31 January 2020. The transaction was finalised as the relevant conditions precedent were met. In particular, Italgas Reti transferred to A2A Calore & Servizi (A2A group) the set of district heating activities managed in the municipality of Cologno Monzese; at the same time, Unareti (A2A group) transferred to Italgas Reti the natural gas distribution activities managed in seven Municipalities belonging to the Alessandria 4 ATEM. The Cologno Monzese district heating plant consists of a distribution network of more than 8 kilometres and serves 52 heat exchange substations with sales of heat amounting to about 26.1 GWh. The seven gas distribution networks in the municipalities of Castelnuovo Scrivia, Pecetto di Valenza, Bassignana, Rivarone, Guazzora, Montecastello and Pietra Marazzi extend over a total of more than 140 kilometres and serve approximately 4,200 users.

As part of the privatisation process initiated by the Greek government, on 20 February 2020, in compliance with the "Invitation to Submit Expression of Interest" published on 9 December 2019, Italgas submitted an expression of interest in the purchase of 100% of the capital of DEPA Infrastructure, a company 65% owned by the HRADF privatisation fund and 35% owned by the Hellenic Petroleum group, which also owns, through its investees EDA Attikis and EDA Thess, DEDA and the gas distribution assets in Greece of the DEPA group.

The assets to be sold include over 420,000 re-delivery points and approximately 5,000 km of low pressure networks, with an important plan for industrial development geared to consolidating the distribution sector in the country.

Following the spread of the "Coronavirus" or "COVID-19" pandemic, the Company set up a Crisis Committee, which, based on the measures and instructions from the competent Authorities, is continuously monitoring the evolution of the emergency and adopting the necessary measures, while also guaranteeing the continuity and efficiency of essential and necessary services, particularly with regard to emergency services.

In compliance with the urgent measures issued by the Authorities, only activities considered essential are guaranteed and all building site activities have been suspended. The technical personnel assigned to carry out interventions outside the company premises, in accordance with the applicable regulations, have been provided with the necessary personal protection equipment to deal with the emergency.

With regard to the even potential impacts on revenues, costs, investments and expected cash flows due to the limitations imposed by the Coronavirus Emergency, the Company is currently unable to estimate any effects on the results for 2020 or subsequent years.

At present, it is still not possible to identify the impacts on the development initiatives and on investment resulting from the slowdown and suspension in activities and the deterioration in the current macroeconomic situation due to the spread of the pandemic at global level.

With regard to the pool of customers/sales companies and their solvency, the rules for user access to the gas distribution service are established by the ARERA and are regulated in the Network Code. This Code sets out the rules, for each type of service, that govern the duties and responsibilities of the parties providing the services and the instruments for mitigating the risk of non-compliance by customers. At present, the Company has not detected any significant negative impacts likely to affect the regularity of payments by the gas sales companies.

As regards the debt of Italgas and its access to credit, it should be stated that: (i) the Company has available cash deposited with leading banks amounting to about 256 million euro at 31 December 2019; (ii) there are limited requirements for refinancing debt (the first repayment of a bond is scheduled for 2022); (iii) the bonds issued by Italgas at 31 December 2019, under the Euro Medium Term Notes programme, do not require compliance with covenants relating to financial statement figures; (iv) any downgrading of Italgas' rating or that of its guarantors beyond set thresholds could lead to the issue of guarantees in favour of certain lenders or an increase in the spreads applied.

At the date of approval of its financial statements, the Company does not believe that the uncertainties are such as not to allow the company to be considered capable of continuing to operate as a going concern. These circumstances do not involve any adjustments to the financial statement balances at 31 December 2019 pursuant to IAS 10.

SIA

The SIA group has monitored since last January the spread of the "Coronavirus" or "COVID-19" pandemic in order to be ready to react to the various scenario developments. The company procedures and plans for business continuity have been activated with the establishment of a "Crisis Team" consisting of the CEO and those reporting directly to him. Similarly, SIA took part in the activities of CODISE, the working group chaired by the Bank of Italy for the coordination of emergency and crisis situations in the Italian financial market and national payment systems.

The Crisis Team continues to operate daily in order to ensure, on a continuous basis, the excellent service levels needed given SIA's critical mission for the whole system.

In addition, the group's international subsidiaries have also activated their respective emergency and business continuity plans, informing the parent company of developments in the scenario.

SIA's Management constantly monitors any impact that the phenomenon in question may have on the most significant hypotheses and assumptions underlying the main estimates reflected in financial statements, with particular reference to revenue recognition, the emergence of impairment indicators relating to goodwill and equity investments, as well as changes in the liquidity situation, taking into account the high degree of uncertainty regarding the impact and duration of the effects of the pandemic on the performance of the group's operating segments.

Management has developed scenarios based on the latest information available and on forecasts that can be reasonably made at present given the high level of uncertainty and without considering the effects of any extraordinary business transactions.

The analyses carried out concerned in particular:
- the preparation of forecast scenarios of economic performance for the current year, the initial results of which would show a significant reduction in business operations and profitability for the year 2020, while for subsequent years SIA's Management did not consider it possible to make reasonable estimates of the impact, due to the significant uncertainties of the final results both in terms of duration and intensity of the phenomenon, all the more so with reference to time horizons beyond twelve months;
- an update of the sensitivity analyses carried out on the impairment tests of goodwill and equity investments at 31 December 2019 to highlight the potential impact on the estimates of a reasonably possible change in the results of the forecast economic performance scenarios. In this regard, therefore, SIA's Management continues to constantly monitor the continuous evolution of the situation and its impact on the business operations of the above-mentioned goodwill and equity investments and will update its assessments and the related results in the periodic financial reports following the one closed on 31 December 2019.

SIA's Management has also demonstrated that the business model and the operational management implemented at group level have shown, over the years and including 2019, that they are able to generate positive cash flows even during cyclical and structural economic crises.

In the light of the best information that is currently available, it is worth mentioning the following with specific regard to hedging liquidity risk:
- there are unused short-term credit lines amounting to 30 million euro;
- in March 2020, two short-term credit lines for 100 million euro were renewed with leading banks at favourable conditions;
- new committed credit lines for a total amount of 150 million euro are in the process of being finalised and may be drawn down over a medium/long-term time horizon (approximately 3 years, expiring in 2023).

Therefore, taking into account the above, and taking into account the best information currently available in the context described above of unprecedented uncertainty caused by the COVID-19 emergency, it is reasonably believed that, in the 12 months following the balance sheet date, there are no significant liquidity risks, i.e. risks inherent in the SIA Group's ability to repay debt and comply with financial covenants.

Among the main significant events occurring after the reporting date, apart from what has been described above, SIA's Management also highlights the approval of the group's Strategic Plan for the three-year period 2020-2022 and the launch, approved by SIA's Board of Directors on 6 February 2020, of the process aimed at the listing of the company's ordinary shares on the Italian equities market (MTA), organised and managed by Borsa Italiana, which is expected to take place by the end of summer 2020.

Snam

On 31 December 2019, China informed the WHO (World Health Organisation) that it had identified in the city of Wuhan, the capital of the Chinese province of Hubei, a group of people suffering from symptoms of pneumonia with unknown characteristics, caused by an unidentified nor previously examined virus, which from that moment on was renamed COVID-19 (novel coronavirus).

Since February 2020, cases of infection with COVID-19 have been diagnosed in more than 100 countries in the world and increasingly stringent, epidemiological containment actions and measures have been taken by individual countries with the gradual spread of information globally. On 11 March, the WHO declared that the COVID-19 could be considered a "pandemic".

In Italy, four Decrees of the President of the Council of Ministers (DPCM) dated 23 February, 8 March, 9 March and 11 March 2020 dictated restrictions and measures aimed at the epidemiological containment of COVID-19 and identified measures geared to be more incisive in hindering the spread of infection, intervening especially with limitations to the mobility of persons and group socialising.

Snam undertook some protective measures as early as 21 February and has already equipped itself to implement some new initiatives to bring itself into line with the restrictions and to take extra precautions in order to protect its people.

The measures identified by the public authorities to combat and contain the infection have not currently prevented ordinary and overall continuation of operations, or caused interruptions or delays in the provision of the services offered by the Snam group.

With regard to the impact of the coronavirus on costs, including potential costs, and on expected cash flows, the company is currently unable to reliably determine any repercussions on the 2020 results or any implications for subsequent years. Based on the current and most up-to-date information available, and also in view of the nature of Snam's activities, the company does not expect significant impacts or repercussions related to, or resulting from, the above circumstances.

At present, it is still not possible to assess the possible effects on the development initiatives and on suppliers or customers resulting from the slowdown in activities and from the current macroeconomic situation due to the evolution of the epidemic at international level.

This also applies to the Snam group's operations outside Italy, particularly in France, Austria, Greece, Albania and the UK.

Snam, also through the Snam Foundation, has allocated 20 million euro to carry out initiatives in favour of the Italian healthcare system and the non-profit sector to combat the coronavirus emergency. Snam's funds and expertise will be allocated to hospitals, healthcare facilities and other entities for the purchase of necessary equipment and goods, for healthcare and for support to non-profit entities dealing with the protection of young people and the elderly. The company, which works closely with the authorities, has also alerted some of its contacts to find lung ventilators in other countries around the world. Through this initiative, Snam intends to provide its solidarity to health workers and support the institutions, the non-profit sector and the Italian regions involved in dealing with the emergency.

Ansaldo Energia

The spread of the infection caused by the "COVID-19" virus, accompanied by uncertainties about the possible evolution of its effects on the national and international, production, economic and social fabric, could have negative effects on the Ansaldo Energia group, which at present cannot be estimated with the available elements.

The negative effects could occur both in relation to commercial matters, such as the damage to relationships with some "Service" customers due to interruption of activities on account of operational issues, such as potential delays in engineering activities, in supplies (due to the interruption of some suppliers' activities), in shipments and also the interruption of factory activities with the consequent need to prepare an at least partial recovery plan for the delays, giving priority to critical orders.

In any case, the main economic and financial figures of the Ansaldo Energia group that could be impacted by the effects of the current emergency situation in 2020, with consequences that could also affect 2021 and 2022, are Revenues, Turnover, EBITDA and the Net Financial Position (NFP). The impact of COVID-19 on these is constantly monitored by the Management.

Section 5 - Other issues

IFRSs endorsed at 31 December 2019 and in force since 2019

As required by IAS 8 - "Accounting policies, changes in accounting estimates and errors", details of the new international financial reporting standards, or amendments to standards already in force, whose application became mandatory from 1 January 2019, are provided below.

- Commission Regulation (EU) 2019/412 of 14 March 2019, published in Official Journal L 73 of 15 March 2019, amending Commission Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 12 and 23 and International Financial Reporting Standards (IFRS) 3 and 11. Companies should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2019. The main amendments concerned:
  - IAS 12 "Income taxes"
    Accounting for all income taxes consequences of dividend payments in the same way;
  - IAS 23 "Borrowing costs"
    The company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale;
  - IFRS 3 "Business combinations"
    The company remeasures its previously held interest in a joint operation when it obtains control of the business;
  - IFRS 11 "Joint arrangements"
    The company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- Commission Regulation (EU) 2019/402 of 13 March 2019, published in Official Journal L 72 of 14 March 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council with regard to the international accounting standard IAS 19. The objective of the amendments is to clarify that, after a defined-benefit plan amendment, curtailment or settlement occurs, an entity should apply the updated assumptions from the remeasurement of its net defined benefit liability (asset) for the remainder of the reporting period. Entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2019.
- Commission Regulation (EU) 2019/237 of 8 February 2019, published in Official Journal L 39 of 11 February 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council with regard to the international accounting standard IAS 28. The amendments clarify that any entity that does not apply the equity method to financial instruments in associate companies or joint ventures should apply IFRS 9 to long-term equity interests without taking into account any adjustments made to their carrying amount. Entities apply these amendments retroactively, starting from financial periods that start on or after 1 January 2019. Early application is permitted.
- Commission Regulation (EU) 2018/1595 of 23 October 2018, published in the Official Journal L 265 of 24 October 2018, adopting IFRIC 23, which explains how to reflect uncertainty in accounting for income taxes.
- Commission Regulation (EU) 2017/1986 of 31 October 2017, published in the Official Journal L 291 of 9 November 2017, adopting IFRS 16 — Leases, which aims to improve financial reporting on lease contracts. Companies shall apply IFRS 16, at the latest, as from the commencement date of their first financial year starting on or after 1 January 2019[37]. CDP has not adopted IFRS 16 in advance in its consolidated financial statements.

37 European Commission Regulation (EU) no. 2018/498 of 22 March 2018, published in the Official Journal L 82 of 26 March 2018, adopting the Amendments to IFRS 9 - Financial Instruments - Prepayment Features with Negative Compensation has been applied by the CDP Group since 1 January 2018.

New accounting standards and interpretations issued and endorsed by the European Union, but not yet in force (date of entry into effect for financial years beginning from 1 January 2020)

Listed below are the new standards and interpretations already issued and endorsed, but not yet in force and therefore not applicable to the preparation of the financial statements at 31 December 2019:

- Commission Regulation (EU) 2020/34 of 15 January 2020, published in Official Journal L 12 of 16 January 2020, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39, International Financial Reporting Standards (IFRS) 7 and 9. Entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2020.
- Commission Regulation (EU) 2019/2014 of 29 November 2019, published in Official Journal L 318 of 10 December 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 1 and 8. Entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2020.
- Commission Regulation (EU) 2019/2075 of 29 November 2019, published in Official Journal L 316 of 6 December 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 1, 8, 34, 37 and 38, International Financial Reporting Standards (IFRS) 2, 3, and 6, Interpretations 12, 19, 20 and 22 of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations 32 of the Standing Interpretations Committee (SIC). Entities should apply such changes, at the latest, from the start of the first financial year that begins on or after 1 January 2020.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at 31 December 2019

Certain accounting standards, interpretations and amendments had been issued by the IASB but not yet endorsed by the European Union at the approval date of these consolidated financial statements:

- IFRS 17 Insurance Contracts (issued on 18 May 2017);
- Amendment to IFRS 3: Business Combinations (issued on 22 October 2018).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020).

Other information

The Board of Directors meeting on 2 April 2020 approved the CDP Group's 2019 consolidated financial statements, authorising their publication and disclosure in line with the deadlines and methods envisaged by current regulations applicable to CDP.

Transition to the new IFRS 16

Regulatory provisions

Starting from 1 January 2019, the new IFRS 16, issued by the IASB in January 2016 and endorsed by the European Commission through Regulation No. 1986/2017, replaces IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases — Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease", and at the same time has regulated new requirements for the accounting of leases.

IFRS 16 applies to all leases except for the following which are already covered by other standards:

- leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources (IFRS 6 - Exploration for and Evaluation of Mineral Resources);
- leases of biological assets held by lessees (IAS 41 - Agriculture);
- service concession agreements (IFRIC 12 - Service Concession Arrangements);
- intellectual property licences granted by the lessor (IFRS 15 - Revenue from Contracts with Customers);
- rights held by the lessee under licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights (IAS 38 - Intangible Assets).

The most important aspect of this new standard is the introduction of a single model for the recognition of lease agreements by the *lessee* that is based on the right-of-use model, with the consequent elimination of the distinction between operating and finance leases[38] provided for by IAS 17: all lease agreements must, therefore, be accounted for in the same way by recognising an asset and a liability. The right of use of the leased asset is recognised in the asset side of the balance sheet (right-of-use asset) while the liability relating to the lease payments still due to the lessor is recognised in the liability side of the balance sheet (lease liability)[39]. Charges relating to the depreciation of the right-of-use asset, and interest expense on the lease liability in place of the lease payments previously shown under administrative expenses, are recognised in the income statement.

Under the new standard, a lease is defined as a contract that conveys the final lessee the right to use an asset for a period of time in exchange for consideration. What is now of fundamental importance is the right to control the use of the asset, which must be assessed for each individual contract.

Furthermore, to determine whether the right of use of an asset is conveyed, the following specific conditions must be met or be present:
- there is an identified asset;
- the right to substantially obtain all the economic benefits arising from the use of the identified asset;
- the right to decide how the asset is to be used.

The assessment of whether a contract is, or contains, a lease is made at the start of the contract and must be reassessed when there is a change in the terms and conditions of the contract.

The adoption of IFRS 16 for the financial statements of CDP Group also takes into account the provisions of Circular no. 262 of 22 December 2005 - 6th update, to the extent they are material and applicable.

Choices of the CDP Group

With the support of a leading consultancy firm, the CDP Group has launched, with particular regard to the companies subject to management and coordination by the Parent Company, a specific project aimed at identifying the contracts that are subject to the new standard and introducing the related accounting treatment, both on first-time adoption and when fully implemented, as well as determining any IT and organisational actions required. Several organisational units were involved in the project, including Administration, Financial Statements and Reporting; Asset & Liability Management; Property Management; Demand Management and Planning and management control; ICT, as well as other units representing Group companies subject to management and coordination.

The analysis made it possible to identify the following categories as being relevant for adopting the standard:
- real estate;
- automotive;
- other assets.

Overall, real estate was the most significant category where the right of use represents 80% of the property, plant and equipment recognised.

Upon first-time adoption, the CDP Group applied the new standard under the "Modified Retrospective Approach" as set out in paragraphs C5 b and C8 b (ii). This approach allows recognition of the cumulative effect of the application of the standard on the first-time adoption date without restating the comparative information.

Specifically, this approach provides for recognition of the following measurements:
- the lease liability calculated as the present value of the remaining payments due on the lease, discounted at the lessee's incremental borrowing rate at the date of initial application (IFRS 16.C8. a);
- the right-of-use asset equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application (IFRS 16.C8. b.ii).

38 This distinction still applies for leases from the lessor's perspective.
39 "Lease liability" in accordance with Circular no. 262 of 22 December 2005 — 6th update.

The Group has decided to adopt some of the practical expedients and recognition exemptions provided by the standard. In particular:

- exclusion of leases with a total or remaining lease term of 12 months or less;
- exclusion of leases with an underlying asset value of 5,000 euro or less at the date of purchase;
- exclusion of the initial direct costs incurred to measure the right-of-use asset at the date of initial application;
- exclusion of leases of intangible assets (IFRS 16.4).

With regard to the discount rate, the CDP Group decided to adopt an incremental borrowing rate which represents the rate of interest that a lessee "would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment". The incremental borrowing rate was established following an analysis of the leases identified, for which no implicit interest rate could be determined.

Given its characteristics and the requirements of the standard, the BTP curve was used to determine the discount rate.

Impact of first-time adoption (FTA) of IFRS 16

As a result of the Group's decision to adopt the "Modified Retrospective Approach" upon first-time adoption, no impact on the book equity was recognised at 1 January 2019.

Property, plant and equipment includes 225.6 million euro in right-of-use assets against operating lease liabilities of 218 million euro. Total lease liabilities recognised upon FTA amounted to 218.7 million euro. Receivables for finance leases (relating to subleases) recognised in the consolidated financial statements and resulting from the adoption of the new standard were very limited. Consequently, the balance sheet items affected by the adoption of IFRS 16 changed as follows from 31 December 2018 to 1 January 2019:

- property, plant and equipment increased from 37,660.1 million euro to 37,885.6 million euro,
- financial assets measured at amortised cost remained virtually unchanged,
- other assets decreased from 8,931.5 million euro to 8,923.9 million euro,
- financial liabilities measured at amortised cost increased from 366,706.7 million euro to 366,925.3 million euro.

Reconciliation statements are provided below:

Reconciliation of IAS 17 operating lease commitments at 31 December 2018 and IFRS 16 lease liabilities at 1 January 2019

(thousands of euro)	01/01/2019
Commitments for undiscounted operating leases applying IAS 17 at 31/12/2018	**221,997**
Exceptions to recognition pursuant to IFRS 16	**(11,264)**
- short-term leases	(10,798)
- leases low value	(466)
Other changes	**39,036**
Undiscounted operating lease liabilities	**249,769**
Discounting effect	(31,866)
Discounted lease liabilities for operating leases applying IFRS 16 at 01/01/2019	**217,903**
Lease liabilities for finance applying IAS 17 at 01/01/2019	689
Total Lease Liabilities applying IFRS 16 at 01/01/2019	**218,592**

Reconciliation of IFRS 16 discounted operating lease liabilities and IFRS 16 right-of-use assets at 1 January 2019

(thousands of euro)	01/01/2019
Operating property, plant and equipment:	**213,421**
a) land	10,237
b) buildings	166,523
c) movables	5,807
d) electrical plant	580
e) other	30,274
Investment property:	**12,038**
a) land	
b) buildings	12,038
Rights of use acquired through the lease (Right-of-use - Assets)	**225,459**
Prepaid expenses (at 31/12/2018) reconciled to Right-of-use	(7,582)
Financial assets measured at amortised cost - subleasing	26
Rights of use acquired through the lease not adjusted for prepayment and subleasing at 01/01/2019	**217,903**
Discounted Lease liabilities for operating leases applying IFRS 16 at 01/01/2019	**(217,903)**
Impacts on Equity at 01/01/2019	

The recognition of right-of-use assets acquired through leases upon FTA mainly concerned CDP and Group companies not subject to management and coordination. These Group companies carried out their conversion projects, in compliance with the options adopted by CDP, but by estimating the weighted average incremental borrowing rate and taking account of their unique characteristics. Fincantieri, which applied an average rate of 3.1%, accounted for the largest share.

The average rate for determining the lease liabilities of the scope represented by CDP and the Group companies subject to management and coordination was 2.28%.

Recognition criteria

The accounting policies for right-of-use assets recognised under property, plant and equipment are illustrated below. Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (underlying asset) for a period of time in exchange for consideration.

When the lease commences, the lessee recognises:
- an asset which consists of the right to use the asset underlying the lease, which is the sum of the financial liability resulting from the lease, the payments made on or before the commencement date of the lease (net of any lease incentives received), the initial direct costs, and any (estimated) costs of dismantling and/or removing the asset underlying the lease;
- a financial liability resulting from the lease that corresponds to the present value of the payments due under the lease. The discount rate to be used is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee’s incremental borrowing rate shall be used.

If a lease agreement contains non-lease components (e.g. the provision of services, such as ordinary maintenance, which is to be recognised in accordance with IFRS 15), the lessee shall account for the lease components separately from the non-lease components and allocate the consideration under the agreement to the different components based on their stand-alone prices.

The lease term is determined taking into account:
- any period covered by an option to extend the lease, if it is reasonably certain that the option will be exercised;
- any period covered by an option to terminate the lease, if it is reasonably certain that the option will not be exercised.

For short-term leases (with a term of 12 months or less) that do not include an option to purchase the underlying asset by the lessee and leases where the underlying asset is of low value, the charge is recognised in the income statement on a straight-line basis over the lease term.

During the lease term, the lessee must:

- measure the right-of-use asset at cost, less accumulated depreciation and accumulated impairment determined and accounted for in accordance with the provisions of IAS 36 "Impairment of Assets", adjusted to take account of any restatement of the lease liability;
- increase the liability resulting from the lease transaction following the accrual of interest expense calculated at the interest rate implicit in the lease, or, alternatively, at the incremental borrowing rate, and reduce it by the amount of payments of principal and interest.

The right-of-use asset under a lease is derecognised at the end of the lease term.

A.2 - The main financial statement items

The consolidated financial statements of the CDP Group at 31 December 2019 have been prepared by applying the same accounting standards as those used for preparation of the consolidated financial statements for the previous financial year, reflecting the amendments endorsed and in force with effect from the financial year 2019, as described in Section 5 — Other issues, A.1 General Information.

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

1 - Financial assets measured at fair value through profit or loss (FVTPL)

The item "Financial assets measured at fair value through profit or loss" includes:
a) "Financial assets held for trading" represented by debt securities, equities, loans, units of UCIs included in an Other/Trading business model, and also derivatives not designated under hedge accounting;
b) "Financial assets designated at fair value" represented by debt securities and loans, measured at profit and loss in accordance with IFRS 9 (i.e. the fair value option), which allows a financial asset to be irrevocably measured through profit or loss if, and only if, this will eliminate or significantly reduce an accounting mismatch;
c) "Other financial assets mandatorily measured at fair value" represented by debt securities, equity securities, units of UCIs and loans, i.e. those assets other than those measured at fair value through profit or loss, which do not meet the requirements for classification at amortised cost, at fair value through other comprehensive income or which are not held for trading. They are substantially represented by those financial assets whose contractual terms provide for periodic flows that are not represented only by principal repayments and interest payments on the principal to be returned (thus characterised by the failure to pass the SPPI test), or those assets that do not comply with the business model terms of the portfolio measured at amortised cost or at fair value through other comprehensive income.

Financial assets held for trading, as indicated, include financial derivatives not designated under hedge accounting, operational hedging derivatives, as well as embedded derivatives in complex financial contracts, the host contract of which is a financial liability, which were recognised separately because:
- the financial characteristics and risks are not strictly correlated to the characteristics of the underlying contract;
- the embedded instruments, even when separated, meet the definition of derivative;
- the hybrid instruments that they belong to are not measured at fair value with their related values recognised through profit or loss.

Operational hedging derivatives are those derivatives which are not part of effective hedge accounting but are held to meet operational hedging requirements where the company wishes to standardise the measurement criterion with respect to the assets and/or liabilities associated with them.

As with all financial assets held for trading, the fair value of which can assume both positive and negative values, derivatives are classified among Financial assets held for trading if their fair value is positive and among Financial liabilities held for trading if their fair value is negative.

Other financial assets mandatorily measured at fair value also include units of UCIs subscribed by Group companies with the aim of implementing initiatives geared to supporting the economy in the long term. Given the nature of these initiatives, these financial assets are held within a Held to Collect business model, but because of their structure and also in relation to the clarifications provided by the IFRIC, their contractual terms do not enable them to pass the SPPI test.

Financial assets measured at fair value through profit or loss are initially recognised on the execution date for derivative contracts, at the settlement date for debt securities, equities, and units of UCIs, and at the disbursement date for loans. An exception is represented by those securities whose delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, which generally equals the transaction price, net of transaction costs or income that are immediately recognised through profit or loss.

Subsequent measurement is at fair value, with recognition of the measurement results in the item "Profits (losses) on trading activities" in the income statement in relation to financial assets held for trading, including those relating to derivatives associated with the fair value option, or in the item "Profits (losses) on financial assets and liabilities measured at fair value through profit or loss" as regards other types. The fair value is determined based on the official prices as of the reporting date if the financial instruments are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the afore-mentioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

The interest arising from debt securities and loans classified as Financial assets measured at fair value through profit or loss are included in interest income and similar income, an item that also includes the positive and negative differentials and margins of operational hedging derivatives. The positive and negative differentials and margins of trading derivatives are included in the “Profits (losses) on trading activities”. Dividends and similar revenues of equity instruments classified among the “Financial assets measured at fair value through profit or loss” (including revenue from units of UCIs) are included in the item “Dividends and similar revenues”.

Reclassifications to other categories of financial assets are not permitted, unless, as regards financial assets held for trading, the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

Financial assets measured at fair value through profit or loss are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if no type of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, involves keeping the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

2 - Financial assets measured at fair value through other comprehensive income (FVOCI)

The item “Financial assets measured at fair value through other comprehensive income” includes financial assets represented by debt securities and loans that meet both of the following conditions:
- the financial asset is held within a Business Model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition under this item is also extended to equity instruments, considered as such in compliance with the provisions of IAS 32, which are not held for trading and for which the option, granted by the standard, of classifying the subsequent changes in the fair value of the instrument within the valuation reserves has been irrevocably exercised, with recognition through other comprehensive income (FVTOCI option[40]).

Initial recognition of the item under examination occurs on the settlement date for debt securities and equities and on the disbursement date for loans.

Financial assets measured at fair value through other comprehensive income are initially recognised at fair value, which generally corresponds to the transaction price, including any expenses and income attributable to the transaction.

Subsequent to the initial recognition, financial instruments traded in active markets are measured at their fair value determined on the basis of official prices on the reporting date. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, and values recorded in recent similar transactions. For equity securities not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the afore-mentioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

40 Fair Value Through Other Comprehensive Income option.

The profits and losses resulting from changes in fair value of debt instruments and loans are recognised in the statement of comprehensive income and recorded in the item Valuation reserves, in equity, until the financial asset is derecognised. If the financial assets in question are derecognised, the cumulative gains or losses, previously recognised in the comprehensive income, are transferred from equity to the income statement.

Gains and losses on foreign exchange are included in the income statement among the Profits (losses) on trading activities.

Interest on the debt instruments and on receivables is recognised in the income statement according to the amortised cost method, which is based on the effective interest rate, i.e. the rate that discounts the estimated future receipts (and any payments) during the expected life of the financial instrument at the gross carrying value of the financial asset.

These instruments are also subject to tests on the significant increase in credit risk (impairment) under IFRS 9, with consequent recognition in profit or loss of an impairment loss to cover the expected losses. In particular, an expected loss for the 12 months following the reporting date is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (impaired exposures).

For financial assets that are performing (stages 1 and 2) impairment is calculated as a function of the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related impairment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

Losses and recoveries arising from the impairment process are included under the item "Net adjustments/recoveries for credit risk". No reclassifications to other categories of financial assets are allowed, unless the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

With reference to equity instruments, their inclusion in the item Financial assets measured at fair value through other comprehensive income is linked to the irrevocable option adopted by the company holding the instrument. In particular, the Group includes in that item the investments that are made with strategic objectives over the long term.

The exercise of this option entails using different recognition rules from those described above for debt securities, because:
- the amounts recognised in the valuation reserve are never reclassified through profit or loss, even when they are derecognised;
- all exchange rate differences are recognised in the equity reserve and are therefore charged to comprehensive income;
- IFRS 9 does not envisage impairment rules for these equity instruments.

Only dividends from these equity instruments are recognised in the income statement.

Financial assets measured at fair value through other comprehensive income are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if no type of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, involves keeping the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

3 - Financial assets measured at amortised cost

The item "Financial assets measured at amortised cost" includes debt securities and loans that meet both of the following conditions:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Specifically, the following items are recognised:
- loans to banks (current accounts, deposits, security deposits, debt securities, repo transactions and other loans). This includes operating receivables associated with financial activities and services. This also includes the amounts receivable from Central Banks (such as the reserve requirement), other than demand deposits included in "Cash and cash equivalents";
- loans to customers (current accounts, mortgage loans, factoring, debt securities, repo transactions and other loans). It also includes receivables due from Italian post offices and variation margins with clearing houses in respect of derivatives transactions, in addition to operating receivables associated with the provision of business and financial services. The item also includes cash and cash equivalents held with the Central State Treasury.

Loans disbursed using funds provided by the State or other government agencies and intended for particular uses and operations required and regulated by special laws ("loans with third-party funds in administration") are recognised under this item, provided that the loans and funds accrue interest respectively in favour of and at the expense of the providing agency. Conversely, loans disbursed using funds administered on behalf of the State or other entities are not included.

The loans granted to public entities and public-law bodies under CDP's Separate Account portfolio have a number of features that distinguish them from loans granted by banks, which normally disburse the entire amount of the loan to its beneficiary at the time the loan is granted. Such loans are special-purpose loans generally granted to public entities for public works and are disbursed to the beneficiaries only after verification of the progress of the works in question. Therefore, disbursements are intended to meet the debts actually accumulated by the entities in respect of suppliers as the work is performed.

Upon signing the loan agreement, the debtor assumes the obligation to repay the entire principal granted, and this amount is used to determine an amortisation schedule separately from the amount actually disbursed. Amounts still to be disbursed by CDP earn interest that can be treated as a reimbursement of the interest income earned by CDP on the non-disbursed portion.

The special-purpose loans issued by CDP normally have an initial grace period, during which, in the absence of disbursements on the loan granted, the loan does not bear interest. With certain exceptions, the loan repayment schedule begins on 1 July or 1 January following the execution of the loan agreement. CDP's accounting policy for special-purpose loans is to recognise a commitment to disburse the sums granted upon signing the loan agreement and to recognise a receivable (with a consequent reduction in the disbursement commitments) for the entire amount granted only when repayment begins, regardless of the amount actually disbursed.

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

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

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

"Financial assets measured at amortised cost" are initially recognised on the settlement date as regards debt securities or on the disbursement date as regards loans.

Initial recognition is at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction.

After initial recognition, these assets are measured at amortised cost, equal to the value that the financial asset was measured at on initial recognition minus any principal repayments, plus or minus the accumulated amortisation, according to the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The effective interest rate is the rate that discounts the estimated future receipts (and any payments) for the expected lifetime of the financial asset at its gross carrying value, which includes the directly attributable transaction costs and the fees paid or received by the contracting parties.

In some cases, the financial asset is considered impaired at initial recognition as the credit risk is very high and, if it is purchased, this may be done with significant discounts (assets known as POCI i.e. "Purchased or Originated Credit Impaired"). In that case, for purchased or originated financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated for the credit risk, including the expected losses on initial loans within the financial flow estimates.

The amortised cost method is not used for loans whose short-term duration means that discounting is considered to have a negligible effect. This measurement rule is also used for loans without a specific expiration date or demand loans.

Financial assets measured at amortised cost are subject to the calculation of an expected credit loss allowance under IFRS 9 rules and the amount of such losses is recognised through profit or loss in the item "Net adjustments/recoveries for credit risk". In particular, an expected loss at one year is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (impaired exposures).

For financial assets that are performing (stages 1 and 2) impairment is calculated as a function of the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related impairment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

Non-performing assets include those financial instruments that have been attributed the status of bad debts, unlikely to pay or past due and/or overdrawn as defined by the current rules of the Bank of Italy for the purposes of supervisory reporting.

The expected cash flows take account of estimated recovery times and the expected realisable value of any guarantees.

The amount of the loss to be recognised through profit or loss is calculated based on an analytical assessment process or for categories of the same kind and thus attributed analytically to each position and takes account of forward-looking information and possible alternative recovery scenarios.

If the reasons for the impairment no longer apply following an event after initial recognition, then impairment reversals are charged through profit or loss.

Financial assets measured at amortised cost are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers to a third party all the risks and rewards connected with ownership of the transferred asset. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if no type of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, involves keeping the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

It is also possible, over the maturity of financial assets, and specifically for financial assets measured at amortised cost, that they are subject to renegotiation of the contract terms. In that case, one needs to check whether or not the intervening contractual changes give rise to derecognition of the original instrument and the recognition of a new financial instrument.

The analysis required to assess which changes give rise to derecognition rather than modification may sometimes entail significant elements of valuation.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are of a substantial nature.

In the event of changes not deemed significant, the gross value is re-determined through the calculation of the current value of the cash flows resulting from the renegotiation, at the original exposure rate (modification). The difference between the gross value of the financial instrument before and after the renegotiation of contract terms (modification), is recognised through profit or loss as a gain or loss from contractual changes without derecognition.

4 - Hedging transactions

Hedging transactions are executed to neutralise contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, should that particular risk effectively materialise.

As permitted by paragraph 7.2.21 of IFRS 9, the Parent Company CDP has decided to apply the provisions on hedging from IAS 39 rather than those from Chapter 6 of IFRS 9, to be used for its separate financial statements, the consolidated financial statements of the CDP Group, as well as its own half-yearly financial statements.

In accordance with IAS 39, hedging instruments are derivatives or, limited to the hedging of foreign currency risk, non-derivative financial assets or liabilities whose fair value or cash flows are expected to offset the changes in fair value or cash flows of a designated hedged position [IAS 39, paragraphs 72-77 and Appendix A, paragraph AG94]. A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that:
a) exposes the company to the risk of a change in fair value or future cash flows;
b) is designated as being hedged [IAS 39, paragraphs 78-84 and Appendix A, paragraphs AG98-AG101].

The effectiveness of the hedge is the extent to which the changes in fair value or cash flows of the hedged position that are attributable to a hedged risk are offset by the changes in fair value or cash flows of the hedging instrument [IAS 39, Appendix A, paragraphs AG105-AG113].

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:
- the relationship between the hedging instrument and the hedged item, including the risk management objectives;
- the hedging strategy, which must be in line with established risk management policies;
- the methods to be used in order to verify the hedge effectiveness.

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged item.

A hedge is deemed to be highly effective if the changes in fair value of the hedged item or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.

At each annual or interim reporting date, the effectiveness is assessed through specific prospective and retrospective tests capable, respectively, of demonstrating the expected effectiveness and the level of effectiveness achieved.

If the hedge is not effective as described above, the hedging instrument is reclassified under financial instruments held for trading, while the hedged item continues to be measured in accordance with the criteria defined for its category. Hedge accounting also ceases when the hedging instrument expires, is sold or exercised or when the hedged item expires, is sold or is repaid.

Hedging derivatives are initially recognised at their fair value on the contract date. In particular:
- for fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is accounted for by recognising the changes in value through profit or loss, in the item "Fair value adjustments in hedge accounting", relating both to the hedged item (for the changes generated by the underlying risk factor) and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently represents the net profit or loss effect. The recognition through profit or loss of the change in fair value of the hedged item, attributable to the risk hedged, is also applied if the hedged item is a financial asset measured at fair value through other comprehensive income; if there were no hedging, this change would be recognised in equity;
- for cash flow hedge, the changes in fair value of the derivative are recognised, net of the tax effect, in a specific "Valuation reserve" of equity, for the effective portion of the hedge, and are only recognised through profit or loss when there is a change in the cash flows to be offset for the hedged item. The amount of the gain or loss of the hedging instrument considered ineffective is recognised through profit or loss, in the item "Fair value adjustments in hedge accounting". This amount is equal to any excess of the accumulated fair value of the hedging instrument with respect to the related fair value of the instrument hedged; in any event, the fluctuation of the hedged item and the related hedge must be kept within the range of 80%-125%;
- hedges of a net investment in a foreign operation are accounted for in the same way as cash flow hedges.

If the hedge is not fully effective, the fair value change of the hedging instrument, to the extent of the ineffective portion, is immediately recognised through profit or loss, in the item "Fair value adjustments in hedge accounting".

If, during the life of a derivative, the expected hedged cash flows are no longer considered as highly probable, the portion of that instrument recognised in the "Valuation reserves" of equity is immediately recycled through profit or loss. Conversely, if the hedging instrument is transferred or no longer qualifies as an effective hedge, the portion of the item "Valuation reserves" representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the recognition of the financial effects of the transaction originally hedged.

Item 50 of the consolidated balance sheet assets and item 40 of the consolidated balance sheet liabilities report financial and credit hedging derivatives, which at the reporting date have, respectively, a positive and a negative fair value.

For macro hedge, IAS 39 allows the object of a fair value hedge against interest rate risk to be not only an individual financial asset or liability, but also a monetary amount, included in multiple financial assets and liabilities (or their portions), so that a set of derivatives may be used to reduce the fair value fluctuations of the hedged items in response to changes in market interest rates. Net amounts resulting from the mismatch of assets and liabilities cannot be designated as subject to macro hedging. In the same way as for micro fair value hedges, a macro hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the monetary amount hedged are offset by changes in the fair value of the hedge derivatives and if the actual results are within a range of 80% to 125%. The positive or negative amount of the fair value changes, respectively, of the assets or liabilities subject of fair value macro hedge measured with reference to the risk hedged is recognised in Items 60 of the consolidated balance sheet assets or 50 of the consolidated balance sheet liabilities, with a balancing entry under "Fair value adjustments in hedge accounting" in the income statement.

The hedge ineffectiveness consists of the difference between the change in fair value of the hedging instruments and the change in fair value of the monetary amount hedged. The hedge ineffective portion is in any case included under "Fair value adjustments in hedge accounting" in the income statement.

If the hedging relationship ends, for reasons other than the sale of the hedged items, the accumulated revaluation/write-down recognised in items 60 of the consolidated balance sheet assets or 50 of the consolidated balance sheet liabilities is recognised through profit or loss under interest income or expense, over the residual maturity of the hedged financial asset or liability.

If these assets and liabilities are sold or redeemed, the amount of fair value not amortised is recognised immediately in "Gains (Losses) on disposal or repurchase" in the income statement.

5 - Equity investments

"Equity investments" includes investments in associates (according to IAS 28) and in joint arrangements (according to IFRS 11).

Associates are companies in which the CDP Group holds, either directly or indirectly, at least 20% of the voting rights or, even with a lower voting interest, companies over which the CDP Group has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control.

Joint arrangements involve companies where control is contractually shared between the CDP Group and one or more parties, or when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Equity investments are initially recognised at cost at the settlement date and subsequently measured using the equity method, where the original cost of the equity investment is adjusted (up or down) according to the change in the interest held by the investor in the equity of the investee.

The same provisions governing business combinations apply to acquisitions. Consequently, the difference between the acquisition price and the portion of acquired equity is allocated based on the fair value of the identifiable net assets of the associate. Any unallocated excess amount is considered as goodwill. The higher allocated price is not presented separately, but is included in the carrying value of the equity investment ("equity method").

Any positive difference between the value of the portion of equity of the investee and the cost of the equity investment is recognised as income. Application of the equity method also considers the treasury shares held by the investee.

The equity investments are tested for impairment at every annual or interim reporting date.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies, differs where these involve investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of any impairment losses.

In particular, the impairment process for the consolidated financial statements is performed in line with what is done for the separate financial statements of the Group companies. With reference to listed equity investments, it should be noted that assessment of objective evidence of impairment for the purposes of the separate financial statements is supplemented by verifying the existence of a market price of at least 40% lower than the carrying amount of the investment in the consolidated financial statements.

In terms of separate financial statements, the presence of specific qualitative and quantitative indicators is assessed.

In particular, and for CDP, taking into account the characteristics of its investment portfolio, as well as its role of long-term investor, at least the following are considered indicators of impairment/objective evidence of impairment:
- the recognition of losses or significantly lower results than budgeted (or forecast in multi-year plans), if, after specific analyses, they are relevant due to their effects on the estimate of expected future cash flows in any impairment test preparation;
- significant financial difficulty of the investee;
- probability that the investee will declare bankruptcy or enter into other financial reorganisation procedures;
- a carrying value of the investment in the separate financial statements that exceeds the carrying value, in the consolidated financial statements, of the net assets of the equity investment (including any goodwill);
- the distribution of a higher dividend than the income for the period and the existing income reserves;
- the distribution of a higher dividend by the investee than the income in the comprehensive income (or statement of comprehensive income for financial companies)[41] in the year when it is declared.

With reference to listed equity investments, the following are also considered indicators of impairment:
- a reduction in the market price exceeding the carrying value by over 40% or for more than 24 months;
- a downgrade of the rating of at least four notches from the time when the investment was made, if assessed as relevant together with other available information.

If the recoverable value is lower than the carrying amount, the difference is recognised in the income statement as an impairment loss. If the reasons causing the impairment cease to exist, the impairment losses are reversed. These reversals have to be recognised in the income statement up to the amount of the previous impairment. Consequently, the reduction in the previously recognised impairment loss upon write-back of the value of the equity investment may not exceed the carrying amount that would have existed if no impairment had been previously recognised. Both the impairment and the reversals of impairment are recognised in the income statement under “Gains (losses) on equity investments”.

The investor’s interest in any losses of the investee that exceed the carrying value of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or constructive obligations of the investee, or otherwise cover its losses.

Equity investments are derecognised when the contractual rights to the cash flows deriving from ownership of the equity investments expire or when they are sold, substantially transferring all risks and rewards connected with them.

6 - Property, plant and equipment

This item includes the capital assets used in operations governed by IAS 16, the investment property governed by IAS 40 and the inventories of property, plant and equipment governed by IAS 2. Also included are rights of use acquired under a lease and relating to the use of property, plant and equipment (for the lessees)[42], assets granted under an operating lease (for the lessors), as well as leasehold improvement costs, provided they relate to identifiable and separable property, plant and equipment.

“Operating property, plant and equipment” consist of property, plant and equipment used for production purposes and to supply goods/services, which may be leased or held for administrative purposes.

In accordance with IAS 16, these assets are initially recognised at purchase cost, including expenses directly related to the purchase, non-deductible VAT and costs for bringing the asset to working condition, increased by revaluations carried out under the provisions of specific laws. Borrowing costs directly attributable to the acquisition, construction or production of an asset have to be added to the value of the asset itself and capitalised pursuant to IAS 23.

Special maintenance and repair costs, incurred after initial recognition, which result in an increase in the future economic benefits, are recognised as an addition to the value of the assets.

Ordinary maintenance costs that do not generate future economic benefits, on the other hand, are recognised in the income statement.

Subsequent measurement is at cost, net of depreciation and impairment (the latter in accordance with IAS 36).

41 The indicator takes into consideration the distribution of a higher dividend than the income in the comprehensive income (or statement of comprehensive income for financial companies) for the year when the dividend is declared (i.e. dividends declared in 2017, representing the distribution of the net income for 2016, larger than the total comprehensive income for 2017). In order to conduct the impairment test for the reporting date of the financial statements, in the absence of homogeneous comparison data, the indicator is verified by referring to the data relating to the previous year.
42 Lease liabilities recognised by the Group as the lessee in lease transactions are recorded under financial liabilities measured at amortised cost.

These assets are systematically depreciated from the period they enter service in the production process and are, therefore, ready for use. They are depreciated on a straight-line basis over their residual life.

Therefore, the depreciation allowances for each year charged to the income statement are calculated by the CDP Group at the rates considered adequate to represent the residual useful life of each asset, as listed below:

	Minimum rate	Maximum rate
Buildings	2.0%	6.0%
Movables	5.0%	6.0%
Electrical plant	8.0%	30.0%
Other:		
Power lines		2.2%
Transformation stations	2.4%	6.0%
Gas pipelines	2.0%	2.0%
Power stations	5.0%	10.0%
Gas reduction and regulation	5.0%	5.0%
Pipelines	2.0%	2.0%
Processing stations	4.0%	20.0%
Compression stations	5.0%	5.0%
Storage wells	1.7%	20.0%
Regasification	4.0%	4.0%
Industrial and commercial equipment	10.0%	50.0%
Other assets	5.0%	50.0%
Other plant and equipment	2.0%	33.3%

On the contrary, land and art works are not depreciated insofar as they have an indefinite useful life.

At every annual or interim reporting date, the recognised carrying amount of the operating assets is tested for impairment. If signs of impairment are present, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less any costs of disposal, and the associated value in use of the asset (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement under "Net adjustments to/recoveries on property, plant and equipment". If the reasons for which impairment was recognised cease to exist, the impairment loss is reversed. The adjusted value may not exceed the value that the asset would have had, net of the depreciation calculated in the absence of previous impairment.

Newly acquired assets are depreciated as from the period in which they enter service and are, therefore, ready for use.

Land and buildings are considered to be separable assets; therefore, they are treated as separate assets for accounting purposes, even if purchased together.

Each item of property, plant and equipment that has a significant value compared to the overall value of the asset it belongs to is recognised and depreciated separately.

"Investment property" consists of real estate property held for investment purposes to be leased to third parties outside the CDP Group. These assets are initially recognised in accordance with IAS 40 at purchase or construction cost, including directly attributable purchase/construction costs. However, maintenance costs relating to these assets cannot be capitalised, but are recognised in the income statement.

Subsequent measurement of said property investments in the consolidated financial statements is at cost, net of depreciation and impairment, as set out in IAS 16 in relation to operating property, plant and equipment.

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

"Property, plant and equipment represented by the Right of Use" (RoU) of assets under lease are recognised by the lessee on the date on which the lease commences, i.e. on the date on which the asset is made available to the lessee and is initially valued at cost. The lessee recognises a liability corresponding to the present value of the payments due for the lease in respect of the right of use asset. The discount rate to be used is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. In the case of operating subleases, the sub-lessee recognises the right of use under property, plant and equipment held for investment purposes.

The right of use is amortised on a straight-line basis over the lease term, which takes into account both the non-cancellable contractual period and the renewal options if the lessee has reasonable certainty of exercising them.

During the term of the lease, the carrying amount of the right to use is adjusted in the event of a change in the lease term or lease payments, as well as for changes in the lease that increase or decrease the subject matter of the lease.

As regards property, plant and equipment recognised in accordance with IAS 2, these are measured at the lower of cost and net realisable value, on the understanding that one nevertheless compares the carrying amount of the asset and its recoverable amount, where there is some evidence that shows that the asset may have incurred an impairment loss. Any adjustments are recorded through profit or loss.

The carrying value of an operating item of property, plant and equipment is eliminated from the balance sheet upon disposal or when no future economic benefits are expected from its use or disposal.

7 - Intangible assets

"Intangible assets" includes, pursuant to IAS 38, non-monetary assets that are identifiable and do not have physical substance. They are held to be used for a multi-year period or an indefinite period. They consist mainly of concessions, licenses and trademarks, contractual relationships with customers, research and development costs and industrial patent and intellectual property rights.

Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a transaction related to a business combination and the fair value of identifiable net assets acquired. If this difference is negative (badwill) or if the goodwill is not justified by the future earnings capacity of the investee, the difference is recognised in the income statement.

An intangible asset is recognised if the following conditions are satisfied:
- the asset is identifiable, i.e. it is separable from the rest of the enterprise;
- the asset is controlled, i.e. it is subject to the control of the enterprise;
- the asset generates future economic benefits;
- the cost of the asset can be measured reliably.

If one of these elements is missing, the purchase or realisation cost is fully recognised as a cost in the income statement in the financial year in which it is incurred.

The non-current intangible assets are initially recognised at purchase or development cost, including directly attributable transaction costs.

After initial recognition, the non-current intangible assets with a finite useful life are measured at cost, net of amortisation and any impairment (the latter governed by IAS 36).

The amortisation is charged based on the estimated useful life of the asset. This estimate of its useful life is assessed, at the end of each financial year, to check the adequacy of the estimate.

Concessions, licenses, trademarks and similar rights arising from an acquisition are recognised at current values at the date of the acquisition. The value of the storage concessions, determined as indicated by the Ministry for Productive Activities (now the Ministry of Economic Development) in the decree of 3 November 2005, is recorded under the item "Other assets" of intangible assets measured at cost. More specifically, trademarks are not amortised but they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. Customer contracts arising from an acquisition are recognised at fair value as of the date of the acquisition. Contractual rights are amortised over the expected life of the relationship. Research costs are expensed in the period in which they are incurred. Costs for the development of new products and production processes are capitalised and recognised under intangible assets only if all of the following conditions are met:
- the project is clearly identified and the associated costs can be identified and measured reliably;

- the technical feasibility of the project has been established;
- there is a clear intention to complete the project and sell the intangible assets generated by the project;
- a potential market exists or, in the case of internal use, the usefulness of the intangible asset has been established;
- adequate technical and financial resources to complete the project are available.

The amortisation of any development costs recognised under intangible assets begins as from the date on which the result of the project is ready for sale and is carried out on a straight-line basis.

The costs incurred for the acquisition of industrial patents and intellectual property rights are amortised on a straight-line basis, allocating the acquisition cost over the shorter of the expected period of use and the term of the associated contracts, as from the time the right acquired can be exercised.

If, regardless of the amortisation, there is objective evidence that the intangible asset is impaired, a test is performed to determine the adequacy of the carrying amount of the asset. Consequently, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less the costs of disposal, and the associated value in use of the asset (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement under "Net adjustments to/recoveries on intangible assets". If the reasons for which impairment was recognised cease to exist, the value of the asset is written back. The adjusted value may not exceed the value that the asset would have had, net of the amortisation calculated in the absence of previous impairment.

Goodwill generated from the acquisition of subsidiaries is allocated to each identified cash generating unit (CGU). Within the CDP Group, CGUs correspond to the individual legal entities. Since it is an intangible asset having an indefinite useful life, goodwill is not amortised but tested only for the adequacy of its carrying amount. An impairment test is performed at least annually on goodwill, or whenever there is evidence of impairment. This involves comparing the carrying amount of goodwill and the recoverable amount of the CGUs to which the goodwill is attributed. If the carrying amount of goodwill is higher than the recoverable value of the CGU, the difference is recognised in the income statement at "Goodwill impairment". Any reversals of impairment of goodwill may not be recognised.

Goodwill related to investments in associated companies and joint ventures is included in the carrying amount of such companies. Negative goodwill is recognised in the income statement at the time of the acquisition.

Intangible assets are derecognised when sold or when future economic benefits are no longer expected.

8 - Non-current assets and disposal groups held for sale

The balance sheet items "Non-current assets and disposal groups held for sale" and "Liabilities associated with disposal groups held for sale" include the assets or groups of assets/liabilities whose carrying value will be recovered mainly through sale rather than through their continuous use. Disposal processes have been initiated for these assets, whose sale is deemed highly likely.

These non-current assets (or disposal groups) are presented separately from the balance sheet items "Other assets" and "Other liabilities". Initial recognition is done in compliance with the specific IFRS as applicable to each associated asset and liability while, subsequently, they are recognised at the lower of their carrying value and fair value (the latter net of costs to sell), without any depreciation/amortisation being recognised.

The individual assets of the companies classified as held for sale are not amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised.

Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets (or disposal groups) held for sale through profit or loss. The corresponding balance sheet values for the previous financial year are not reclassified. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations;
- is an investment exclusively acquired with a view to resale.

The profits and losses net of tax that can be related to disposal groups of assets and liabilities are shown in the specific income statement item "Income (loss) after tax on disposal groups held for sale".

9 - Current and deferred taxes

Tax assets and liabilities are recognised in the balance sheet respectively under consolidated assets Item “Tax assets” and consolidated liabilities Item “Tax liabilities”.

The accounting entries related to current and deferred taxes include: i) current tax assets, consisting of tax paid in advance and receivables for withholding taxes incurred; ii) current tax liabilities, consisting of tax payables to be settled according to applicable tax regulations; iii) deferred tax assets, consisting of the amounts of tax recoverable in future years in view of deductible temporary differences; and iv) deferred tax liabilities, consisting of payables for tax to be paid in future periods as a result of taxable temporary differences.

Current taxes, consisting of corporate income tax (IRES) and regional tax on business activities (IRAP), are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year. They are calculated on the basis of applicable tax rates.

Deferred tax assets and liabilities are recognised according to the tax rate that, under the legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation.

The term “deferred” tax refers, in particular, to the recognition, in terms of tax, of the temporary differences between the value assigned to an asset or liability for statutory accounting purposes and the corresponding value for tax purposes.

Deferred taxes are recognised:
- under Tax assets, if they relate to “deductible temporary differences”, which means the differences between statutory and tax values that will give rise to deductible amounts in future periods, to the extent that they are likely to be recovered;
- under Tax liabilities, if they relate to “taxable temporary differences” representing liabilities because they are related to accounting entries that will become taxable in future tax periods.

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

Some of the Group’s Italian companies joined the “national fiscal consolidation” mechanism regulated by Articles 117-129 of the Consolidated Income Tax Law (“TUIR”), introduced into tax law by Italian Legislative Decree no. 344/2003. It consists of an optional tax system, according to which aggregate net taxable income or loss of each subsidiary that has joined the national fiscal consolidation mechanism — inclusive of any tax withholding, deductions and tax credits — is transferred to the Parent Company, for which a single taxable income or a single tax loss is carried forward (resulting from the algebraic sum of its income/losses and those of the subsidiaries) and, as a result, a single tax payable/receivable.

10 - Provisions for risks and charges

This item consists of the allowances set aside to cover specific types of liabilities whose existence is certain or probable, but whose amount or accrual date were uncertain at the reporting date.

Therefore, the allowances are recognised only when:
- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

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

Contingent — not probable — liabilities are not provided for. However, they are disclosed in the notes, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The allowances are used only to cover the costs for which they were originally recognised, and they are reversed in the income statement when the obligation is settled or when it is no longer probable that an outflow of resources will be required to settle the present obligation.

This item also includes provisions for credit risk for commitments to disburse funds and on financial guarantees that are subject to the rules of impairment in IFRS 9.

This item also includes the company pension plans and other post-retirement benefit obligations, i.e. the provisions for long-term employment and post-employment benefits. However, no value has been recognised for the sub-account in question because there were no net amounts attributable to that item at the reporting date of these financial statements. For more information see the section “Staff severance pay” in paragraph 16 “Other information”.

11 - Financial liabilities measured at amortised cost

This item includes all amounts due to banks and due to customers of any kind (deposits, current accounts, loans), other than those in the items “Financial liabilities held for trading” and “Financial liabilities designated at fair value”. This includes operating debts associated with the provision of business and financial services and variation margins with clearing houses in respect of transactions on derivatives, in addition to operating debts associated with the provision of financial services.

In particular, the Parent Company includes in these items the amounts still to be disbursed for loans being repaid, as well as liabilities in respect of postal funding products.

Postal savings bonds issued by CDP are reported under the item “Due to banks” and the item “Due to customers”, including those that have matured but have not yet been redeemed at the reporting date. These instruments are zero-coupon securities (where the interest accrued is paid when the principal is redeemed) with a step-up interest structure (the interest rate increases as the period for which the bond is held increases) and with principal and interest redeemed in a single payment upon maturity, although the bonds can be redeemed upon request of the underwriter at any time prior to their contractual maturity, with principal and interest paid in accordance with the period for which the bond was held.

For Postal savings bonds, the adoption of the amortised cost method and of the effective interest rate used for calculating the amortised cost under examination must be equal to the internal rate of return from the estimated (not contractual) cash flows throughout the expected (and not contractual) life of the instrument. Given the aforementioned option of early redemption, the expected life of postal savings bonds is, on average, less than their contractual life. CDP has therefore developed a statistical model for forecasting early redemption of postal savings bonds based on a time series of redemptions, which is used to price the new issues. The forecasting model used at the time of the bond issue is also used to determine the initial estimated amortisation plan for each series of postal savings bonds. Based on these estimated flows, the effective interest rate and the amortised cost to be recognised in the balance sheet are then calculated. Differences between the actual early redemptions and these estimates result in an adjustment to the remaining amortisation schedule. In such cases, the IFRS state that the amortised cost of the instrument being measured is to be equal to the present value of the new estimated future cash flows using the unchanging effective interest rate calculated upon issuing each series of postal savings bonds as the discount rate. The effective rate for floating-rate interest-bearing postal savings bonds is updated every time the estimated cash flows are revised due to changes in the benchmark indices and the review of the flow of redemptions.

Financial liabilities measured at amortised cost also include the amount of funds provided by the State or other government agencies and intended for particular operations required and regulated by special laws (“third-party funds in administration”), provided that the loans and funds accrue interest respectively in favour of and at the expense of the providing agency. However, funds administered on behalf of the State or other government agencies are not included here if their management is exclusively remunerated by an all-in-one fee (commission) and that are, therefore, merely seen as a service.

In addition, this item also includes issued securities measured at amortised cost. The item is reported net of repurchased securities.

Financial liabilities measured at amortised cost are recognised for the first time on the date the raised funds are received or the debt instruments are issued. These items are recognised at their fair value upon initial recognition. That value normally corresponds to the amount received or the issue price, inclusive of the costs directly attributable to the individual fund-raising operations or the costs incurred for the issue.

The financial liabilities are subsequently measured at amortised cost using the effective interest rate method, as defined in the preceding paragraphs. An exception is represented by short-term financial liabilities, which are recognised at the received value, given the negligible effect of the time factor.

In hybrid debt instruments (indexed to equity instruments, indices, foreign currencies, etc.) the embedded derivative is separated from the host contract, when the criteria for separation under IFRS 9 apply, and is recognised at its fair value under financial assets/liabilities held for trading (respectively positive or negative). The related changes in value are recognised through profit or loss. The host contract is instead allocated an initial value corresponding to the difference between the total amount of the proceeds received and the fair value allocated to the embedded derivative. The contract is recognised and measured according to the criteria envisaged by the classification portfolio.

The amounts under the item "Due to banks", "Due to customers", and "Securities issued" are derecognised when they mature or are extinguished. The derecognition also takes place when there is a repurchase of previously issued bonds, with simultaneous recalculation of the residual payable only for the securities issued. The difference between the carrying value of the liability and the amount paid to purchase it is recognised in the income statement.

12 - Financial liabilities held for trading

This item includes all forms of financial liabilities (debt securities, loans, derivatives) designated as being held for trading purposes. It excludes any portion of the company's own issued debt securities that have not yet been placed with third parties.

This category of liabilities includes, in particular, financial derivatives not designated under hedge accounting, operational hedging derivatives, and also derivatives embedded in complex financial contracts, whose host contract is a financial liability, which have been recognised separately if their fair value is negative.

The criteria for initial recognition and measurement of these derivatives are illustrated with reference to the same instruments with positive fair value within the scope of Financial assets held for trading.

Financial liabilities are initially recognised at fair value, which generally equals the amount received net of transaction costs or revenues. When the amount paid differs from fair value, a financial liability is nevertheless recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is made at the contract date for derivative contracts and at the settlement date for debt securities, with the exception of those for which delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Measurement after initial recognition is made at fair value, with recognition of any changes in value through profit or loss. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial liability are retained, the liabilities remain on the balance sheet even if official title has been transferred.

The gains and losses on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under "Profits (losses) on trading activities" in the income statement.

13 - Financial liabilities designated at fair value

This item includes financial liabilities, regardless of their technical form (debt securities, loans etc.), for which the option of measurement at fair value through profit or loss has been exercised ("Fair Value Option") in accordance with the requirements established by IFRS 9 for classification in this item.

This classification is made when one of the following conditions applies:
- the designation eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch) that would otherwise arise from the measuring of assets or liabilities or from the recognition of gains or losses on different bases;
- a group of financial liabilities, or a group of financial assets and liabilities is managed and the performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- the liabilities consist of hybrid instruments containing embedded derivatives that would otherwise have been separated (however, this rule does not apply if the embedded derivative is insignificant or if the separation of the embedded derivative cannot be applied).

As regards issued debt securities, these financial liabilities are recognised for the first time on the date of issue.

Initial recognition is at fair value, which generally equals the amount collected, without considering the transaction expenses and income attributable to the instrument issued, which are instead recognised in the income statement.

Subsequent to initial recognition, these financial liabilities are measured at fair value and charged as follows:
- the change in fair value that is attributable to changes in its creditworthiness is recognised in the statement of comprehensive income and recorded in the item Valuation reserves;
- the residual amount of change in fair value is recognised through profit or loss.

Financial liabilities at fair value are derecognised from the balance sheet when the contractual rights to the related cash flows expire or when the financial liability is sold, transferring substantially all risks and rewards connected with it to third parties.

14 - Transactions in a foreign currency

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

In preparing the annual or interim financial statements, assets denominated in a foreign currency are accounted for as follows:
- monetary instruments are translated at the spot rate quoted on the reporting date.
- non-monetary instruments, which are carried at cost, are translated at the exchange rate quoted on the date of the original transaction;
- non-monetary instruments, which are carried at fair value, are translated at the spot rate quoted on the reporting date.

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

The positive and negative exchange rate differences, relating to:
- financial assets and liabilities denominated in foreign currencies, other than those measured at fair value and those subject to fair value hedges (exchange rate or fair value risk) and cash flow hedges (exchange rate risk), as well as the related hedging derivatives are included in “Profits (losses) on trading activities”. This item also includes the results of fair value measurement of any forward contracts associated with foreign currency transactions concluded for hedging purposes, net of the accrued contractual margins recognised in interest with the relevant + or - sign;
- financial assets and liabilities denominated in foreign currencies measured at fair value are included in the “Profits (losses) on financial assets and liabilities measured at fair value through profit or loss”;
- financial assets and liabilities denominated in foreign currencies, subject to fair value hedge (exchange rate or fair value risk) and relating to hedging derivatives are included in the results of related measurements recognised in “Fair value adjustments in hedge accounting”.

15 - Insurance assets and liabilities

Insurance assets include amounts in respect of risks transferred to reinsurers under contracts governed by IFRS 4 and are classified on the balance sheet under item 80 “Reinsurers’ share of technical provisions”. Reinsurers’ share of technical provisions is determined on the basis of the existing contracts/treaties, in accordance with the same criteria used for quantifying the technical provisions, unless a different valuation is deemed appropriate in consideration of the recoverability of the receivable.

Insurance liabilities represented by technical provisions are classified under the item “Technical provisions”.

In accordance with IFRS 4, they may continue to be accounted for in line with local GAAP.

A review of the contracts written by the Group insurance companies found that they all qualify as insurance contracts.

Technical provisions also include any accruals made necessary by the liability adequacy test. Provisions for outstanding claims do not include compensation and equalisation provisions as they are not permitted under the IFRS. Provisions continued to be accounted for in compliance with the accounting standards adopted prior to IFRS, as all the existing policies fall within the scope of IFRS 4 (insurance contracts) and, specifically, this item includes:
- the provision for unearned premiums, which comprises two sub-items: provision for premium instalments, determined on a pro rata basis, pursuant to Article 45 of Italian Legislative Decree no. 173 of 26 May 1997 and the provision for current risks, composed of the amounts to be set aside to cover claims and expenses that exceed the provision for premium instalments on existing contracts for which no claims arose at year-end, to meet the liability adequacy test requirements imposed by IFRS 4;
- the provision for outstanding claims, which includes the net accruals for claims reported but not yet paid on the basis of the forecast cost of the claim, including settlement and management expenses. The provisions for outstanding claims are determined on the basis of an estimate of the ultimate cost of covering charges relating to the indemnity paid, direct costs and payment for each individual claim.

16 - Other information

Other assets

Inventories

Inventories, including compulsory stock, are stated at the lower of their purchase or production cost and their net realisable value, represented by the amount that the business expects to obtain from their sale in the normal course of its activities. Cost is measured as the weighted average cost.

The net realisable value is the selling price in the ordinary course of business less the estimated completion costs and those necessary to sell the good. Work in progress and semi-finished goods are valued at production cost, excluding financial charges and overheads. Sales and purchases of strategic gas do not generate an actual transfer of the risks and rewards associated with ownership and, therefore, do not result in changes in inventory.

Contract work in progress

The gross amount due from contract work in progress is shown in the balance sheet assets. When the revenues and costs related to contract work can be reliably estimated, the related contract work costs and revenues are recognised separately in the income statement on a percentage of completion basis. Progress is measured based on the work carried out and measured proportionally to the costs of contracts incurred up to the reporting date and estimated costs of the total contract. Differences between the value of completed contracts and payments on account received are recognised under balance sheet assets or liabilities, considering any impairment losses on the work carried out so as to take into account the risks of customers' refusal to recognise the work performed. Expected contract losses are recognised immediately.

Contract costs include all those costs that relate directly to the specific contract, as well as fixed and variable costs incurred by Group companies as part of normal operations.

Capitalised borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation are capitalised as part of the cost of the asset. The qualifying assets (property, plant and equipment and intangible assets) involved are those that require at least one year before being ready for use. The directly attributable financial expenses are those that would not have been incurred if the expense for that asset had not been incurred.

Where funds are borrowed specifically, costs eligible for capitalisation are the actual financial expense incurred for that financing, less any income earned on the temporary investment of such borrowings. In regard to the general pool of assumed debt, the amount of financial expenses that can be capitalised is determined by applying a capitalisation rate to the expenses incurred for that asset which corresponds to the weighted average of the borrowing costs applicable to the general pool, excluding any specifically borrowed funds. The amount of borrowing costs capitalised during a financial year shall in any case not exceed the amount of borrowing costs incurred during that year.

The starting date of capitalisation is the date on which all of the following conditions were met for the first time: (a) the costs for the asset were incurred; (b) the financial expenses were incurred; and (c) the activities necessary to prepare the asset for its intended use or for sale were undertaken.

Capitalisation of the financial expenses ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.

Other liabilities

Staff severance pay

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements.

In accordance with IAS 19, staff severance pay is treated as a "Post-employment benefit" and is classified as:
- a "Defined benefit plan" for the portion of staff severance pay accrued by employees until 31 December 2006;
- a "Defined contribution plan" for the portion of staff severance pay accrued by employees beginning 1 January 2007.

The accounting standard envisages that these portions of staff severance pay be recognised at their actuarial value. The accruing and accrued obligations are considered for discounting purposes (these obligations are, respectively, the discounted value of the expected future payments related to benefits accrued during the current financial year and the discounted value of future payments resulting from amounts accrued in previous financial years).

It should be noted that a number of CDP Group companies with a small number of employees and an immaterial staff severance pay amount continued to report that liability as calculated on the basis of Italian statutory provisions (Article 2120 of the Italian Civil Code), given the immateriality of the effects of adopting IAS 19.

Other income statement items

Revenue recognition

The revenue is recognised in such a way as to accurately represent the process of transfer of goods and services to customers in an amount that reflects the consideration that one expects to receive in exchange for supplied goods and services, using a model consisting of five basic steps:

- step 1: identify the contract with the customer;
- step 2: identify the contractual obligations, noting the separable goods or services as separate obligations;
- step 3: determine the price of the transaction, i.e. the amount of the consideration that one expects to receive;
- step 4: allocate the transaction price to each obligation identified in the contract based on the sale price of each individual separable item of goods or services;
- step 5: recognise the revenue when (or if) each contractual obligation is fulfilled through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service.

The revenues from fees for the use of the National Transmission Grid (NTG) are determined on the basis of the rates set by the Italian Authority for Electricity and Gas.

Payments collected on behalf of third parties, such as fees for other non-Group grid owners, as well as fees recognised for the balancing of the national electrical energy system, which do not increase equity, are shown net of the related costs.

Interest income and expense

Interest income and expense is recognised in the income statement, on a pro-rata basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

Default interest, where provided for by contract, is recognised in the income statement only when it is actually received.

The interest also includes the net balance, either positive or negative, of the differentials and margins relating to the financial derivative instruments hedging assets and liabilities that generate interest, and derivatives recognised in the balance sheet in the trading book but operationally related to assets and/or liabilities designated at fair value (fair value option).

Commission income and expense

Commission income for revenues from services provided and commission expense for the costs of services received are recognised, based on the existence of contractual agreements, on an accrual basis, i.e. in the year when the services are provided.

This item also includes the commissions received from guarantees issued in favour of third parties, and commissions paid for guarantees received.

When the amortised cost method is used, the commissions considered in calculating the effective interest rate are recognised instead as interest.

Dividends

As previously described, the dividends received from unconsolidated investees are recognised as income in the financial year in which they are approved for distribution.

The dividends from companies accounted for using the equity method reduce the carrying value of the equity investments.

Share-based payments

These are payments to employees as consideration for their work services performed. When specific conditions are met, the cost of employee service is remunerated through stock option plans, whose value is measured according to the fair value of the options granted to employees at the grant date.

The fair value of options granted is recognised in the income statement, under the item "Staff costs" over the vesting period, with a corresponding increase in equity, considering the best possible estimate of the number of options that employees will be able to exercise. That estimate is revised where subsequent information indicates that the expected number of equity instruments that will vest differs from the estimate previously carried out, independently of market conditions.

The measurement method used to calculate fair value considers all the characteristics of the options (term, price and conditions for exercise, etc.), as well as the value of the underlying security at the grant date, volatility and the yield curve at the grant date, in line with the duration of the plan.

At maturity, the estimate is revised and recognised in the income statement to register the amount corresponding to the number of equity instruments that have effectively vested, independently of whether market conditions have been met.

Grants

The revenues are recognised when it is probable that the economic benefits of the operation will flow to the entity. However, where the recoverability of an amount already included in the revenues is uncertain, the unrecoverable amount or the amount whose recovery is no longer probable is recognised as a cost.

Grants received in relation to specific assets whose value is recognised under non-current assets are, for plants already in operation before 31 December 2002, recognised under other liabilities and recognised in the income statement over the depreciation period of the related assets. Since 2003, grants for new plants entering service are recognised as a direct reduction of the value of the related asset.

Grants for operating expenses are recognised in full in the income statement when the conditions for recognition are satisfied.

Net premium income

This macro-item includes accrued premiums in respect of contracts classifiable as insurance contracts pursuant to IFRS 4 and investment contracts with discretionary participation in profits considered equivalent to insurance contracts by IFRS 4.

Insurance contracts comprise all contracts under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the other party (the policyholder or other beneficiary) if a specified uncertain future event adversely affects the policyholder or the other beneficiary.

All contracts written by the Group can be classified as insurance contracts pursuant to IFRS 4. Premiums are reported net of cessions in reinsurance.

Emission rights

Costs relating to emission rights, determined on the basis of market prices, are recorded solely for the amount of carbon dioxide emissions exceeding the allocated emission rights. Costs relating to the purchase of emission rights are capitalised and recorded among intangible assets net of any negative balance between emissions and allocated rights. Proceeds relating to emission rights are recorded at the moment of their realisation through the sale of rights. In the event of sale, any purchased emission rights are understood to have been sold first. Cash credits allocated instead of the free allocation of emission rights are recorded in "Other income" in the income statement.

Business combinations

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

Business combinations are recognised in accordance with the acquisition method, by which the assets transferred and liabilities assumed by the CDP Group at the business combination acquisition date are recognised at fair value. Transaction costs are generally recognised in the income statement in the years when those costs are incurred or the services are rendered.

For newly acquired companies, if the initial values for a business combination are incomplete by the end of the reporting period in which the combination occurs, the CDP Group reports in its consolidated financial statements provisional amounts for the item for which the accounting is incomplete.

In accordance with IFRS 3, paragraphs 45 ff., within twelve months of the acquisition date, the differences resulting from the business combination have to be allocated by recognising the fair value at the acquisition date of the identifiable assets acquired and liabilities assumed.

The following items are an exception and are measured in accordance with their applicable standard:
- deferred tax assets and liabilities;
- assets and liabilities for employee benefits;
- liabilities or equity instruments related to share-based payment transactions involving shares of the acquiree or share-based payment transactions involving shares of the Group issued in replacement of contracts of the acquiree;
- assets held for sale and discontinued operations.

Goodwill is determined as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree, and the fair value of any equity interest previously held by the acquirer in the acquiree over the fair value at the acquisition date of the net assets acquired and the liabilities assumed. If the fair value at the acquisition date of the net assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of any equity interest previously held by the acquirer in the acquiree, the excess is recognised in the income statement as a gain from the transaction.

After initial recognition, the goodwill acquired for consideration in a business combination is tested for impairment once annually or whenever there is evidence of impairment. For newly acquired companies, the difference between the acquisition price and equity is provisionally recognised as goodwill, if positive, or under liabilities if negative, net of goodwill, if any, recognised in the financial statements of the acquirees.

At the acquisition date, non-controlling interests are measured at fair value or as a proportionate share of the recognised amounts of the acquiree's identifiable net assets. The measurement method is selected on a transaction basis.

Any contingent consideration provided in the business combination is measured at the acquisition-date fair value and included in the amount of the consideration transferred in the business combination for the purposes of calculating goodwill. Any subsequent changes in that fair value, which qualify as adjustments occurring during the measurement period, are included in goodwill retrospectively. Changes in fair value that can be considered as measurement-period adjustments are those prompted by new information about facts and circumstances that existed at the acquisition date, that has been obtained during the measurement period (which shall not exceed one year from the business combination).

In the case of business combinations achieved in stages, the equity interest previously held by the Group in the acquiree is revalued at the fair value at the date control was acquired and any resulting gain or loss is recognised through profit or loss. Any changes in the value of the previously held equity investment that had been recognised in other comprehensive income are reclassified to the income statement as if the equity investment had been sold. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the CDP Group shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall adjust the provisional amounts to reflect new information obtained about facts and circumstances that existed at the acquisition date and that, if known, would have affected the measurement of the amounts recognised at that date.

Business combinations do not include those transactions aimed at obtaining control of one or more companies that do not constitute a business activity or if the business combination is carried out with reorganisation purposes, and thus between two or more entities already belonging to the same Group, and which do not cause changes in the control structure independently of the percentage of non-controlling interests before and after the transaction (referred to as "business combination under common control"). These transactions are in fact considered to have no economic substance.

A.3 - Disclosure of transfers between portfolios of financial assets

There were no transfers between portfolios of financial assets.

A.4 - Disclosures on fair value measurement

Qualitative disclosures

This section contains the disclosures on fair value measurement in accordance with the requirements of IFRS 13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The assumption is that this refers to an ordinary transaction between independent counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded.

In the definition of fair value, a key assumption is that an entity is fully operational and does not have the urgent need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer.

The international accounting standards have established three levels of classification for a financial instrument (known as the "hierarchy of fair value"); the level of fair value measurement assigned depends on the observability and significance of the inputs used in the valuation model.

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1). An instrument is considered to be traded on an active market if prices are readily and regularly available on regulated markets, organised trading facilities, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions executed close to the valuation date. When there are no published prices on an active market or when, in reference to several indicators (e.g. the possibility of performing transactions at the quoted price and their number, the bid-ask spread, the effective trading volumes), it cannot be held that the price represents an active and regularly functioning market, the fair value of the financial instruments is determined by using measurement models and techniques whose purpose is to establish the price at which the asset or liability would be exchanged between market operators in an arm's length transaction at the valuation date. The fair value of unlisted financial instruments is classified under Level 2 or 3 according to whether or not the inputs used in the valuation model are observable and their significance within that model.

The Level 2 inputs are prices available on active markets or inputs based on observable market data, such as interest rates, credit spreads, or yield curves. If they are used in the pricing of an instrument, they must be available for the entire residual life of the instrument. The fair value of a financial instrument measured with techniques that use Level 2 inputs is classified in the same level for the fair value hierarchy.

In certain cases, the level 2 inputs need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it, for example through the use of statistical or "expert-based" techniques, the fair value measurement is classified under Level 3, if the inputs are not observable in the market or not directly available. This category also includes the parameters estimated on the basis of proprietary models or historic data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

The valuation techniques used for Level 2 and Level 3 measurements are validated by the Risk Management Area of CDP. The development and validation of the techniques, and their application for accounting evaluations, are set out in specific process documentation.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The valuation techniques used for unlisted financial instruments may, in addition to interpolations and extrapolations, involve the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.

CDP takes the following into consideration when selecting the valuation models:
- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represent all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and implemented in the systems.

The market parameters used as inputs for Level 2 valuations are selected on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments listed on active markets.

Specifically, the consolidated financial statements use fair value measurements assigned to Level 2 for bonds receivable or payable whose measurement depends exclusively on observable or readily available market parameters, and for the measurement of interest rate, currency, and plain vanilla equity derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them.

A reference framework for derivative contracts and bonds has been developed. This framework is composed of the valuation criteria and models on which the valuation of each category of instruments is based.

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. However, in view of the generalised use of framework netting arrangements that provide for the exchange of collateral, and considering the frequency of exchange of the collateral and the fact that it is established in the form of cash deposits, as well as the minimum ratings required from the counterparties, no adjustments of this kind have been made at 31 December 2019. With regard to the embedded derivatives in postal savings bonds issued by the Parent Company which are separated out, the adjustment for the joint credit risk of CDP and the Italian Government is considered to be nil. An adjustment of this type, if made, would result in a reduction in the fair value of those liabilities.

With regard to the assets and liabilities measured at fair value on a recurring basis, the following are classified as Level 3 in the consolidated financial statements:
- the valuations of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- bonds and tranches of Asset-Backed Securities that do not pass the SPPI test dictated by IFRS 9, for which the valuation requires the use of inputs that are not directly observable or representative of the creditworthiness;
- equity interests and other unlisted equity instruments that are measured using non-market parameters.

A.4.2 Valuation processes and sensitivity

Description of the valuation process for the fair value measurement of instruments classified at Level 3 of the hierarchy of fair value inputs

Level 3 valuation techniques are also applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

The methods and processes adopted aim to ensure that the value assigned to each position appropriately reflects their current fair value, with a level of detail for the checks proportional to the quantitative significance of the assets and liabilities measured.

The reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based is set out in methodological documents updated on half-yearly basis by the Market Risk and ALM department, within the Risk Management Area. The valuations are performed through internal systems used for the management of securities and derivatives and subject to standard controls. The valuation process and related controls are subject to third-level checks on a regular basis.

Description of non-observable inputs used in the valuation process for the fair value measurement on a recurrent basis of instruments classified at Level 3 and the sensitivity of the fair value to changes in those inputs

For fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted to obtain a range of possible and reasonable alternative valuations. In general, the impact of unobservable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

Redemption profiles

The redemption profile of postal savings bonds is a central estimate of the nominal amount of the bonds that will be redeemed within a series of future dates, between the valuation date and the final maturity date. The estimate is made by CDP through statistical analyses and expert-based valuations. This non-observable figure is significant for the Level 3 measurement of the fair value of the options separated out from the postal savings bonds linked to the performance of the Euro Stoxx 50 index. If the investor asks for early redemption of the bond, they lose the entitlement to receive any component of remuneration linked to the index and, as a result, the equity option sold by CDP lapses. For this category of financial instruments, higher redemptions therefore result in a lower value of liabilities for CDP. Although the redemption profiles are non-observable inputs on the market, the changes in those profiles over time are closely linked to the changes in actual redemptions observed.

Given the negligible notional value of the embedded options in the postal savings bonds linked to the EuroStoxx 50 index existing as at 31 December 2019, the sensitivity analysis to the redemption profile which considers changes of 10% in the remaining principal, applied to the relevant expected percentage for the expiry of each option, leads to no significant changes in the value of the liabilities.

NAV Adjustment

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. An increase in NAV coincides with an increase in fair value. For funds classified in Level 3, fair value adjustments may be needed to take account of certain specific characteristics; such adjustments would result in a transaction being priced below NAV. At 31 December 2019, adjustments of this kind were made to the NAVs of some collective investment undertakings held in the portfolio determined on the basis of expert appraisal, taking into account the characteristics of limited liquidity of the units.

A.4.3 Hierarchy of fair value

IFRS 13 requires the provision of a description, with regard to the financial and non-financial assets and liabilities measured at fair value on a recurring basis, of the policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred separately for financial assets and liabilities and non-financial assets and liabilities (IFRS 13, paragraph 95). For all classes of assets and liabilities, the policies adopted by CDP Group require that the transfer from one level to another take place at the end of the reporting period.

The transfers are motivated by whether it becomes possible or impossible to reliably measure fair value, respectively, at Level 1, Level 2 or Level 3: for example, if the measurement of an instrument is classified as "Level 3" due to the non-observability of a significant input, if that input becomes observable in the market or if it becomes common to use a model that requires only observable inputs, or its estimate is not necessary, then the measurement is transferred to Level 2, and the transfer occurs at the end of the reporting period.

Quantitative disclosures

A.4.5 Hierarchy of fair value

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value inputs

(thousands of euro) Financial assets/liabilities measured at fair value	31/12/2019 Level 1	31/12/2019 Level 2	31/12/2019 Level 3	31/12/2018 Level 1	31/12/2018 Level 2	31/12/2018 Level 3
1. Financial assets designated at fair value through profit or loss	1,791,282	348,874	2,677,545	1,364,648	323,070	2,605,905
a) financial assets held for trading	1,206,448	150,057	116,861	777,269	171,415	87,299
b) financial assets designated at fair value						
c) non-trading financial assets mandatorily at fair value	584,834	198,817	2,560,684	587,379	151,655	2,518,606
2. Financial assets at fair value through other comprehensive income	12,248,485		111,553	11,486,443		96,421
3. Hedging derivatives	2,398	428,668			722,177	
4. Property, plant and equipment						
5. Intangible assets						
Total	**14,042,165**	**777,542**	**2,789,098**	**12,851,091**	**1,045,247**	**2,702,326**
1. Financial liabilities held for trading		65,172	24,793		63,003	18,744
2. Financial liabilities at fair value			61,200		500,024	19,389
3. Hedging derivatives		3,054,893			826,038	
Total		**3,120,065**	**85,993**		**1,389,065**	**38,133**

A.4.5.2 Change for the year in financial assets measured at fair value on a recurring basis (Level 3)

(thousands of euro)	Financial assets measured at fair value through profit or loss: Total	of which: a) Financial assets held for trading	of which: b) Financial assets designated at fair value	of which: c) Financial assets mandatorily measured at fair value	Financial assets measured at fair value through other compre-hensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**2,605,905**	**87,299**		**2,518,606**	**96,421**			
2. Increases	**565,270**	**56,409**		**508,861**	**25,402**			
2.1 Purchases	448,443	47,360		401,083	20,450			
2.2 Profits taken to:	72,902	7,154		65,748	4,909			
2.2.1 Income statement	72,902	7,154		65,748				
- *of which: capital gains*	*71,775*	*7,154*		*64,621*				
2.2.2 Equity		X	X	X	4,909			
2.3 Transfers from other levels								
2.4 Other increases	43,925	1,895		42,030	43			
- *of which: business combinations*					*43*			
3. Decreases	**493,630**	**26,847**		**466,783**	**10,270**			
3.1 Sales	37,484	26,847		10,637	20			
3.2 Repayments	260,621			260,621	5,108			
3.3 Losses taken to:	65,258			65,258				
3.3.1 Income statement	65,258			65,258				
- *of which: capital losses*	*39,599*			*39,599*				
3.3.2 Equity		X	X	X				
3.4 Transfers to other levels								
3.5 Other decreases	130,267			130,267	5,142			
- *of which: business combinations*					*5,142*			
4. Closing balance	**2,677,545**	**116,861**		**2,560,684**	**111,553**			

A.4.5.3 Change for the year in financial liabilities measured at fair value on a recurring basis (Level 3)

(thousands of euro)	Financial liabilities held for trading	Financial liabilities at fair value	Hedging derivatives
1. Opening balance	**18,744**	**19,389**	
2. Increases	**12,559**	**41,811**	
2.1 Issues			
2.2 Losses taken to:	12,559		
2.2.1 Income statement	12,559		
- *of which: capital losses*	*7,877*		
2.2.2 Equity	X		
2.3 Transfers from other levels			
2.4 Other increases		41,811	
- *of which: business combinations*		*39,658*	
3. Decreases	**6,510**		
3.1 Repayments	5,010		
3.2 Buybacks			
3.3 Profits taken to:	1,500		
3.3.1 Income statement	1,500		
- *of which: capital gains*	*811*		
3.3.2 Equity	X		
3.4 Transfers to other levels			
3.5 Other decreases			
- *of which: business combinations*			
4. Closing balance	**24,793**	**61,200**	

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by level of fair value inputs

(thousands of euro)	31/12/2019				31/12/2018			
Assets and liabilities not carried at fair value or carried at fair value on a non-recurring basis	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	344,205,246	61,549,540	4,016,004	295,996,177	330,074,848	45,917,607	7,016,625	279,394,893
2. Investment property, plant and equipment	782,381		543,067	238,433	32,876		25,844	8,659
3. Non-current assets and disposal groups held for sale	342,486			342,486	11,583			11,583
Total	**345,330,113**	**61,549,540**	**4,559,071**	**296,577,096**	**330,119,307**	**45,917,607**	**7,042,469**	**279,415,135**
1. Financial liabilities measured at amortised cost	385,657,519	21,556,196	20,453,810	346,757,095	366,706,687	19,547,230	16,786,295	331,330,985
2. Liabilities associated with non-current assets and disposal groups held for sale	165,706			165,706				
Total	**385,823,225**	**21,556,196**	**20,453,810**	**346,922,801**	**366,706,687**	**19,547,230**	**16,786,295**	**331,330,985**

A.5 Disclosure of day one profit/loss

The carrying amount of financial instruments on recognition is equal to their fair value at the same date.

In the case of financial instruments other than those measured at fair value through profit or loss, the fair value at the recognition date is normally assumed to be equal to the amount received or paid.

In the case of financial instruments measured at fair value through profit or loss classified as Level 3, any difference with respect to the amount received, the so-called "day one profit/loss", cannot be recognised immediately through profit or loss.

Subsequently, such difference must be recognised through profit or loss if it is generated by a change in the factors on which market participants base their valuations in determining prices (including the time effect).

If the instrument has a specified maturity and a model that monitors changes in the factors on which operators base prices is not immediately available, the day one profit/loss can be recognised through profit or loss over the life of the financial instrument.

CDP Group has not recognised any "day one profit/loss" on financial instruments in accordance with the provisions of IFRS 7.28 and other related IFRS provisions.

Part B - Information on the consolidated balance sheet

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

(thousands of euro)	31/12/2019	31/12/2018
a) Cash	1,340	1,166
b) Free deposits with Central Banks		
Total	**1,340**	**1,166**

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by type

(thousands of euro) Items/Values	31/12/2019									31/12/2018		
	Prudential consolidation			Insurance companies			Other entities					
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance sheet assets												
1. Debt securities				1,206,083				82,447	116,861	700,828	99,335	69,453
1.1 Structured securities												
1.2 Other debt securities				1,206,083				82,447	116,861	700,828	99,335	69,453
2. Equity securities				366						6,441		
3. Units in collective investment undertakings										70,000		
4. Loans												
4.1 Repurchase agreements												
4.2 Other												
Total A				**1,206,449**				**82,447**	**116,861**	**777,269**	**99,335**	**69,453**
B. Derivatives												
1. Financial derivatives		66,021						1,588			72,080	17,846
1.1 Trading		66,021						1,588			66,149	17,846
1.2 Associated with fair value option											75	
1.3 Other											5,856	
2. Credit derivatives												
2.1 Trading												
2.2 Associated with fair value option												
2.3 Other												
Total B		**66,021**						**1,588**			**72,080**	**17,846**
Total (A + B)		**66,021**		**1,206,449**				**84,035**	**116,861**	**777,269**	**171,415**	**87,299**

The financial derivatives relating to the Prudential consolidation include:

- the value of the options purchased as a hedge, for operational purposes, of the embedded option component of bonds indexed to baskets of equities. This option component was separated from the host instrument and was classified among financial liabilities held for trading;
- the positive fair value of interest rate derivatives.

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

(thousands of euro) Items/Values	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
A. On-balance sheet assets					
1. Debt securities		**1,206,083**	**199,308**	**1,405,391**	**869,616**
a) Central banks					7,765
b) General governments		1,155,815		1,155,815	663,727
c) Banks		50,268		50,268	9,481
d) Other financial companies			199,308	199,308	170,140
- *of which: insurance companies*					*236*
e) Non-financial companies					18,503
2. Equity securities		**366**		**366**	**6,441**
a) Banks					500
b) Other financial companies					177
- *of which: insurance companies*					*177*
c) Non-financial companies		366		366	168
d) Other issuers					5,596
3. Units in collective investment undertakings					**70,000**
4. Loans					
a) Central banks					
b) General governments					
c) Banks					
d) Other financial companies					
- *of which: insurance companies*					
e) Non-financial companies					
f) Households					
Total A		**1,206,449**	**199,308**	**1,405,757**	**946,057**
B. Derivatives					
a) Central Counterparties					
b) Others	66,021		1,588	67,609	89,926
Total B	**66,021**		**1,588**	**67,609**	**89,926**
Total (A + B)	**66,021**	**1,206,449**	**200,896**	**1,473,366**	**1,035,983**

2.3 Financial assets designated at fair value: breakdown by type

There were no financial assets designated at fair value.

2.4 Financial assets designated at fair value: breakdown by debtor/issuer

There were no financial assets designated at fair value.

2.5 Other financial assets mandatorily measured at fair value: breakdown by type

(thousands of euro) Items/Values	31/12/2019									31/12/2018		
	Prudential consolidation			Insurance companies			Other entities					
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities			129,446	584,733					146,858	587,201	151,278	304,682
1.1 Structured securities												
1.2 Other debt securities			129,446	584,733					146,858	587,201	151,278	304,682
2. Equity securities							101		4,135	178		4,112
3. Units in collective investment undertakings			1,763,970					198,817	15,315			1,662,282
4. Loans						241,660			259,300		377	547,530
4.1 Repurchase agreements												
4.2 Other						241,660			259,300		377	547,530
Total			**1,893,416**	**584,733**		**241,660**	**101**	**198,817**	**425,608**	**587,379**	**151,655**	**2,518,606**

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

(thousands of euro) Items/Values	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
1. Equity securities			**4,236**	**4,236**	**4,290**
of which banks					
of which other financial companies			*3,628*	*3,628*	*3,609*
of which non-financial companies			*608*	*608*	*681*
2. Debt securities	**129,446**	**584,733**	**146,858**	**861,037**	**1,043,161**
a) Central banks					
b) General governments		519,098		519,098	672,624
c) Banks		52,451		52,451	52,671
d) Other financial companies	129,446	13,184	146,858	289,488	317,866
of which: insurance companies					
e) Non-financial companies					
3. Units in collective investment undertakings	**1,763,970**		**214,132**	**1,978,102**	**1,662,282**
4. Loans		**241,660**	**259,300**	**500,960**	**547,907**
a) Central banks					
b) General governments		69		69	68
c) Banks		490		490	2,852
d) Other financial companies		241,101		241,101	5,043
of which: insurance companies					
e) Non-financial companies			259,300	259,300	539,944
f) Households					
Total	**1,893,416**	**826,393**	**624,526**	**3,344,335**	**3,257,640**

This item, which mainly includes the contribution of the Parent Company, consists of debt securities (approximately 861 million euro), loans (approximately 501 million euro) and units in collective investment undertakings (approximately 1,978 million euro) which, upon first-time adoption of IFRS 9, were classified in this item following the failure to pass the SPPI[43] test.

43 The SPPI (Solely Payment of Principal and Interest) test is a qualitative, and in some cases quantitative, analysis of the cash flows generated by the financial asset aimed at verifying whether or not they consist exclusively in payments of capital and interests accrued on the amount of the principal to be repaid and are compatible with a credit lending arrangement (IFRS 9 § 4.1.2 and 4.1.2 A (lett.b), 4.1.3 and § B4.1.7 — B4.1.9E).

The item includes the convertible bond (CB) issued to Valvitalia by the subsidiary CDP Equity (formerly FSI) and sold to FSI Investimenti as part of the contribution completed in 2014. The CB has an original maturity of 7 years. It can be fully converted at any time and at FSI Investimenti's sole discretion (or compulsorily in the case of an IPO or other liquidity event) and has a coupon of at least 2%. This instrument has been measured at fair value, which amounted to 147 million euro at 31 December 2019.

Loans of 259 million euro to non-financial companies, reported under Other companies, mainly refer to receivables owed by the subsidiary SIMEST to its partners in connection with investment transactions in investee companies, which must be measured at fair value in accordance with IFRS 9 since they do not pass the SPPI test.

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

(thousands of euro)	31/12/2019			31/12/2018		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	11,411,701			11,123,871		
1.1 Structured securities						
1.2 Other debt securities	11,411,701			11,123,871		
2. Equity securities	836,784		111,553	362,572		96,421
3. Loans						
Total	**12,248,485**		**111,553**	**11,486,443**		**96,421**

3.1 of which: pertaining to the Prudential consolidation

(thousands of euro)	31/12/2019			31/12/2018		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	10,897,106			10,720,944		
1.1 Structured securities						
1.2 Other debt securities	10,897,106			10,720,944		
2. Equity securities	836,687		46,880	362,475		51,134
3. Loans						
Total	**11,733,793**		**46,880**	**11,083,419**		**51,134**

The financial assets relating to the Prudential consolidation at 31 December 2019 include:
- debt securities for a value of 10,897 million euro. This item includes Italian government securities with a value of approximately 8,779 million euro held by the Parent Company;
- investments in equity securities amounted to approximately 884 million euro (+470 million euro compared to the end of 2018). The increase is mainly attributable to the equity investment in TIM S.p.A. due to the additional investment made during the year.

3.1 of which: pertaining to Other companies

(thousands of euro) Items/Values	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	514,595			402,927		
1.1 Structured securities						
1.2 Other debt securities	514,595			402,927		
2. Equity securities	97		64,673	97		45,287
3. Loans						
Total	**514,692**		**64,673**	**403,024**		**45,287**

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

(thousands of euro) Items/Values	Prudential consolidation	Insurance companies Insurance group	Other entities	31/12/2019	31/12/2018
1. Debt securities	**10,897,106**		**514,595**	**11,411,701**	**11,123,871**
a) Central banks					
b) General governments	9,361,487		514,595	9,876,082	9,875,855
c) Banks	1,157,033			1,157,033	889,817
d) Other financial companies	197,397			197,397	129,067
- *of which: insurance companies*					
e) Non-financial companies	181,189			181,189	229,132
2. Equity securities	**883,567**		**64,770**	**948,337**	**458,993**
a) Banks	41,881			41,881	41,881
b) Other issuer:	841,686		64,770	906,456	417,112
- other financial companies			10,307	10,307	4,253
- *of which: insurance companies*					
- non-financial companies	841,686		15,401	857,087	367,773
- other			39,062	39,062	45,086
3. Loans					
a) Central banks					
b) General governments					
c) Banks					
d) Other financial companies					
- *of which: insurance companies*					
e) Non-financial companies					
f) Households					
Total	**11,780,673**		**579,365**	**12,360,038**	**11,582,864**

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

(thousands of euro)	Gross value: Stage 1	Gross value: of which: Instruments with low credit risk	Gross value: Stage 2	Gross value: Stage 3	Accumulated impairment: Stage 1	Accumulated impairment: Stage 2	Accumulated impairment: Stage 3	Accumulated partial write-off (*)
Debt securities	10,879,629		546,942		(13,032)	(1,838)		
Loans								
Total 31/12/2019	**10,879,629**		**546,942**		**(13,032)**	**(1,838)**		
Total 31/12/2018	**10,700,156**		**434,586**		**(9,400)**	**(1,471)**		
- *of which: impaired financial assets acquired or originated*	*X*	*X*			*X*			

(*) Value to be shown for information purposes.

Section 4 - Financial assets measured at amortised cost - Item 40

4.1 Financial assets measured at amortised cost: breakdown by type of loans to banks

(thousands of euro) Type of transactions/values	Total 31/12/2019 Carrying amounts: Stage 1 and 2	Total 31/12/2019 Carrying amounts: Stage 3	Total 31/12/2019 Carrying amounts: of which: impaired financial assets acquired or originated	Total 31/12/2019 Fair value: Level 1	Total 31/12/2019 Fair value: Level 2	Total 31/12/2019 Fair value: Level 3	Total 31/12/2018 Carrying amounts: Stage 1 and 2	Total 31/12/2018 Carrying amounts: Stage 3	Total 31/12/2018 Carrying amounts: of which: impaired financial assets acquired or originated	Total 31/12/2018 Fair value: Level 1	Total 31/12/2018 Fair value: Level 2	Total 31/12/2018 Fair value: Level 3
A. Loans to Central banks	**13,286,945**					**13,286,945**	**7,713,798**					**7,713,798**
1. Fixed-term deposits				X	X	X				X	X	X
2. Reserve requirement	13,286,945			X	X	X	7,713,798			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other				X	X	X				X	X	X
B. Loans to banks	**19,397,183**			**680,189**	**19,200**	**19,414,814**	**17,111,242**			**667,747**		**15,575,324**
1. Loans	17,837,438			6,735	19,200	18,521,775	16,139,329					15,273,323
1.1 Current deposit and demand deposit	5,532,876			X	X	X	3,198,509			X	X	X
1.2 Fixed-term deposits	300,775			X	X	X	703			X	X	X
1.3 Other financing:	12,003,787			X	X	X	12,940,117			X	X	X
- repurchase agreements				X	X	X						
- finance lease				X	X	X				X	X	X
- other	12,003,787			X	X	X	12,940,117			X	X	X
2. Debt securities	1,559,745			673,454		893,039	971,913			667,747		302,001
2.1 Structured												
2.2 Other debt securities	1,559,745			673,454		893,039	971,913			667,747		302,001
Total	**32,684,128**			**680,189**	**19,200**	**32,701,759**	**24,825,040**			**667,747**		**23,289,122**

Loans to banks are primarily composed of:

- the Parent Company's balance on the management account of the reserve requirement, which amounted to 13,287 million euro (around +5,573 million euro on the figure recorded at the end of 2018);
- other loans of approximately 12,004 million euro, mostly attributable to loans granted by the Parent Company to the banking system;
- term deposits for approximately 301 million euro, of which about 226 million euro in respect of Terna investments;
- current account balances amounting to around 5,533 million euro.

4.1 of which: pertaining to the Prudential consolidation

	Total 31/12/2019						Total 31/12/2018					
	Carrying amounts			Fair value			Carrying amounts			Fair value		
(thousands of euro) Type of transactions/values	Stage 1 and 2	Stage 3	of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3
A. Loans to Central banks	**13,286,945**					**13,286,945**	**7,713,798**					**7,713,798**
1. Fixed-term deposits				X	X	X				X	X	X
2. Reserve requirement	13,286,945			X	X	X	7,713,798			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other				X	X	X				X	X	X
B. Loans to banks	**13,841,049**			**673,454**	**19,200**	**13,865,415**	**12,559,932**			**667,747**		**11,775,526**
1. Loans	12,281,304				19,200	12,972,376	11,588,019					11,473,525
1.1 Current deposit and demand deposit	231,008			X	X	X	518,360			X	X	X
1.2 Fixed-term deposits	68,031			X	X	X				X	X	X
1.3 Other financing:	11,982,265			X	X	X	11,069,659			X	X	X
- repurchase agreements				X	X	X						
- finance lease				X	X	X				X	X	X
- other	11,982,265			X	X	X	11,069,659			X	X	X
2. Debt securities	1,559,745			673,454		893,039	971,913			667,747		302,001
2.1 Structured												
2.2 Other debt securities	1,559,745			673,454		893,039	971,913			667,747		302,001
Total	**27,127,994**			**673,454**	**19,200**	**27,152,360**	**20,273,730**			**667,747**		**19,489,324**

4.1 of which: pertaining to insurance companies

(thousands of euro) Type of transactions/values	Total 31/12/2019						Total 31/12/2018					
	Carrying amounts			Fair value			Carrying amounts			Fair value		
	Stage 1 and 2	Stage 3	of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3
A. Loans to Central banks												
1. Fixed-term deposits				X	X	X				X	X	X
2. Reserve requirement				X	X	X				X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other				X	X	X				X	X	X
B. Loans to banks	**56,120**					**56,120**	**91,816**					**91,816**
1. Loans	56,120					56,120	91,816					91,816
1.1 Current deposit and demand deposit	56,120			X	X	X	91,816			X	X	X
1.2 Fixed-term deposits				X	X	X				X	X	X
1.3 Other financing:				X	X	X				X	X	X
- repurchase agreements				X	X	X						
- finance lease				X	X	X				X	X	X
- other				X	X	X				X	X	X
2. Debt securities												
2.1 Structured												
2.2 Other debt securities												
Total	**56,120**					**56,120**	**91,816**					**91,816**

4.1 of which: pertaining to Other companies

(thousands of euro) Type of transactions/values	Total 31/12/2019						Total 31/12/2018					
	Carrying amounts			Fair value			Carrying amounts			Fair value		
	Stage 1 and 2	Stage 3	of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3
A. Loans to Central banks												
1. Fixed-term deposits				X	X	X				X	X	X
2. Reserve requirement				X	X	X				X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other				X	X	X				X	X	X
B. Loans to banks	**5,500,014**			**6,735**		**5,493,279**	**4,459,494**					**3,707,982**
1. Loans	5,500,014			6,735		5,493,279	4,459,494					3,707,982
1.1 Current deposit and demand deposit	5,245,748			X	X	X	2,588,333			X	X	X
1.2 Fixed-term deposits	232,744			X	X	X	703			X	X	X
1.3 Other financing:	21,522			X	X	X	1,870,458			X	X	X
- repurchase agreements				X	X	X						
- finance lease				X	X	X				X	X	X
- other	21,522			X	X	X	1,870,458			X	X	X
2. Debt securities												
2.1 Structured												
2.2 Other debt securities												
Total	**5,500,014**			**6,735**		**5,493,279**	**4,459,494**					**3,707,982**

Loans to banks pertaining to Other companies mainly include current accounts and demand deposits (5,246 million euro), mainly relating to the Terna group (1,057 million euro), the Fincantieri group (381 million euro), the Italgas group (262 million euro) and Snam (2,850 million euro).

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

(thousands of euro) Type of transactions/values	Total 31/12/2019						Total 31/12/2018					
	Carrying amounts			Fair value			Carrying amounts			Fair value		
	Stage 1 and 2	Stage 3	of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	of which: impaired financial assets acquired or originated	Level 1	Level 2	Level 3
1. Loans	**244,659,569**	**311,803**		**16**		**259,065,222**	**250,142,692**	**715,002**				**253,772,137**
1.1 Current accounts	486,446			X	X	X	489,527			X	X	X
1.1.1 Cash and cash equivalents held with Central State Treasury	150,947,180			X	X	X	158,265,776			X	X	X
1.2 Repurchase agreements	378,365			X	X	X	53,126			X	X	X
1.3 Loans	87,840,419	199,110		X	X	X	88,780,589	225,382		X	X	X
1.4 Credit cards, personal loans and loans repaid by automatic deductions from wages	278			X	X	X	278			X	X	X
1.5 Finance lease				X	X	X				X	X	X
1.6 Factoring	1,361,779	92,866		X	X	X	1,185,186	81,650		X	X	X
1.7 Other	3,645,102	19,827		X	X	X	1,368,210	407,970		X	X	X
2. Debt securities	**66,549,746**			**60,869,335**	**3,996,804**	**4,229,196**	**54,392,114**			**45,249,860**	**7,016,625**	**2,333,634**
2.1 Structured securities												
2.2 Other debt securities	66,549,746			60,869,335	3,996,804	4,229,196	54,392,114			45,249,860	7,016,625	2,333,634
Total	**311,209,315**	**311,803**		**60,869,351**	**3,996,804**	**263,294,418**	**304,534,806**	**715,002**		**45,249,860**	**7,016,625**	**256,105,771**

Loans to customers, which essentially include the contribution of the Parent Company, mainly relate to:
- lending operations under the Separate Account and Ordinary Account;
- cash and cash equivalents held with Central State Treasury;
- investments in debt securities under the Held to collect business model.

The above table provides a breakdown of the positions by technical form.

The method of remuneration of the treasury current account no. 29814 opened by the Parent Company equalled the weighted average (using weightings at 25% and 75%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs.

The volume of mortgage loans amounted to approximately 87,840 million euro (-941 million euro compared to the end of 2018).

Reverse repurchase agreements amounted to approximately 378 million euro (+325 million euro compared to the end of 2018).

The volume of debt securities included in this item amounted to approximately 66,550 million euro, mainly pertaining to the Parent Company and including 59,225 million euro of Italian government securities.

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

(thousands of euro) Type of transactions/values	Total 31/12/2019 Stage 1 and 2	Stage 3	of which: non-performing financial assets acquired or originated	Total 31/12/2018 Stage 1 and 2	Stage 3	of which: non-performing financial assets acquired or originated
1. Debt securities	**66,549,746**			**54,392,114**		
a) General governments	62,205,462			50,827,466		
b) Other financial companies	1,267,765			1,370,799		
- *of which: insurance companies*						
c) Non-financial companies	3,076,519			2,193,849		
2. Loans	**244,659,569**	**311,803**		**250,142,692**	**715,002**	
a) General governments	227,930,088	50,332		235,924,512	429,348	
b) Other financial companies	3,238,841			2,196,311		
- *of which: insurance companies*	*2,569*			*62*		
c) Non-financial companies	13,457,409	257,982		11,979,733	282,204	
d) Households	33,231	3,489		42,136	3,450	
Total	**311,209,315**	**311,803**		**304,534,806**	**715,002**	

4.4 Financial assets measured at amortised cost: gross value and accumulated impairment

(thousands of euro)	Gross value Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Accumulated impairment Stage 1	Stage 2	Stage 3	Accumulated partial write-offs (*)
Debt securities	67,764,093		530,599		(70,724)	(114,477)		
Loans	262,187,533		14,223,535	569,633	(229,473)	(397,643)	(257,830)	(364)
Total 31/12/2019	**329,951,626**		**14,754,134**	**569,633**	**(300,197)**	**(512,120)**	**(257,830)**	**(364)**
Total 31/12/2018	**314,353,985**		**15,892,914**	**961,454**	**(219,529)**	**(667,524)**	**(246,452)**	
- *of which: impaired financial assets acquired or originated*	*X*	*X*			*X*			

(*) Value to be shown for information purposes.

Section 5 - Hedging Derivatives - Item 50

5.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	Fair value 31/12/2019 Level 1	Level 2	Level 3	Notional value 31/12/2019	Fair value 31/12/2018 Level 1	Level 2	Level 3	Notional value 31/12/2018
A. Financial derivatives	**2,398**	**428,668**		**14,913,339**		**722,177**		**25,565,894**
1) Fair value	2,398	424,449		14,725,650		600,425		23,242,877
2) Cash flow		4,219		187,689		121,752		2,323,017
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total	**2,398**	**428,668**		**14,913,339**		**722,177**		**25,565,894**

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

(thousands of euro) Operation/Type of hedging	Fair value							Cash flow		
	Specific									
	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Credit	Commo-dities	Others	Generic	Specific	Generic	Investment in foreign operation
1. Financial assets at fair value through other comprehensive income					X	X	X		X	X
2. Financial assets at amortised cost	2,300	X	13,560		X	X	X	4,219	X	X
3. Portfolio	X	X	X	X	X	X	14,625	X		X
4. Other	49,307		1,928				X		X	
Total assets	**51,607**		**15,488**				**14,625**	**4,219**		
1. Financial liabilities	345,127	X		X			X		X	X
2. Portfolio	X	X	X	X	X	X		X		X
Total liabilities	**345,127**									
1. Forecast transactions	X	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X		

Section 6 - Fair value change of financial assets in hedged portfolios - Item 60

6.1 Fair value change of hedged assets: breakdown by hedged portfolio

(thousands of euro) Fair value change of financial assets in hedged portfolios/Values	31/12/2019	31/12/2018
1. Positive fair value change	**1,481,927**	**138,026**
1.1 Of specific portfolios:	1,481,927	138,026
a) financial assets measured at amortised cost	1,481,927	138,026
b) financial assets measured at fair value through other comprehensive income		
1.2 overall		
2. Negative fair value change	**(14,584)**	**(6,445)**
2.1 Of specific portfolios:	(14,584)	(6,445)
a) financial assets measured at amortised cost	(14,584)	(6,445)
b) financial assets measured at fair value through other comprehensive income		
2.2 overall		
Total	**1,467,343**	**131,581**

Section 7 - Equity investments - Item 70

7.1 Information on equity investments

	Company name	Registered office	Operational headquarters	Type of relation-ship [1]	Investor	% holding	% of votes [2]
A.	**Companies subject to joint control**						
1.	AS Gasinfrastruktur Beteiligung GmbH	Vienna	Vienna	7	Snam S.p.A.	40.00%	40.00%
2.	Ansaldo Gas Turbine Technology Co. Ltd (JVA)	Shanghai	n.a.	7	Ansaldo Energia S.p.A.	60.00%	60.00%
3.	Busbar4f S.c.ar.l.	Trieste	Trieste	7	Fincantieri S.p.A.	10.00%	10.00%
				7	Fincantieri SI S.p.A.	50.00%	50.00%
4.	Consorzio F.S.B.	Marghera (VE)	Marghera (VE)	7	Fincantieri S.p.A.	58.36%	58.36%
5.	CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	Hong Kong	7	Fincantieri S.p.A.	40.00%	40.00%
6.	CSSC Fincantieri (Shanghai) Cruise Design Limited	Shanghai	Shanghai	7	CSSC - Fincantieri Cruise Industry Development Ltd.	100.00%	100.00%
7.	ELMED Etudes S.ar.l.	Tunis	Tunis	7	Terna S.p.A.	50.00%	50.00%
8.	Etihad Ship Building LLC	Abu Dhabi	Abu Dhabi	7	Fincantieri S.p.A.	35.00%	35.00%
9.	Fincantieri Clea Buildings S.c.ar.l.	Verona	Verona	7	Fincantieri Infrastructure S.p.A.	51.00%	51.00%
10.	Hotelturist S.p.A.	Padoa	Padoa	7	CDP Equity S.p.A.	45.90%	45.90%
11.	IQ Made in Italy Investment Company S.p.A.	Milan	Milan	7	FSI Investimenti S.p.A.	50.00%	50.00%
12.	Issel Middle East Information Technology Consultancy LLC	Abu Dhabi	Abu Dhabi	7	Issel Nord S.r.l.	49.00%	49.00%
13.	Manifatture Milano S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
14.	Metano S. Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	Sant'Angelo Lodigiano	7	Italgas S.p.A.	50.00%	50.00%
15.	OpenFiber S.p.A.	Milan	Milan	7	CDP Equity S.p.A.	50.00%	50.00%
16.	Orizzonte Sistemi Navali S.p.A.	Genoa	Genoa	7	Fincantieri S.p.A.	51.00%	51.00%
17.	Pergenova S.c.p.A.	Genoa	Genoa	7	Fincantieri Infrastructure S.p.A.	50.00%	50.00%
18.	Pentagramma Piemonte S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
19.	Saipem S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	7	CDP Industria S.p.A.	12.55%	12.55%
20.	Shanghai Electric Gas Turbine Co. LTD (JVS)	Shanghai	n.a.	7	Ansaldo Energia S.p.A.	40.00%	40.00%
21.	Terega Holding S.a.s.	Pau	Pau	7	Snam S.p.A.	40.50%	40.50%
22.	Trans Austria Gasleitung GmbH (4)	Vienna	Vienna	7	Snam S.p.A.	84.47%	84.47%
23.	Umbria Distribuzione Gas S.p.A.	Terni	Terni	7	Italgas S.p.A.	45.00%	45.00%
24.	Valvitalia Finanziaria S.p.A.	Milan	Milan	7	FSI Investimenti S.p.A.	0.50%	0.50%
B.	**Companies subject to significant influence**						
1.	A-U Finance Holdings BV	Amsterdam	n.a.	4	Ansaldo Energia S.p.A.	40.00%	40.00%
2.	Arsenal S.r.l.	Trieste	Trieste	4	Fincantieri Oil & Gas S.p.A.	24.00%	24.00%
3.	AS Dameco	Skien	Skien	4	Vard Offshore Brevik AS	34.00%	34.00%
4.	ATS S.p.A.	Milan	Milan	4	SIA S.p.A.	30.00%	30.00%
5.	African Trade Insurance Company	Nairobi	Nairobi	4	SACE S.p.A.	4.23%	4.23%
6.	Ansaldo Algérie S.ar.l.	Algier-Centre	n.a.	4	Ansaldo Energia S.p.A.	49.00%	49.00%
7.	B.F. S.p.A.	Milan	Jolanda di Savoia (FE)	4	CDP Equity S.p.A.	20.05%	20.05%
8.	Brevik Technology AS	Brevik	Brevik	4	Vard Group AS	34.00%	34.00%
9.	Centro Servizi Navali S.p.A.	San Giorgio di Nogaro (UD)	n.a.	4	Fincantieri S.p.A.	10.93%	10.93%
10.	CESI S.p.A.	Milan	Milan	4	Terna S.p.A.	42.70%	42.70%
11.	CGES A.D.	Podgorica	Podgorica	4	Terna S.p.A.	22.09%	22.09%
12.	Coreso S.A.	Brussels	Brussels	4	Terna S.p.A.	15.84%	15.84%
13.	CSS Design Limited	Virgin Islands (GB)	n.a.	4	Vard Marine Inc.	31.00%	31.00%
14.	Castor Drilling Solution AS	Kristiansand S	Kristiansand S	4	Seaonics AS	34.13%	34.13%

Company name	Registered office	Operational headquarters	Type of relation-ship (1)	Investor	% holding	% of votes (2)
15. Decomar S.p.A.	Massa (MS)	Massa (MS)	4	Fincantieri S.p.A.	20.00%	20.00%
16. DOF Iceman AS	Storebø	n.a.	4	Vard Group AS	50.00%	50.00%
17. Elite S.p.A.	Milan	Milan	4	CDP S.p.A.	15.00%	15.00%
18. Enerpaper S.r.l.	Turin	Turin	4	Seaside S.r.l.	10.00%	10.00%
19. Eni S.p.A.	Rome	Rome	4	CDP S.p.A.	25.76%	25.76%
20. Europrogetti & Finanza S.r.l. in liquidazione	Rome	Rome	4	CDP S.p.A.	31.80%	31.80%
21. FSI SGR S.p.A.	Milan	Milan	4	CDP Equity S.p.A.	39.00%	39.00%
22. Gesam Reti S.p.A.	Lucca	Lucca	4	Toscana Energia S.p.A.	42.96%	42.96%
23. Gruppo PSC S.p.A.	Maratea (PZ)	Maratea (PZ)	4	Fincantieri S.p.A.	10.00%	10.00%
24. Interconnector (UK) Ltd	London	London	4	Snam International B.V.	23.68%	23.68%
25. Interconnector Zeebrugge Terminal S.C./C.V. S.c.r.l.	Brussels	Brussels	4	Snam International B.V.	25.00%	25.00%
26. Island Diligence AS	Stålhaugen	n.a.	4	Vard Group AS	39.38%	39.38%
27. Kedrion S.p.A.	Castelvecchio Pascoli (LU)	Castelvecchio Pascoli (LU)	4	FSI Investimenti S.p.A.	25.06%	25.06%
28. Leonardo Sistemi Integrati S.r.l.	Genoa	Genoa	4	INSIS S.p.A.	14.58%	14.58%
29. Ligestra Due S.r.l. (5)	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%
30. Mc4com - Mission Critical For Communications S.c.ar.l.	Milan	Milan	4	HMS IT S.p.A.	50.00%	50.00%
31. Møkster Supply AS	Stavanger	Stavanger	4	Vard Group AS	40.00%	40.00%
32. Møkster Supply KS	Stavanger	Stavanger	4	Vard Group AS	36.00%	36.00%
33. M.T. Manifattura Tabacchi S.p.A.	Rome	Rome	4	CDP Immobiliare S.r.l.	40.00%	40.00%
34. Olympic Challenger KS	Fosnavåg	Fosnavåg	4	Vard Group AS	35.00%	35.00%
35. Olympic Green Energy KS	Fosnavåg	Fosnavåg	4	Vard Group AS	29.50%	29.50%
36. Prelios Solutions & Technologies S.r.l.	Milan	Milan	4	INSIS S.p.A.	49.00%	49.00%
37. Polaris Anserv S.r.l.	Bucarest	n.a.	4	Ansaldo Nucleare S.pA.	20.00%	20.00%
38. Poste Italiane S.p.A.	Rome	Rome	4	CDP S.p.A.	35.00%	35.00%
39. Quattror SGR S.p.A.	Milan	Milan	4	CDP Equity S.p.A.	40.00%	40.00%
40. Rem Supply AS	Fosnavåg	Fosnavåg	4	Vard Group AS	26.66%	26.66%
41. Rocco Forte Hotels Limited	London	London	4	FSI Investimenti S.p.A.	23.00%	23.00%
42. Salini Impregilo S.p.A.	Milan	Milan	4	CDP Equity S.p.A.	18.68%	18.68%
43. Senfluga energy infrastructure holdings S.A.	Athens	Athens	4	Snam S.p.A.	60.00%	60.00%
44. Taklift AS	Skien	Skien	4	Vard Group AS	25.47%	25.47%
45. Trans Adriatic Pipeline AG	Baar	Baar	4	Snam S.p.A.	20.00%	20.00%
46. Trevi Finanziaria Industriale S.p.A	Cesena	Cesena	4	FSI Investimenti S.p.A.	16.86%	16.86%
47. Unifer Navale S.r.l.	Finale Emilia (MO)	Finale Emilia (MO)	4	Seaf S.p.A.	20.00%	20.00%
48. Valdarno S.r.l.	Pisa	Pisa	4	Toscana Energia S.p.A.	30.04%	30.04%
C. Unconsolidated subsidiaries (3)						
1. Asset Company 7 B.V.	Amsterdam	Amsterdam	1	Snam S.p.A.	100.00%	100.00%
2. Cagliari 89 S.c.ar.l. in liquidazione	Monastir (CA)	Monastir (CA)	1	Fintecna S.p.A.	51.00%	51.00%
3. CDP Venture Capital SGR S.p.A. (formerly Invitalia Ventures SGR)	Rome	Rome	1	CDP Equity S.p.A.	70.00%	70.00%
4. Consorzio Codelsa in liquidazione	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
5. Consorzio Edinsud in liquidazione	Naples	Naples	1	Fintecna S.p.A.	58.82%	58.82%
6. Consorzio IMAFID in liquidazione	Naples	Naples	1	Fintecna S.p.A.	56.85%	56.85%
7. Consorzio MED.IN. in liquidazione	Rome	Rome	1	Fintecna S.p.A.	85.00%	85.00%
8. Consorzio QuenIT in liquidazione	Verona	Verona	1	SIA S.p.A.	55.00%	55.00%
9. Copower S.r.l.	Rome	Rome	1	Tep Energy Solution S.r.l.	51.00%	51.00%
10. DMAN in liquidazione	Athens	Athens	1	SIA S.p.A.	100.00%	100.00%

	Company name	Registered office	Operational headquarters	Type of relation-ship (1)	Investor	% holding	% of votes (2)
11.	IES Biogas S.r.l.	Buenos Aires	n.a.	1	IES Biogas S.r.l.	100.00%	95.00%
12.	Snam4Efficiency S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Snam S.p.A.	100.00%	100.00%
13.	SPVTCCC BV	Breda	n.a.	1	Ansaldo Energia S.p.A.	100.00%	100.00%
14.	Tep Energy Solution Nordest S.r.l.	Udine	Udine	1	Asset Company 4 S.r.l.	50.00%	50.00%
				1	Tep Energy Solution S.r.l.	50.00%	50.00%
15.	Tea Innovazione Due S.r.l.	Brescia	Brescia	1	Tea Servizi S.r.l.	100.00%	100.00%
16.	XXI Aprile S.r.l. in liquidazione	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
D.	**Unconsolidated associates (3)**						
1.	AC Boilers	Milan	n.a.	4	Ansaldo Energia S.p.A.	10.00%	10.00%
2.	Albanian Gas Service Company Sh.a.	Tirana	Tirana	4	Snam S.p.A.	25.00%	25.00%
3.	Cogenerazione Rosignano	Naples	n.a.	4	Ansaldo Energia S.p.A.	33.00%	33.00%
4.	Consorzio CISA	Rome	n.a.	7	Ansaldo Energia S.p.A.	66.00%	66.00%
5.	Consorzio Condif in liquidazione	Rome	Rome	4	CDP Immobiliare S.r.l.	33.33%	33.33%
6.	Consorzio Coriba	Rome	n.a.	7	Ansaldo Energia S.p.A.	5.00%	5.00%
7.	Consorzio Create	Naples	n.a.	7	Ansaldo Energia S.p.A.	20.00%	20.00%
8.	Consorzio Edinca in liquidazione	Naples	Naples	4	Fintecna S.p.A.	47.32%	47.32%
9.	Consorzio Incomir in liquidazione	Mercogliano (AV)	Mercogliano (AV)	4	Fintecna S.p.A.	45.46%	45.46%
10.	Consorzio Sire	Savona	n.a.	7	Ansaldo Energia S.p.A.	29.00%	29.00%
11.	Dynamic	Saint-Paul-lès-Durance	n.a.	4	Ansaldo Nucleare S.p.A.	15.00%	15.00%
				4	Ansaldo Energia S.p.A.	10.00%	10.00%
12.	Energy Investment Solution S.r.l.	Brescia	Brescia	4	Tea Servizi S.r.l.	40.00%	40.00%
13.	Euroimpresa Legnano	Legnano (MI)	n.a.	4	Ansaldo Energia S.p.A.	10.00%	10.00%
14.	Latina Biometano S.r.l.	Rome	n.a.	4	IES Biogas S.r.l.	32.50%	32.50%
15.	Quadrifoglio Brescia S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
16.	Quadrifoglio Genova S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
17.	Quadrifoglio Piacenza S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
18.	Quadrifoglio Verona S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
19.	SIET	Piacenza	n.a.	4	Ansaldo Energia S.p.A.	2.00%	2.00%
20.	SIIT Distretto Tecnologico Ligure	Genoa	n.a.	4	Ansaldo Energia S.p.A.	2.00%	2.00%
21.	Santa Radegonda	Brescia	n.a.	4	Ansaldo Energia S.p.A.	19.00%	19.00%
22.	Sviluppo Turistico culturale Golfo di Napoli S.c.ar.l.	Naples	Naples	4	CDP Immobiliare S.r.l.	25.00%	25.00%

Key
(1) Type of relationship:
1 = majority of voting rights in ordinary shareholders' meeting;
2 = dominant influence in ordinary shareholders' meeting;
3 = agreements with other shareholders;
4 = other form of control;
5 = unitary management pursuant to Article 26.1 of Legislative Decree 87/92;
6 = unitary management pursuant to Article 26.2 of Legislative Decree 87/92;
7 = joint control,
(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes.
(3) Companies in liquidazione or subsidiaries in the start-up phase without assets and liabilities.
(4) Participation in financial rights is equal to 89.2%.
(5) It concerns companies established to run some separate accounts whose revenues belong, for their majority, to Ministry for the Economy and Finance. For this reason the company, even if is totally owned, is consolidated with the equity method

The figure at 31 December 2019 was 18,952 million euro, compared to 20,396 million euro at 31 December 2018.

The decrease of 1,444 million euro is mainly attributable to the following impacts:
- Eni - the decrease deriving from net income for the year pertaining to the Group (including the effect of consolidation entries), equal to -162 million euro, and partly offset by the change in valuation reserves, equal to 18 million euro. Added to these effects is the impact of the reversal of the dividend and other changes for a total value of -783 million euro;
- Poste Italiane - the positive effect of 385 million euro (including the effect of consolidation entries) deriving from net income for the year pertaining to the Group as well as the effects of the change in valuation reserves, the reversal of the dividend and other changes, totalling 98 million euro;
- consolidation on a line-by-line basis of FSIA and Ansaldo Energia, following the ascertained control over both investees that, at 31 December 2018, had a value of 651 million euro and 439 million euro respectively.

Impairment testing of equity investments

In compliance with the provisions of the reference accounting standards, at every reporting date the Group checks the presence of objective evidence that may give it reason to believe that the carrying amount of the equity investments is no longer fully recoverable.

The identification of this evidence, based on the existence of qualitative and quantitative indicators, as described in the accounting policies, and set out in detail in the internal policies, differs according to whether or not they are equity investments in companies whose shares are listed in active markets.

The analysis aimed at detecting the presence of impairment indicators is carried out, first of all, with regard to the separate financial statements of the company holding the equity investment and is integrated, for equity investments in listed companies, by the check of the existence of a market price that is at least 40% lower than the reference carrying amount or for a period longer than 24 months.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying amount to determine the recognition of any impairment losses.

The impairment tests conducted are considered in order to evaluate any results in the consolidated financial statements. At the reporting date there were certain indicators that therefore required the conduct of the impairment tests. Some elements related to the main equity investments are described below.

Eni

The interest in Eni in CDP's equity portfolio is very significant in quantitative terms. CDP's risk profile is therefore linked to the main factors that determine the value and profitability of the associated company.

Specifically, the value in use was determined on the basis of IAS 36, by using the Discounted Cash Flow (DCF) method as provided for in the accounting standard.

The information needed to estimate the cash flows and the other information needed to calculate the DCF was taken from public sources. The impairment test found that the value in use was higher than the carrying value and, consequently, the carrying amount of the equity investment in Eni was confirmed.

Poste Italiane

Significant indicators of impairment were identified for the purpose of the separate financial statements and, accordingly, an impairment test was conducted on the equity investment in Poste Italiane. The test took account of the fair value determined according to the internal policies, which was higher than the carrying value and, consequently, the carrying amount of the equity investment in Poste Italiane was confirmed.

Saipem

The equity investment held in Saipem had already been tested for impairment in previous years. Specifically, in the consolidated financial statements at 31 December 2017, it was written down by a total of 22 million euro. At 31 December 2019, the equity investment was tested again for impairment. The results of this test, taking into account the value in use determined using the DCF method based on information taken from public sources, identified a value in use higher than the carrying value of the equity investment.

OpenFiber

For the equity investment in OpenFiber, the analysis produced a recoverable amount, estimated using the DDM method (determined as part of the more complex measurement by the investor through an independent expert), which was higher than the carrying amount in the consolidated financial statements. The carrying amount of the equity investment was therefore confirmed.

Trevi

The impairment test on the equity investment, previously subject to impairment, was carried out taking as recoverable amount the fair value and carrying out an additional adjustment equal to about 5 million euro.

Impairment indicators were also found on other equity investments with minor impairment losses being recognised.

The following summary table lists the methods used to calculate the recoverable amount determined for the purpose of the impairment test on the equity investments above:

Equity investment	Relationship	Recoverable amount	Method
Eni	Associate	Value in use	DCF
Poste Italiane	Associate	Fair value	Listing
Saipem	Joint control	Value in use	DCF
OpenFiber	Joint control	Fair value	DDM
Trevi	Associate	Fair value	Listing

The consolidated accounting figures for joint arrangements and significant associates were produced based on the information provided by the investees.

In the separate financial statements, impairment tests were carried out also on subsidiaries, such as SACE, CDP Equity, CDP Reti, CDP Industria, CDP Immobiliare and Fintecna. In this case, the estimate of the recoverable amount was used to assess the existence of possible impairments of the net assets pertaining to the respective cash flows generating units (CGUs). These assessments, which were carried out in compliance with the provisions of IAS 36.104 and 36.105, led to recognising an additional impairment loss on CDP Immobiliare and an impairment reversal on Fintecna within the limits of previously recognised impairment losses.

7.2 Significant equity investments: carrying amount, fair value and dividends received

(thousands of euro) Company name	Carrying amount	Fair value (*)	Dividends received
A. Joint ventures			
1. Saipem S.p.A.	525,457	552,801	
B. Companies subject to significant influence			
1. Eni S.p.A.	12,438,559	12,962,341	786,391
2. Poste Italiane S.p.A.	3,143,440	4,626,242	271,997

(*) The fair value shown in the table is calculated by multiplying the number of shares held by the stock market price recorded at the end of 2019 (30 December 2019).

7.3 Significant equity investments: accounting data

(millions of euro) Company name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Writedowns of property, plant and equipment and intangible assets	In-come (loss) before tax from continuing operations	Income (loss) after tax on continuing operations	In-come (loss) after tax on discontinued operations	In-come (loss) for the year (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3) = (1) + (2)
A. Joint ventures														
1. Saipem S.p.A.	2,272	352	10,385	3,704	5,180	9,118	(128)	(690)	228	98		98	66	164
B. Companies subject to significant influence														
1. Eni S.p.A.	X	8,318	109,128	30,166	45,374	71,041	X	X	5,746	155		155	69	224
2. Poste S.p.A.	X	218,934	17,168	79,516	149,037	11,037	X	X	1,873	1,342		1,342	1,062	2,404

The consolidated accounting figures for joint arrangements and significant associates were produced based on the information provided by the investees at 31 December 2019.

(thousands of euro) Company name	Net assets (*)	% holding	Net assets held	Goodwill	Other adjustments	Book value
A. Joint ventures						
1. Saipem S.p.A.	4,032,000	12.55%	506,016	11,849	7,592	525,457
B. Companies subject to significant influence						
1. Eni S.p.A.	47,838,000	25.76%	12,323,069		115,490	12,438,559
2. Poste Italiane S.p.A.	9,697,720	35.00%	3,394,202		(250,762)	3,143,440

7.4 Non-significant equity investments: accounting data

(thousands of euro) Company name	Carrying amount of the investments	Total assets	Total liabilities	Total revenues	Income (loss) after tax on continuing operations	Income (loss) after tax on disposal groups held for sale	Income (loss) for the year (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
Joint ventures	1,608,088	9,232,779	6,058,278	1,641,756	53,889		53,889	(77,152)	(23,263)
Companies subject to significant influence	1,217,079	10,515,126	7,457,243	998,955	173,126	(8,364)	164,492	(67,110)	97,382
Unconsolidated subsidiaries	19,500	15,750	10,061	5,892	809		809		809

The accounting figures for non-significant equity investments in companies subject to joint control and associates were produced based on the information provided by the investees.

7.5 Equity investments: changes for the year

(thousands of euro)	31/12/2019	31/12/2018
A. Opening balance	**20,395,661**	**19,769,766**
Change in opening balance		483,130
B. Increases	**1,709,848**	**2,406,086**
B.1 Purchases	432,466	490,698
B.2 Writebacks	460	3,754
B.3 Revaluations	681,393	1,484,383
B.4 Other increases	595,529	427,251
C. Decreases	**3,153,386**	**2,263,321**
C.1 Sales	47,153	69,320
C.2 Writedowns	9,130	9,137
C3 Impairment	394,180	375,547
C.4 Other decreases	2,702,923	1,809,317
D. Closing balance	**18,952,123**	**20,395,661**
E. Total revaluations	**4,755,333**	**4,805,399**
F. Total writedowns	**491,287**	**669,235**

7.6 Significant assessments or assumptions made to determine whether there is joint control or significant influence

Please refer to the contents of Section 7 “Equity Investments” Part A.2 of these Notes to the Consolidated Financial Statements.

7.7 Commitments relating to joint operations

The most significant commitments in respect of joint operations comprise:
- the acquisition of Edicima S.p.A. from Leonardo (formerly Finmeccanica) for 10.2 million euro by Fintecna;
- in August 2018, CDP Equity, together with the other shareholder Enel, the EIB and a pool of commercial banks, underwrote a seven-year loan of up to 3.5 billion euro in favour of OpenFiber (475 million euro of which provided by CDP Equity), aimed at the implementation of the business plan. The first draw-down of the loan, of which the share provided by the Group was equal to 125 million euro, was carried out in October 2018. The second draw-down was carried out in 2019 for 133 million euro;
- with regard to Manifatture Milano, the commitment taken towards the lending banks of the investee for the conversion of loans into equity if the company were to find itself in any of the situations set forth in Article 2446 or 2447 of the Italian Civil Code;
- with regard to the investee Valvitalia Finanziaria S.p.A., the commitment to the lending banks to pay up to a maximum of 5 million euro in case of exceeding the covenants recorded in the financial statements approved at 31 December 2019.

7.8 Commitments relating to companies under significant influence

The most significant commitments relating to companies under significant influence comprise:
- the commitment related to the equity investment in Kedrion S.p.A. regarding the earn-out clause. Sestant, a Marcucci family SPV and shareholder in Kedrion, is to receive a bonus from FSI Investimenti in the event of changes in the ownership structure of the investee, if the value of the investment rises significantly. At 31 December 2019, the value of the option was negative by approximately 4,906 thousand euro;
- the commitment undertaken by Snam S.p.A. vis-à-vis Trans Adriatic Pipeline AG (TAP) as the shareholder financing the project, given the percentage of investment held in TAP, equal to 20%. The commitment relates to the overall costs of the project, including the financial expenses accounted for in the work creation phase and deriving from the loan agreement, completed by TAP in December 2018. We note that, as a result of the finalisation of TAP’s Project Financing, the lending banks will fund approximately 75% of the project costs. On the basis of the Project Financing concluded, the commitment of Snam S.p.A. vis-à-vis TAP may be gradually reduced as the loans granted by the lending banks are disbursed to TAP. During the construction and entry into operation of the plant, the loan agreement of the associate TAP will be, *inter alia*, accompanied by a demand guarantee (“Debt Service Guarantee”), up to a maximum amount for Snam equal to 1,129 million euro. At 31 December 2019, the value of the debt guaranteed by Snam was equal to approximately 654 million euro. The guarantee will be released as certain requirements agreed with the lending banks are met, among which, in particular, the completion and entry into operation of the plant. At the completion of the project, during the operation of the plant, a mechanism has been envisaged to support the

repayment of the debt issued by shareholders ("Debt Payment Undertaking"), which would be activated as specific conditions are met. The structure of the Project Financing concluded for TAP provides for some restrictions for the shareholders, typical of this type of transaction, such as: (i) the restriction on the sale of TAP shares, according to a certain schedule; (ii) establishment of a pledge for the shares held by Snam in TAP in favour of the lenders for the entire duration of the loan;

- the commitment undertaken by FSI Investimenti to subscribe (subject to certain conditions), for a share equal to 38.7 million euro, a capital increase for Trevi Finanziaria aimed at supporting the restructuring and relaunch plan of the company as part of a debt restructuring agreement as set forth in Article 182-*bis* of the Italian Bankruptcy Law.

7.9 Significant restrictions

Significant restrictions on equity investments, as envisaged in IFRS 12 §13 and 22, refer to Ligestra Due S.r.l. This vehicle, measured using the equity method, manages, on behalf of Fintecna, the separate asset pools of the "dissolved entities" acquired by the MEF under Article 41 of Law No. 14 of 14/02/2009. Based on the regulations that established separate asset pools, most economic benefits that can be achieved through the management of the separate asset pool refer to the Ministry of Economy and Finance, including without an equity investment in the company's share capital. Therefore, the influence of Fintecna S.p.A. over this company can be considered as significant and, as a result, based on IFRS, it is considered an associate to be measured at equity. This company was merged into Fintecna S.p.A.; as a consequence, starting from 1 January 2020 the liquidation of the separate asset pools of Efim, Iged and "Comitato per l'intervento nella SIR e nei settori ad alta tecnologia" continues directly to be managed by Fintecna S.p.A.

7.10 Other information

The financial statements or reports of associates and companies subject to joint control with a reporting date of up to three months from 31 December 2019 was used in limited cases. The table below shows the reporting date of the year used to apply the equity method:

Company name	Type of relationship	Reporting date
Valvitalia Finanziaria S.p.A.	Joint control	30/09/2019
Kedrion S.p.A.	Significant influence	30/09/2019
Rocco Forte Hotels Ltd.	Significant influence	31/10/2019
Hotelturist S.p.A.	Joint control	31/10/2019

Furthermore, when the accounting data of an associate or a joint operation used to apply the equity method is different from 31 December 2019, adjustments are made to reflect the effects of the significant transactions or facts that occurred between said date and the reporting date of the consolidated financial statements of the CDP Group.

Section 8 - Reinsurers' share of technical provisions - Item 80

8.1 Reinsurers' share of technical provisions: breakdown

(thousands of euro)	31/12/2019	31/12/2018
A. Non-life insurance	**1,002,469**	**851,681**
A.1 Reserves for unearned premiums	829,088	757,215
A.2 Reserves for claims outstanding	147,141	63,012
A.3 Other	26,240	31,454
B. Life insurance		
B.1 Mathematical reserves		
B.2 Reserves for claims outstanding		
B.3 Other		
C. Technical provisions where the investment risk is borne by the insured		
C.1 Reserves for contracts whose benefits are linked to investment funds and market indices		
C.2 Reserves from the operation of pension funds		
D. Total reinsurers' share of technical provisions	**1,002,469**	**851,681**

At 31 December 2019, the reinsurers' share of technical provisions was 1,002 million euro, up by 150 million euro compared to the previous financial year. This value is affected by the increased disposals carried out in 2019, to support the development of the business.

8.2 Change in item 80 "Reinsurers' share of technical provisions"

	Non-life insurance		
(thousands of euro)	Provision for unearned premiums	Provision for claims outstanding	Other
Opening balance	**757,215**	**63,012**	**31,454**
a) Increases	71,873	84,129	
b) Decreases			(5,214)
Closing balance	**829,088**	**147,141**	**26,240**

Section 9 - Property, plant and equipment - Item 90

9.1 Operating property, plant and equipment: breakdown of assets measured at cost

(thousands of euro) Items/Values	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
1. Owned	**104,079**	**59,726**	**37,029,854**	**37,193,659**	**36,245,684**
a) Land	62,276	49,800	466,646	578,722	617,552
b) Buildings	31,720	8,230	2,578,324	2,618,274	2,416,022
c) Movables	2,532	1,443	7,404	11,379	10,902
d) Electrical plant	1,912	200	453,335	455,447	420,313
e) Other	5,639	53	33,524,145	33,529,837	32,780,895
2. Right of use acquired under leases	**17,549**	**12,566**	**360,739**	**390,854**	**7,099**
a) Land			10,741	10,741	
b) Buildings	17,232	12,213	250,715	280,160	844
c) Movables					
d) Electrical plant	148			148	
e) Other	169	353	99,283	99,805	6,255
Total	**121,628**	**72,292**	**37,390,593**	**37,584,513**	**36,252,783**
- *of which: obtained via the enforcement of the guarantees received*					

Other property, plant and equipment refer primarily to the investments by Terna and Snam in plants instrumental for the performance of their business activity. In detail, the item includes mainly:
- investments by Terna for approximately 13.7 billion euro, referring to power lines for 6.8 billion euro and transformation stations for 4.7 billion euro;
- investments by Snam for approximately 19 billion euro, including transport for 14.3 billion euro (gas pipelines, gas reduction regulation stations and plants), storage for 3 billion euro (wells, pipelines, and processing and compression stations) and regasification;
- assets under construction and advances for 2.7 billion euro, of which 1.6 billion euro ascribable to Terna and 0.9 billion euro to Snam.

9.2 Investment property: breakdown of assets measured at cost

(thousands of euro) Items/Values	31/12/2019				31/12/2018			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	**778,058**		**543,067**	**234,110**	**32,876**		**25,844**	**8,659**
a) Land	59,509		4,500	55,130	4,378		4,500	
b) Buildings	718,549		538,567	178,980	28,498		21,344	8,659
2. Right of use acquired under leases	**4,323**			**4,323**				
a) Land								
b) Buildings	4,323			4,323				
Total	**782,381**		**543,067**	**238,433**	**32,876**		**25,844**	**8,659**
- *of which: obtained via the enforcement of the guarantees received*								

9.2 of which: pertaining to the Prudential consolidation

(thousands of euro) Items/Values	31/12/2019				31/12/2018			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	**225,301**			**225,301**				
a) Land	55,130			55,130				
b) Buildings	170,171			170,171				
2. Right of use acquired under leases	**4,323**			**4,323**				
a) Land								
b) Buildings	4,323			4,323				
Total	**229,624**			**229,624**				
- *of which: obtained via the enforcement of the guarantees received*								

9.2 of which: pertaining to Insurance companies

(thousands of euro) Items/Values	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3	31/12/2018 Carrying amount	31/12/2018 Fair value Level 1	31/12/2018 Fair value Level 2	31/12/2018 Fair value Level 3
1. Owned	**12,708**		**14,333**		**12,706**		**14,333**	
a) Land	4,379		4,500		4,378		4,500	
b) Buildings	8,329		9,833		8,328		9,833	
2. Right of use acquired under leases								
a) Land								
b) Buildings								
Total	**12,708**		**14,333**		**12,706**		**14,333**	
- *of which: obtained via the enforcement of the guarantees received*								

9.2 of which: pertaining to Other companies

(thousands of euro) Items/Values	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3	31/12/2018 Carrying amount	31/12/2018 Fair value Level 1	31/12/2018 Fair value Level 2	31/12/2018 Fair value Level 3
1. Owned	**540,049**		**528,734**	**8,809**	**20,170**		**11,511**	**8,659**
a) Land								
b) Buildings	540,049		528,734	8,809	20,170		11,511	8,659
2. Right of use acquired under leases								
a) Land								
b) Buildings								
Total	**540,049**		**528,734**	**8,809**	**20,170**		**11,511**	**8,659**
- *of which: obtained via the enforcement of the guarantees received*								

9.3 Operating property, plant and equipment: breakdown of revalued assets

This item has a nil balance.

9.4 Investment property: breakdown of assets measured at fair value

This item has a nil balance.

9.5 Inventories of property, plant and equipment governed by IAS 2: breakdown

(thousands of euro) Items/Values	Total 31/12/2019	Total 31/12/2018
1. Inventories of property, plant and equipment from enforcement of the guarantees received		
a) Land		
b) Buildings		
c) Furniture		
d) Electrical systems		
e) Others		
2. Other inventories of property, plant and equipment	**987,605**	**1,374,466**
Total	**987,605**	**1,374,466**
- *of which: measured at fair value, less costs of disposal*		

Inventories of property, plant and equipment comprise property owned by CDP Immobiliare for 328 million euro and the mutual funds included in the scope of consolidation for 660 million euro.

9.6 Operating property, plant and equipment: changes for the year

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**652,535**	**3,570,774**	**33,125**	**931,538**	**52,503,681**	**57,691,653**
A.1 Total net writedowns	(34,983)	(1,153,908)	(22,223)	(511,225)	(19,716,531)	(21,438,870)
A.2 Opening net balance	**617,552**	**2,416,866**	**10,902**	**420,313**	**32,787,150**	**36,252,783**
A.3 Change in opening balance (FTA IFRS 16)	**10,237**	**166,528**	**5,807**	**580**	**30,274**	**213,426**
B. Increases	**19,711**	**649,705**	**4,406**	**115,986**	**3,555,931**	**4,345,739**
B.1 Purchases	14,993	325,008	1,004	33,311	2,493,722	2,868,038
- *of which: business combinations*	*14,375*	*271,098*	*38*	*1,457*	*289,628*	*576,596*
B.2 Capitalized improvement costs		6,769				6,769
B.3 Writebacks		83				83
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences		328		28	513	869
B.6 Transfers from investment property		6,897	X	X	X	6,897
B.7 Other changes	4,718	310,620	3,402	82,647	1,061,696	1,463,083
C. Decreases	**58,037**	**334,665**	**9,736**	**81,284**	**2,743,713**	**3,227,435**
C.1 Sales	81	15,761	10	2	23,670	39,524
- *of which: business combinations*					*111*	*111*
C.2 Depreciation	2,120	131,265	1,188	65,990	1,358,907	1,559,470
C.3 Writedowns for impairment recognised in:	54	1,241			36,290	37,585
a) equity						
b) income statement	54	1,241			36,290	37,585
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	115	825		1,251	447	2,638
C.6 Transfers to:	55,186	166,334		3,490		225,010
a) investment property	55,130	163,731	X	X	X	218,861
b) assets held for sale	56	2,603		3,490		6,149
C.7 Other changes	481	19,239	8,538	10,551	1,324,399	1,363,208
D. Closing net balance	**589,463**	**2,898,434**	**11,379**	**455,595**	**33,629,642**	**37,584,513**
D.1 Total net writedowns	(36,826)	(1,406,813)	(22,221)	(562,029)	(21,701,030)	(23,728,919)
D.2 Closing gross balance	**626,289**	**4,305,247**	**33,600**	**1,017,624**	**55,330,672**	**61,313,432**
E. Measurement at cost						

9.6 of which: pertaining to the Prudential consolidation

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**117,406**	**92,095**	**14,378**	**12,983**	**170,713**	**407,575**
A.1 Total net writedowns		(36,548)	(11,794)	(11,441)	(25,007)	(84,790)
A.2 Opening net balance	**117,406**	**55,547**	**2,584**	**1,542**	**145,706**	**322,785**
A.3 Change in opening balance (FTA IFRS 16)		**11,537**		**97**	**64**	**11,698**
B. Increases		**156,913**	**1,754**	**1,296**	**3,113**	**163,076**
B.1 Purchases		7,515	425	788	3,023	11,751
- *of which: business combinations*		*7,296*	*38*	*87*	*67*	*7,488*
B.2 Capitalized improvement costs						
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property		6,546	X	X	X	6,546
B.7 Other changes		142,852	1,329	508	90	144,779
C. Decreases	**55,130**	**175,045**	**1,806**	**875**	**143,075**	**375,931**
C.1 Sales			10			10
C.2 Depreciation		3,405	565	678	692	5,340
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:	55,130	163,731				218,861
a) investment property	55,130	163,731	X	X	X	218,861
b) assets held for sale						
C.7 Other changes		7,909	1,231	197	142,383	151,720
D. Closing net balance	**62,276**	**48,952**	**2,532**	**2,060**	**5,808**	**121,628**
D.1 Total net writedowns		(23,379)	(11,154)	(11,950)	(25,761)	(72,244)
D.2 Closing gross balance	**62,276**	**72,331**	**13,686**	**14,010**	**31,569**	**193,872**
E. Measurement at cost						

9.6 of which: pertaining to Insurance companies

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**83,229**	**15,025**	**4,771**	**2,407**	**53**	**105,485**
A.1 Total net writedowns	(33,429)	(5,528)	(3,206)	(2,251)		(44,414)
A.2 Opening net balance	**49,800**	**9,497**	**1,565**	**156**	**53**	**61,071**
A.3 Change in opening balance (FTA IFRS 16)		**13,656**			**657**	**14,313**
B. Increases		**448**	**863**	**125**	**502**	**1,938**
B.1 Purchases		448	412	120	502	1,482
B.2 Capitalized improvement costs						
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property			X	X	X	
B.7 Other changes			451	5		456
C. Decreases		**3,158**	**985**	**81**	**806**	**5,030**
C.1 Sales						
C.2 Depreciation		2,655	529	76	806	4,066
C.3 Writedowns for impairment recognised in:						
a) equity						
b) income statement						
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) investment property			X	X	X	
b) assets held for sale						
C.7 Other changes		503	456	5		964
D. Closing net balance	**49,800**	**20,443**	**1,443**	**200**	**406**	**72,292**
D.1 Total net writedowns	(33,429)	(8,183)	(3,284)	(2,322)	(806)	(48,024)
D.2 Closing gross balance	**83,229**	**28,626**	**4,727**	**2,522**	**1,212**	**120,316**
E. Measurement at cost						

9.6 of which: pertaining to Other companies

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**451,900**	**3,463,654**	**13,976**	**916,148**	**52,332,915**	**57,178,593**
A.1 Total net writedowns	(1,554)	(1,111,832)	(7,223)	(497,533)	(19,691,524)	(21,309,666)
A.2 Opening net balance	**450,346**	**2,351,822**	**6,753**	**418,615**	**32,641,391**	**35,868,927**
A.3 Change in opening balance (FTA IFRS 16)	**10,237**	**141,335**	**5,807**	**483**	**29,553**	**187,415**
B. Increases	**19,711**	**492,344**	**1,789**	**114,565**	**3,552,316**	**4,180,725**
B.1 Purchases	14,993	317,045	167	32,403	2,490,197	2,854,805
- *of which: business combinations*	*14,375*	*263,802*		*1,370*	*289,561*	*569,108*
B.2 Capitalized improvement costs		6,769				6,769
B.3 Writebacks		83				83
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences		328		28	513	869
B.6 Transfers from investment property		351	X	X	X	351
B.7 Other changes	4,718	167,768	1,622	82,134	1,061,606	1,317,848
C. Decreases	**2,907**	**156,462**	**6,945**	**80,328**	**2,599,832**	**2,846,474**
C.1 Sales	81	15,761		2	23,670	39,514
- *of which: business combinations*					*111*	*111*
C.2 Depreciation	2,120	125,205	94	65,236	1,357,409	1,550,064
C.3 Writedowns for impairment recognised in:	54	1,241			36,290	37,585
a) equity						
b) income statement	54	1,241			36,290	37,585
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	115	825		1,251	447	2,638
C.6 Transfers to:	56	2,603		3,490		6,149
a) investment property			X	X	X	
b) assets held for sale	56	2,603		3,490		6,149
C.7 Other changes	481	10,827	6,851	10,349	1,182,016	1,210,524
D. Closing net balance	**477,387**	**2,829,039**	**7,404**	**453,335**	**33,623,428**	**37,390,593**
D.1 Total net writedowns	(3,397)	(1,375,251)	(7,783)	(547,757)	(21,674,463)	(23,608,651)
D.2 Closing gross balance	**480,784**	**4,204,290**	**15,187**	**1,001,092**	**55,297,891**	**60,999,244**
E. Measurement at cost						

9.7 Investment property: changes for the year

(thousands of euro)	Prudential consolidation Land	Prudential consolidation Buildings	Insurance companies Land	Insurance companies Buildings	Other entities Land	Other entities Buildings
A. Opening gross balance			**4,378**	**8,328**		**20,170**
A.1 Total net writedowns						
A.2 Opening net balance			**4,378**	**8,328**		**20,170**
A.3 Change in opening balance (FTA IFRS 16)		**12,033**				
B. Increases	**55,130**	**173,029**	**1**	**1**		**523,114**
B.1 Purchases						216,929
- *of which: business combinations*						*197,391*
B.2 Increases in internally-generated intangible assets		9,298				
B.3 Fair value gains						
B.4 Writebacks						15,445
B.5 Positive exchange rate differences						
B.6 Transfers from operating property	55,130	163,731				
B.7 Other changes			1	1		290,740
C. Decreases		**10,568**				**3,235**
C.1 Sales						165
C.2 Depreciation		4,022				
C.3 Fair value losses						
C.4 Writedowns for impairment						2,719
C.5 Negative exchange rate differences						
C.6 Transfers to:		6,546				351
a) operating property		6,546				351
b) non-current assets and disposal groups held for sale						
C.7 Other changes						
D. Closing balance	**55,130**	**174,494**	**4,379**	**8,329**		**540,049**
D.1 Total net writedowns		(20,645)				(59,109)
D.2 Closing gross balance		**195,139**	**4,379**	**8,329**		**599,158**
E. Measurement at fair value	**55,130**	**174,494**	**4,500**	**9,833**		**537,543**

9.8 Inventories of property, plant and equipment governed by IAS 2: changes for the year

	Inventories of property, plant and equipment obtained via the enforcement of the guarantees received: Land	Buildings	Movables	Electrical plant	Other	Other inventories of property, plant and equipment	Total
A. Opening gross balance						**1,374,466**	**1,374,466**
B. Increase						**44,054**	**44,054**
B.1 Purchase						5,212	5,212
B.2 Writebacks						196	196
B.3 Positive exchange rate differences							
B.4 Other changes						38,646	38,646
- *of which: business combinations*						*29,340*	*29,340*
C. Decreases						**430,915**	**430,915**
C.1 Sales						38,167	38,167
C.2 Writedowns for impairment						39,744	39,744
C.3 Negative exchange rate differences							
C.4 Other changes						353,004	353,004
D. Closing gross balance						**987,605**	**987,605**

9.9 Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment refer mainly to:
- the Fincantieri group which, at 31 December 2019, had commitments for the purchase of property, plant and equipment for approximately 164 million euro;
- the Snam group, whose purchase commitments with respect to property, plant and equipment amounted to approximately 887 million euro.

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by category

(thousands of euro) Assets/values	Prudential consolidation		Insurance group		Other entities		31/12/2019		31/12/2018	
	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	**X**		**X**		**X**	**2,786,040**	**X**	**2,786,040**	**X**	**659,430**
A.1.1 pertaining to Group	X		X		X	2,786,040	X	2,786,040	X	659,430
A.1.2 non-controlling interests	X		X		X		X		X	
A.2 Other intangible assets	**32,249**		**9,282**		**10,348,028**	**16,468**	**10,389,559**	**16,468**	**8,128,683**	**16,158**
A.2.1 Assets carried at cost:	32,249		9,282		10,348,028	16,468	10,389,559	16,468	8,128,683	16,158
a) internally-generated intangible assets			4,476		190,662		195,138		158,476	
b) other assets	32,249		4,806		10,157,366	16,468	10,194,421	16,468	7,970,207	16,158
A.2.2 Assets carried at fair value:										
a) internally-generated intangible assets										
b) other assets										
Total	**32,249**		**9,282**		**10,348,028**	**2,802,508**	**10,389,559**	**2,802,508**	**8,128,683**	**675,588**

Other intangible assets include the recognition of intangible assets resulting from business combinations involving the various companies of the Group.

They mainly regard:
- concessions and licences worth 1,062 million euro, which mainly include the value of concessions for the storage of natural gas;
- infrastructure rights worth 7,530 million euro, of which 7,414 million euro relating to Italgas, and the remainder to Snam and Terna. The item includes the value of the public-private service concession agreements relating to the development, maintenance and operation of infrastructure under concession arrangements. Under the terms of the agreements, the operator holds the right to use the infrastructure in order to provide the public service;
- customer contracts valued at 128 million euro;
- trademarks worth 4.9 million euro;
- technological know-how worth 7.8 million euro;
- software licences worth 58.7 million euro.

10.2 Intangible assets: changes for the year

(thousands of euro)	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening gross balance	**659,430**	**441,138**		**13,562,522**	**16,158**	**14,679,248**
A.1 Total net writedowns		(282,662)		(5,592,315)		(5,874,977)
A.2 Opening net balance	**659,430**	**158,476**		**7,970,207**	**16,158**	**8,804,271**
B. Increases	**2,131,013**	**111,353**		**3,154,388**	**310**	**5,397,064**
B.1 Purchases	2,130,666	95,821		2,764,539		4,991,026
- *of which: business combinations*	*2,127,081*	*61,404*		*1,869,375*		*4,057,860*
B.2 Increases in internally-generated intangible assets	X			94,298		94,298
B.3 Writebacks	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences		82		1,248	310	1,640
B.6 Other changes	347	15,450		294,303		310,100
C. Decreases	**4,403**	**74,691**		**930,174**		**1,009,268**
C.1 Sales		48		2,452		2,500
- *of which: business combinations*				*467*		*467*
C.2 Writedowns		53,658		564,310		617,968
- Amortisation	X	53,278		562,303		615,581
- Impairment:		380		2,007		2,387
+ equity	X					
+ income statement		380		2,007		2,387
C.3 Fair value losses:						
- equity	X					
- income statement	X					
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences						
C.6 Other changes	4,403	20,985		363,412		388,800
D. Closing net balance	**2,786,040**	**195,138**		**10,194,421**	**16,468**	**13,192,067**
D.1 Total net writedowns	(394)	(796,351)		(7,504,545)		(8,301,290)
E. Closing gross balance	**2,786,434**	**991,489**		**17,698,966**	**16,468**	**21,493,357**
F. Measurement at cost						

10.2 Of which: pertaining to the Prudential consolidation

(thousands of euro)	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening gross balance				**54,523**		**54,523**
A.1 Total net writedowns				(31,921)		(31,921)
A.2 Opening net balance				**22,602**		**22,602**
B. Increases				**16,150**		**16,150**
B.1 Purchases				15,813		15,813
- *of which: business combinations*				*1*		*1*
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				337		337
C. Decreases				**6,503**		**6,503**
C.1 Sales						
C.2 Writedowns				6,503		6,503
- Amortisation	X			6,503		6,503
- Impairment:						
+ equity	X					
+ income statement						
C.3 Fair value losses:						
- equity	X					
- income statement	X					
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences						
C.6 Other changes						
D. Closing net balance				**32,249**		**32,249**
D.1 Total net writedowns				(38,440)		(38,440)
E. Closing gross balance				**70,689**		**70,689**
F. Measurement at cost						

10.2 Of which: pertaining to Insurance companies

(thousands of euro)	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening gross balance		**19,006**		**9,713**		**28,719**
A.1 Total net writedowns		(14,706)		(6,180)		(20,886)
A.2 Opening net balance		**4,300**		**3,533**		**7,833**
B. Increases		**15,594**		**7,906**		**23,500**
B.1 Purchases		169		1,849		2,018
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		15,425		6,057		21,482
C. Decreases		**15,418**		**6,633**		**22,051**
C.1 Sales						
C.2 Writedowns		668		1,496		2,164
- Amortisation	X	668		1,496		2,164
- Impairment:						
+ equity	X					
+ income statement						
C.3 Fair value losses:						
- equity	X					
- income statement	X					
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences						
C.6 Other changes		14,750		5,137		19,887
D. Closing net balance		**4,476**		**4,806**		**9,282**
D.1 Total net writedowns		(2,281)		(7,670)		(9,951)
E. Closing gross balance		**6,757**		**12,476**		**19,233**
F. Measurement at cost						

10.2 Of which: pertaining to Other companies

		Other intangible assets: internally generated		Other intangible assets: other		
(thousands of euro)	Goodwill	Definite life	Indefinite life	Definite life	Indefinite life	Total
A. Opening gross balance	**659,430**	**422,132**		**13,498,286**	**16,158**	**14,596,006**
A.1 Total net writedowns		(267,956)		(5,554,214)		(5,822,170)
A.2 Opening net balance	**659,430**	**154,176**		**7,944,072**	**16,158**	**8,773,836**
B. Increases	**2,131,013**	**95,759**		**3,130,332**	**310**	**5,357,414**
B.1 Purchases	2,130,666	95,652		2,746,877		4,973,195
- *of which: business combinations*	*2,127,081*	*61,404*		*1,869,374*		*4,057,859*
B.2 Increases in internally-generated intangible assets	X			94,298		94,298
B.3 Writebacks	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences		82		1,248	310	1,640
B.6 Other changes	347	25		287,909		288,281
C. Decreases	**4,403**	**59,273**		**917,038**		**980,714**
C.1 Sales		48		2,452		2,500
- *of which: business combinations*				*467*		*467*
C.2 Writedowns		52,990		556,311		609,301
- Amortisation	X	52,610		554,304		606,914
- Impairment:		380		2,007		2,387
+ equity	X					
+ income statement		380		2,007		2,387
C.3 Fair value losses:						
- equity	X					
- income statement	X					
C.4 Transfer to non-current assets held for sale						
C.5 Negative exchange rate differences						
C.6 Other changes	4,403	6,235		358,275		368,913
D. Closing net balance	**2,786,040**	**190,662**		**10,157,366**	**16,468**	**13,150,536**
D.1 Total net writedowns	(394)	(794,070)		(7,458,435)		(8,252,899)
E. Closing gross balance	**2,786,434**	**984,732**		**17,615,801**	**16,468**	**21,403,435**
F. Measurement at cost						

Impairment testing of goodwill

Goodwill, recognised in the amount of 2,786 million euro, mainly consists of:

- 1,558 million euro for the SIA group;
- 245 million euro for the Snam group;
- 215 million euro for the Terna group;
- 74 million euro for the Italgas group;
- 558 million euro for the Ansaldo Energia group;
- the companies headed by the Vard group, included in the scope of consolidation since 2013, in relation to which goodwill of 136 million euro was recognised directly by the subsidiary Fincantieri.

In relation to Terna, Snam and Italgas, the CGUs to which goodwill was allocated coincide with the individual legal entities and the recoverable value is equivalent to the fair value (less costs to sell), determined on the basis of the average of the respective prices for December 2019, weighted with the relevant volumes.

The goodwill referring to SIA and Ansaldo Energia was not tested for impairment since it is the result of the provisional allocation of the higher price paid to acquire the control of the company with respect to the share of equity acquired. For these entities, in any case, the value in use, determined for the purposes of checking the recoverable value of the cost of the equity investment in the separate financial statements of the direct owners, was higher than or equivalent to the value of the respective net assets, including goodwill.

The amount of goodwill pertaining to the Vard group is not deemed significant compared to the total carrying value of goodwill (IAS 36.135).

Section 11 - Tax assets and liabilities - Item 110 of assets and Item 60 of liabilities

11.1 Deferred tax assets: breakdown

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
Deferred tax assets recognised in income statement	**315,390**	**189,804**	**1,018,293**	**1,523,487**	**1,403,804**
Losses carried forward			19,291	19,291	23,657
Grants			66,623	66,623	68,205
Sundry writedowns			35,127	35,127	39,154
Financial instruments		99	1,134	1,233	1,743
Debts	11			11	15
Dismantling and site restoration			181,600	181,600	168,911
Provisions for risks and charges	69,015	19,007	105,162	193,184	190,863
Writedowns of receivables	214,880	6,453	29,407	250,740	276,304
Property, plant and equipment / intangible assets	2,925	400	316,141	319,466	257,299
Product guarantee			7,610	7,610	9,512
Employee benefits	165		32,130	32,295	26,898
Technical provisions		130,994		130,994	84,948
Exchange rate differences	3,897	14,361		18,258	41,079
Other temporary differences	24,497	18,490	224,068	267,055	215,216
Deferred tax assets recognised in equity	**15,355**		**96,832**	**112,187**	**129,091**
Financial assets measured at fair value through other comprehensive income	8,640		3,322	11,962	102,472
Cash flow hedge	6,656		69,998	76,654	15,871
Other assets	59		23,512	23,571	10,748
Total	**330,745**	**189,804**	**1,115,125**	**1,635,674**	**1,532,895**

11.2 Deferred tax liabilities: breakdown

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
Deferred tax liabilities recognised in income statement	**139,038**	**287,732**	**2,940,157**	**3,366,927**	**3,219,303**
Capital gains taxed in instalments			1,994	1,994	660
Severance pay		186	12,651	12,837	4,055
Leasing		196	1,286	1,482	1,304
Property, plant and equipment		2,631	2,480,730	2,483,361	2,544,747
Own securities portfolio		16,633		16,633	13,833
Equity investments	94,253	747	34,484	129,484	116,712
Other financial instruments	1,228	2,768	451	4,447	6,094
Technical provisions		226,081		226,081	192,100
Exchange rate differences		19,718		19,718	28,689
Other temporary differences	43,557	18,772	408,561	470,890	311,109
Deferred tax liabilities recognised in equity	**118,371**	**217**	**2,302**	**120,890**	**65,051**
Financial assets measured at fair value through other comprehensive income	113,241			113,241	55,728
Other liabilities	5,130	217	2,302	7,649	9,323
Total	**257,409**	**287,949**	**2,942,459**	**3,487,817**	**3,284,354**

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

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
1. Opening balance	**331,086**	**162,221**	**910,497**	**1,403,804**	**1,201,714**
Change in opening balance					202,989
2. Increases	**33,942**	**67,186**	**207,839**	**308,967**	**231,390**
2.1 Deferred tax assets recognised during the year:	33,570	67,186	75,335	176,091	220,657
a) in respect of previous periods			248	248	
b) due to change in accounting policies					
c) writebacks					
d) other	33,570	67,186	75,087	175,843	220,657
2.2 New taxes or increases in tax rates					
2.3 Other increases	372		132,504	132,876	10,733
- *of which: business combinations*	*372*		*119,757*	*120,129*	
3. Decreases	**49,638**	**39,603**	**100,043**	**189,284**	**232,289**
3.1 Deferred tax assets derecognised during the year:	49,633	39,460	96,264	185,357	222,552
a) reversals	34,511	39,460	57,437	131,408	77,527
b) writedowns for supervening non-recoverability			18,903	18,903	1,085
c) due to change in accounting policies					120,713
d) other	15,122		19,924	35,046	23,227
3.2 Reduction in tax rates					193
3.3 Other decreases:	5	143	3,779	3,927	9,544
a) trans formation in tax credits under Law 214/2011					
b) other	5	143	3,779	3,927	9,544
4. Closing balance	**315,390**	**189,804**	**1,018,293**	**1,523,487**	**1,403,804**

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

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
1. Opening balance	**122,784**	**263,416**	**2,833,103**	**3,219,303**	**3,300,330**
Change in opening balance					56,714
2. Increases	**33,642**	**36,557**	**265,514**	**335,713**	**122,941**
2.1 Deferred tax liabilities recognised during the year:	33,095	36,557	21,519	91,171	86,786
a) in respect of previous periods					553
b) due to change in accounting policies					
c) other	33,095	36,557	21,519	91,171	86,233
2.2 New taxes or increases in tax rates			1,852	1,852	
2.3 Other increases	547		242,143	242,690	36,155
- *of which: business combinations*			*218,013*	*218,013*	
3. Decreases	**17,388**	**12,241**	**158,460**	**188,089**	**260,682**
3.1 Deferred tax liabilities derecognised during the year:	17,387	11,724	158,440	187,551	252,380
a) reversals	17,376	11,724	129,089	158,189	172,445
b) due to change in accounting policies					41,748
c) other	11		29,351	29,362	38,187
3.2 Reduction in tax rates					22
3.3 Other decreases	1	517	20	538	8,280
4. Closing balance	**139,038**	**287,732**	**2,940,157**	**3,366,927**	**3,219,303**

11.6 Changes in deferred tax assets (recognised in equity)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
1. Opening balance	**94,099**		**34,992**	**129,091**	**58,189**
Change in opening balance					(33,677)
2. Increases	**18,566**		**63,079**	**81,645**	**110,417**
2.1 Deferred tax assets recognised during the year:	18,550		45,970	64,520	98,137
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	18,550		45,970	64,520	98,137
2.2 New taxes or increases in tax rates					
2.3 Other increases	16		17,109	17,125	12,280
- *of which: business combinations*			*8,427*	*8,427*	
3. Decreases	**97,310**		**1,239**	**98,549**	**5,838**
3.1 Deferred tax assets derecognised during the year:	97,310		676	97,986	5,449
a) reversals	97,310			97,310	5,449
b) writedowns for supervening non-recoverability					
c) due to changes in accounting policies					
d) other			676	676	
3.2 Reduction in tax rates					
3.3 Other decreases			563	563	389
4. Closing balance	**15,355**		**96,832**	**112,187**	**129,091**

11.7 Changes in deferred tax liabilities (recognised in equity)

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
1. Opening balance	**59,037**	**159**	**5,855**	**65,051**	**166,726**
Change in opening balance					(43,638)
2. Increases	**78,923**	**58**	**8,513**	**87,494**	**24,756**
2.1 Deferred tax liabilities recognised during the year:	78,923	45	6,238	85,206	24,732
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	78,923	45	6,238	85,206	24,732
2.2 New taxes or increases in tax rates					
2.3 Other increases		13	2,275	2,288	24
3. Decreases	**19,589**		**12,066**	**31,655**	**82,793**
3.1 Deferred tax liabilities derecognised during the year:	19,589		10,777	30,366	82,793
a) reversals	19,589		10,777	30,366	82,793
b) due to change in accounting policies					
c) other					
3.2 Reduction in tax rates					
3.3 Other decreases			1,289	1,289	
4. Closing balance	**118,371**	**217**	**2,302**	**120,890**	**65,051**

Section 12 - Non-current assets and disposal groups held for sale and associated liabilities - Item 120 of the assets and Item 70 of the liabilities

12.1 Non-current assets and disposal groups held for sale: breakdown by category

(thousands of euro)	31/12/2019	31/12/2018
A. Assets held for sale		
A.1 Financial assets	324,338	
A.2 Equity investments	9,931	
A.3 Property, plant and equipment	2,076	11,583
- *of which: obtained via the enforcement of the guarantees received*		
A.4 Intangible assets		
A.5 Other non-current assets		
Total (A)	**336,345**	**11,583**
of which		
- *carried at cost*	*326,414*	*11,583*
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*	*9,931*	
B. Groups of assets (discontinued operations)		
B.1 Financial assets measured at fair value through profit or loss:		
- financial assets held for trading		
- financial assets designated at fair value		
- other financial assets mandatorily measured at fair value		
B.2 Financial assets measured at fair value through other comprehensive income		
B.3 Financial assets measured at amortised cost		
B.4 Equity investments		
B.5 Property, plant and equipment	6,141	
- *of which: obtained via the enforcement of the guarantees received*		
B.6 Intangible assets		
B.7 Other assets		
Total (B)	**6,141**	
of which		
- *carried at cost*	*6,141*	
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*		
C. Liabilities associated with individual assets held for sale		
C.1 Payables	36,725	
C.2 Securities		
C.3 Other liabilities	128,981	
Total (C)	**165,706**	
of which		
- *carried at cost*	*165,706*	
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*		
D. Liabilities associated with disposal groups held for sale		
D.1 Financial liabilities measured at amortised cost		
D.2 Financial liabilities held for trading		
D.3 Financial liabilities designated at fair value		
D.4 Provisions		
D.5 Other liabilities		
Total (D)		
of which		
- *carried at cost*		
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*		

12.2 Other information

Assets held for sale at 31 December 2019 refer to the sales already contractually agreed of motor vehicles and buildings of Italgas.

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
Payments on account for withholding tax on postal passbooks	78,286			78,286	89,634
Other tax receivables	865	8,881	172,692	182,438	160,158
Leasehold improvements	2,671		5,289	7,960	6,992
Receivables due from investees	510		177,156	177,666	151,570
Trade receivables and advances to public entities	165,985		237,411	403,396	180,419
Construction contracts			3,023,935	3,023,935	2,638,551
Advances to suppliers	2,276	1,801	486,161	490,238	471,827
Inventories			1,476,237	1,476,237	948,189
Advances to personnel	176	2,298	18,320	20,794	15,980
Other trade receivables	684	99,002	3,851,715	3,951,401	3,611,538
Other items	18,273	4,076	605,186	627,535	405,509
Accrued income and prepaid expenses	9,846	1,301	268,202	279,349	251,139
Total	**279,572**	**117,359**	**10,322,304**	**10,719,235**	**8,931,506**

The item includes assets that are not classified under the previous items.

The most significant amounts refer to:
- trade receivables for 3,951 million euro, referred mainly to Snam for 1,213 million euro, Terna for 1,156 million euro, Italgas for 571 million euro, Fincantieri for 511 million euro and Ansaldo Energia for 354 million euro;
- contract work in progress for 3,024 million euro, mainly regarding the shipbuilding activities of Fincantieri;
- inventories of semi-finished goods and work in progress in the amount of 1,476 million euro, which include:
  - mandatory gas reserves, kept at its storage sites by the subsidiary Stogit;
  - raw materials, supplies and consumables of the Ansaldo Energia group, amounting to about 535 million euro;
  - semi-finished products of the Fincantieri group, amounting to about 361 million euro.

Liabilities

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

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

(thousands of euro) Types of operations/values	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3	31/12/2018 Carrying amount	31/12/2018 Fair value Level 1	31/12/2018 Fair value Level 2	31/12/2018 Fair value Level 3
1. Due to central banks	**2,483,946**	**X**	**X**	**X**	**2,486,727**	**X**	**X**	**X**
2. Due to banks	**39,356,098**	**X**	**X**	**X**	**38,419,094**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	22,566	X	X	X	35,574	X	X	X
2.2 Fixed-term deposits	1,815,156	X	X	X	1,769,169	X	X	X
2.3 Loans	35,256,650	X	X	X	34,015,643	X	X	X
2.3.1 Repurchase agreements	21,591,003	X	X	X	21,320,482	X	X	X
2.3.2 Other	13,665,647	X	X	X	12,695,161	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
2.5 Lease liabilities		X	X	X		X	X	X
2.6 Other payables	2,261,726	X	X	X	2,598,708	X	X	X
Total	**41,840,044**			**41,902,616**	**40,905,821**			**40,541,848**

"Due to central banks", which refer to the Parent Company, mainly relate to the credit facilities granted by the ECB under the Targeted Longer-Term Refinancing Operations (TLTRO II). The balance (approximately 2,475 million euro) is unchanged compared to the figure of 2018.

Recorded among due to banks are repurchase agreements which almost exclusively refer to the Parent Company, which contributes 21,591 million euro (roughly +271 million euro compared to 2018).

Loans payable refer mainly to:
- loans granted to the Parent Company, equal to 4,006 million euro (approximately -345 million euro on 2018), relating to credit lines received mainly from the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB);
- loans granted by the banking system to Snam for approximately 3,703 million euro, to Fincantieri for approximately 1,729 million euro and to Italgas for 1,317 million euro.

Term deposits, again referring to the Parent Company, equal to 1,815 million euro, include the balance of passbook savings accounts and postal savings bonds held by banks (+46 million euro on 2018).

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

(thousands of euro) Types of operations/values	31/12/2019				31/12/2018			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	273,872	X	X	X	3,411,495	X	X	X
2. Time deposits	275,213,730	X	X	X	256,054,097	X	X	X
3. Loans:	21,754,454	X	X	X	24,529,477	X	X	X
3.1 Repurchase agreements	19,605,860	X	X	X	24,270,854	X	X	X
3.2 Other	2,148,594	X	X	X	258,623	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
5. Lease liabilities	393,175	X	X	X		X	X	X
6. Other payables	4,376,319	X	X	X	4,793,163	X	X	X
Total	**302,011,550**			**303,988,154**	**288,788,232**		**14,103**	**288,774,128**

The amounts due to customers mainly consist of the Parent Company's term deposits, which include the balance of passbook savings accounts, equal to 101,393 million euro, and of postal savings bonds, equal to 161,756 million euro.

The balance related to loans, equal to 21,754 million euro at 31 December 2019, refers to the repurchase agreements of the Parent Company, of around 19,606 million euro, down on the 2018 year-end balance (about -4,665 million euro).

Sub-item "6. Other payables" refers to the amounts not yet disbursed at year-end on loans being repaid granted by the Parent Company to public bodies and public-law bodies, equal to around 4,069 million euro (around -312 million euro on 2018).

Again with reference to the Parent Company, the amounts due to customers include the balance of the MEF's liquidity management transactions (OPTES) equal to approximately 11,998 million euro, with a substantial increase on 2018 (+8,999 million euro).

Lastly, this item includes 367 million euro in lease liabilities, the amount of which was determined by the values of first application of the new IFRS 16 and the value of contracts originated during the financial year, in which Group companies act as lessees.

With reference to the fair value of amounts due to customers, it should be noted that the value reported above for the part relating to postal savings bonds is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium (spread) in line with that on medium/long-term government securities. The application of these valuation techniques would lead to a fair value greater than the carrying amount in cases where the rates paid to savers are higher than market rates, when also taking into account early redemption options.

In view of the persistence of a scenario of low and in particular negative rates on short to medium maturities, the percentage impact of credit spreads on total interest rates remains high, as already highlighted in previous years. Since this factor contributes to increasing the uncertainty about redemption forecasts in the presence of these conditions, it was decided that the best estimate of the fair value of postal savings bonds is their carrying amount.

1.3 Financial liabilities measured at amortised cost: breakdown by type of securities issued

(thousands of euro)	31/12/2019				31/12/2018			
	Carrying amount	Fair value			Carrying amount	Fair value		
Types of securities/Values		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds:	39,007,154	21,556,196	17,653,704	866,325	35,228,625	19,547,230	16,772,192	231,000
1.1 structured	50,970		55,489		49,911		43,289	
1.2 other	38,956,184	21,556,196	17,598,215	866,325	35,178,714	19,547,230	16,728,903	231,000
2. Other securities:	2,798,771		2,800,106		1,784,009			1,784,009
2.1 structured								
2.2 other	2,798,771		2,800,106		1,784,009			1,784,009
Total	**41,805,925**	**21,556,196**	**20,453,810**	**866,325**	**37,012,634**	**19,547,230**	**16,772,192**	**2,015,009**

1.3 of which: pertaining to the Prudential consolidation

(thousands of euro)	31/12/2019				31/12/2018			
	Carrying amount	Fair value			Carrying amount	Fair value		
Types of securities/Values		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds:	17,163,771		17,653,704	130,259	15,424,807		16,695,502	
1.1 structured	50,970		55,489		49,911		43,289	
1.2 other	17,112,801		17,598,215	130,259	15,374,896		16,652,213	
2. Other securities:	2,798,771		2,800,106		1,784,009			1,784,009
2.1 structured								
2.2 other	2,798,771		2,800,106		1,784,009			1,784,009
Total	**19,962,542**		**20,453,810**	**130,259**	**17,208,816**		**16,695,502**	**1,784,009**

With respect to the Prudential consolidation, the balance of securities issued at 31 December 2019 refers to the Parent Company and includes:

- the bonds issued under the "Euro Medium Term Notes" (EMTN) and "Debt Issuance Programme" (DIP) programmes, with a stock of approximately 10,349 million euro (-785 million euro compared to the end of 2018). During the financial year, under the "Debt Issuance Programme", new issues were made for a total nominal value of 950 million euro. These included the issue of a new CDP Social Bond for 750 million euro, the proceeds of which were used to finance school building and urban redevelopment projects;
- 2 bonds reserved for individuals, for a total of approximately 2,962 million euro (+1,486 million euro compared to the end of 2018), with a nominal value of 1,500 million euro each, one of which issued in March 2015 and the other issued in June 2019, aimed at diversifying the sources of funding of the Separate Account;
- 5 bonds guaranteed by the Italian government, entirely subscribed by Poste Italiane, for a total carrying amount of 3,812 million euro. This amount decreased by about 738 million euro compared with the end of 2018 due to the redemption of one of the bonds issued in 2015 with a nominal value of 750 million euro. At the end of 2019 there are: 1 bond issued in December 2015 for a nominal value of 750 million euro, 2 issued in December 2017 for a total nominal value of 1,000 million euro, and 2 issued in March 2018 for a total nominal value of 2,000 million euro;
- the issue of the first 1 billion Renminbi Panda bond (128 million euro at the year-end exchange rate) to finance, both directly and through Chinese banks or Chinese branches of Italian banks, branches or subsidiaries of Italian companies established in China, to support their growth. The issue, for institutional investors operating in China, is part of an issuance plan for 5 billion Renminbi approved by the People's Bank of China;
- the stock of commercial paper with a carrying amount of around 2,799 million euro (+1,015 million euro on the 2018 year-end balance), related to the "Multi-Currency Commercial Paper Programme".

1.3 of which: pertaining to Insurance companies

(thousands of euro) Types of securities/Values	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3	31/12/2018 Carrying amount	31/12/2018 Fair value Level 1	31/12/2018 Fair value Level 2	31/12/2018 Fair value Level 3
A. Securities								
1. Bonds:	531,584	555,504			531,564	476,689		
1.1 structured								
1.2 other	531,584	555,504			531,564	476,689		
2. Other securities:								
2.1 structured								
2.2 other								
Total	**531,584**	**555,504**			**531,564**	**476,689**		

Securities issued pertaining to the insurance undertakings refer mainly to SACE's subordinated bond issues for approximately 500 million euro, placed with institutional investors in January 2015, with an annual coupon of 3.875% for the first 10 years and indexed to the 10-year swap rate plus 318.6 basis points for the following years. The bonds can be redeemed by the issuer initially after 10 years and then at every subsequent coupon payment date.

1.3 of which: pertaining to Other companies

(thousands of euro) Types of securities/Values	31/12/2019 Carrying amount	31/12/2019 Fair value Level 1	31/12/2019 Fair value Level 2	31/12/2019 Fair value Level 3	31/12/2018 Carrying amount	31/12/2018 Fair value Level 1	31/12/2018 Fair value Level 2	31/12/2018 Fair value Level 3
A. Securities								
1. Bonds:	21,311,799	21,000,692		736,066	19,272,254	19,070,541	76,690	231,000
1.1 structured								
1.2 other	21,311,799	21,000,692		736,066	19,272,254	19,070,541	76,690	231,000
2. Other securities:								
2.1 structured								
2.2 other								
Total	**21,311,799**	**21,000,692**		**736,066**	**19,272,254**	**19,070,541**	**76,690**	**231,000**

Securities issued by other companies mainly refer to the bond placements by Snam, Terna and Italgas on active markets (Level 1), amounting to 9,048 million euro, 7,841 million euro and 3,354 million euro, respectively.

1.4 Breakdown of subordinated debts/securities

At 31 December 2019, subordinated securities issued, for a total amount of 531,584 thousand euro (531,564 thousand euro at 31 December 2018), refer to the aforementioned issues by insurance companies.

1.5 Breakdown of structured debts

Structured debts amount to approximately 1,080 million euro at 31 December 2019 (3,168 million euro at 31 December 2018), and comprise postal savings bonds indexed to equity baskets from which the embedded derivative has been separated.

1.6 Lease liabilities

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

(thousands of euro) Time bands	Total 31/12/2019 Lease payables
Up to 1 year	83,506
Between 1 and 2 years	83,737
Between 2 and 3 years	47,458
Between 3 and 4 years	41,224
Between 4 and 5 years	32,269
Over 5 years	137,660
Total lease payments to be made	**425,854**
Reconciliation with lease liabilities	**(32,679)**
Unearned finance costs (-)	(32,679)
Unguaranteed residual value (-)	
Lease liabilities	**393,175**

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

(thousands of euro) Type of operations/Values	31/12/2019					31/12/2018				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. On-balance sheet liabilities										
1. Due to banks										
2. Due to customers										
3. Debt securities										
3.1 Bonds:										
3.1.1 structured					X					X
3.1.2 other					X					X
3.2 Other securities										
3.2.1 structured					X					X
3.2.2 other					X					X
Total A										
B. Derivatives										
1. Financial derivatives			65,172	24,793				63,003	18,744	
1.1 Trading	X		65,172	17,007	X	X		61,961	16,863	X
1.2 Associated with fair value option	X				X	X				X
1.3 Other	X			7,786	X	X		1,042	1,881	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**		**65,172**	**24,793**	**X**	**X**		**63,003**	**18,744**	**X**
Total (A + B)	**X**		**65,172**	**24,793**	**X**	**X**		**63,003**	**18,744**	**X**

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

The item includes mainly:
- the negative fair value of interest rate swaps relating to the Parent Company;
- the negative value of the separated optional component of bonds indexed to equity baskets (approximately 8 million euro), issued by the Parent Company;
- the derivatives of Fincantieri for 7 million euro, SACE (mainly currency forward purchase/sale contracts) for 4.2 million euro and of FSI Investimenti for approximately 5 million euro;
- the fair value of the earn-out liability, equal to approximately 12 million euro, related to the investment in OpenFiber made by the subsidiary CDP Equity during 2016.

2.2 Breakdown of "Financial liabilities held for trading": subordinated liabilities

This item has a nil balance.

2.3 Breakdown of "Financial liabilities held for trading": structured debts

This item has a nil balance.

Section 3 - Financial liabilities designated at fair value - Item 30

3.1 Financial liabilities designated at fair value: breakdown by type

	31/12/2019					31/12/2018				
		Fair value					Fair value			
(thousands of euro) Type of transactions/values	Nominal value	Level 1	Level 2	Level 3	Fair value (*)	Nominal value	Level 1	Level 2	Level 3	Fair value (*)
1. Due to banks										
1.1 Structured					X					X
1.2 Other					X					X
of which:										
- *commitments to disburse funds*		*X*	*X*	*X*	*X*		*X*	*X*	*X*	*X*
- *financial guarantees issued*		*X*	*X*	*X*	*X*		*X*	*X*	*X*	*X*
2. Due to customers	**2,117**			**2,117**	**2,117**					
2.1 Structured					X					X
2.2 Other	2,117			2,117	X					X
of which:										
- *commitments to disburse funds*	*2,117*	*X*	*X*	*X*	*X*		*X*	*X*	*X*	*X*
- *financial guarantees issued*		*X*	*X*	*X*	*X*		*X*	*X*	*X*	*X*
3. Debt securities	**59,083**			**59,083**	**59,083**	**519,389**		**500,024**	**19,389**	**519,413**
3.1 Structured					X	500,000		500,024		X
3.2 Other	59,083			59,083	X	19,389			19,389	X
Total	**61,200**			**61,200**	**61,200**	**519,389**		**500,024**	**19,389**	**519,413**

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

The balance of the financial liabilities designated at fair value decreased compared to the previous year due to the expiry, during 2019, of the 2 structured securities issued by the Parent Company during 2018 for a total nominal value 500 million euro, under the Debt Issuance Programme ("DIP"), which had not been separated from the embedded derivative. At 31 December 2019, the balance of the financial liabilities designated at fair value is attributable to Fincantieri's contribution and is represented by the negative fair value of options to purchase equity securities.

3.2 Breakdown of Financial liabilities designated at fair value: subordinated liabilities

At 31 December 2019, financial liabilities designated at fair value of a subordinated nature amounted to about 2 million euro referring to SIA.

Section 4 - Hedging Derivatives - Item 40

4.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	Notional value 31/12/2019	Fair value 31/12/2019			Notional value 31/12/2018	Fair value 31/12/2018		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Financial derivatives	**37,502,156**		**3,054,893**		**22,665,565**		**826,038**	
1) Fair value	30,003,568		2,573,422		16,911,113		681,372	
2) Cash flow	7,498,588		481,471		5,754,452		144,666	
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total	**37,502,156**		**3,054,893**		**22,665,565**		**826,038**	

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

(thousands of euro) Transactions/Type of hedging	Fair value							Cash flow		
	Specific									
	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Credit	Commo-dities	Others	Generic	Specific	Generic	Investment in foreign operation
1. Financial assets at fair value through other comprehensive income	84,867				X	X	X	3,948	X	X
2. Financial assets at amortised cost	1,335,742	X	4,046		X	X	X	198,785	X	X
3. Portfolio	X	X	X	X	X	X		X		X
4. Other		10,205	12,104				X	36,290	X	
Total assets	**1,420,609**	**10,205**	**16,150**					**239,023**		
1. Financial liabilities	34,560	X					X	199,646	X	X
2. Portfolio	X	X	X	X	X	X	1,091,898	X		X
Total liabilities	**34,560**						**1,091,898**	**199,646**		
1. Forecast transactions	X	X	X	X	X	X	X	42,802	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X		X		

Section 5 - Fair value change of financial liabilities in hedged portfolios - Item 50

5.1 Fair value change of hedged financial liabilities

(thousands of euro) Adjustment of hedged liabilities/Components of the group	31/12/2019	31/12/2018
1. Positive adjustments of financial liabilities	18,699	26,033
2. Negative adjustments of financial liabilities		
Total	**18,699**	**26,033**

This item reports the net change in the value of the postal savings bonds portfolio of the Parent Company subject to macro-hedging against interest rate risk. The hedging relationship was interrupted in 2009 in view of the termination of the derivative hedging instruments. The change in the fair value of the hedged bonds, determined up to the date of validity of the hedging relationship, was subsequently transferred to profit or loss on the basis of the amortised cost of the originally hedged postal savings bonds.

Section 6 - Tax liabilities - Item 60

For more information concerning this item, please see Section 11 of "Assets".

Section 7 - Liabilities associated with non-current assets and disposal groups held for sale - Item 70

For more information concerning this item, please see Section 12 of "Assets".

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

(thousands of euro) Type of operations/Values	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
Items being processed	32,437			32,437	63,215
Amounts due to employees	8,832	1,011	154,468	164,311	128,046
Charges for postal funding service	451,638			451,638	440,465
Tax payables	195,857	2,923	100,471	299,251	248,581
Construction contracts			2,028,236	2,028,236	1,603,630
Trade payables	36,932	111,766	6,288,772	6,437,470	5,368,848
Due to social security institutions	5,813	2,202	150,810	158,825	121,821
Accrued expenses and deferred income	2,596	358	1,451,790	1,454,744	1,206,970
Liabilities for premiums to be reimbursed		743		743	1,647
Processing expenses		208		208	216
Collections from factoring being processed	6,313			6,313	4,405
Other	10,106	32,664	2,245,679	2,288,449	1,771,638
Equity and net income pertaining to non-controlling interests in funds			85,170	85,170	
Total	**750,524**	**151,875**	**12,505,396**	**13,407,795**	**10,959,482**

This item reports other liabilities not otherwise classified under the previous items and is broken down as follows.

For the Prudential consolidation, the main items under this heading are:
- the payable to Poste Italiane of about 452 million euro, relating to the portion of commissions due in respect of the products of the postal savings funding service not yet paid at the reporting date;
- tax payables, totalling around 195 million euro, mainly regarding the substitute tax levied on interest paid on postal savings products.

With regard to Other Group entities, the item mainly regards:

- trade payables of around 6 billion euro, mainly related to Terna (around 2.4 billion euro), Fincantieri (around 2.3 billion euro), Snam (around 0.5 billion euro) and Italgas (around 0.5 billion euro);
- contract work in progress of 2 billion euro, mainly resulting from the activities of Fincantieri and Ansaldo;
- other items of 2 billion euro, referring in particular to Snam for approximately 1.2 billion euro, for payables for investing activities and liabilities to Cassa per i Servizi Energetici e Ambientali. The latter mainly refer to accessory tariff components pertaining to natural gas transportation and distribution activities.

Section 9 - Staff severance pay - Item 90

9.1 Staff severance pay: changes for the year

(thousands of euro)	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
A. Opening balance	**1,884**	**5,007**	**202,558**	**209,449**	**221,039**
B. Increases	**983**	**756**	**61,569**	**63,308**	**7,003**
B.1 Provision for the year	187	259	5,413	5,859	4,351
B.2 Other increases	796	497	56,156	57,449	2,652
- *of which: business combinations*	*595*		*48,535*	*49,130*	
C. Decreases	**260**	**874**	**18,895**	**20,029**	**18,593**
C.1 Severance payments	257	533	9,718	10,508	9,834
C.2 Other decreases	3	341	9,177	9,521	8,759
- *of which: business combinations*					
D. Closing balance	**2,607**	**4,889**	**245,232**	**252,728**	**209,449**

The provision for staff severance pay of other companies mainly refers to Italgas (72 million euro), Fincantieri (60 million euro), Terna (39 million euro) and Snam (26 million euro), SIA (26 million euro) and Ansaldo (14 million euro).

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

(thousands of euro) Items/Components	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
1 Provisions for credit risk relating to commitments and financial guarantees issued	216,773	146,863		363,636	229,495
2. Provisions on other guarantees issued and other commitments					
3. Company pensions and other post-retirement benefit obligations					
4. Other provisions	612,998	132,746	2,333,871	3,079,615	2,519,958
4.1 Fiscal and legal disputes	540,765	1,457	579,113	1,121,335	665,606
4.2 Staff costs	71,512	21,827	179,467	272,806	270,484
4.3 Other	721	109,462	1,575,291	1,685,474	1,583,868
Total	**829,771**	**279,609**	**2,333,871**	**3,443,251**	**2,749,453**

10.2 Provisions for risks and charges: changes for the year

	Prudential consolidation			Insurance companies			Other entities			31/12/2019		
(thousands of euro) Items/Components	Provisions on other guarantees issued and other commitments	Pensions and other post-retirement benefit obligations	Other provisions	Provisions on other guarantees issued and other commitments	Pensions and other post-retirement benefit obligations	Other provisions	Provisions on other guarantees issued and other commitments	Pensions and other post-retirement benefit obligations	Other provisions	Provisions on other guarantees issued and other commitments	Pensions and other post-retirement benefit obligations	Other provisions
A. Opening balance			**133,058**			**123,818**			**2,263,082**			**2,519,958**
B. Increases			**507,148**			**38,525**			**431,538**			**977,211**
B.1 Provision for the year			506,689			38,000			141,613			686,302
B.2 Changes due to passage of time									7,362			7,362
B.3 Changes due to changes in discount rate									42,923			42,923
B.4 Other increases			459			525			239,640			240,624
- *of which: business combinations*			*269*						*189,673*			*189,942*
C. Decreases			**27,208**			**29,597**			**360,749**			**417,554**
C.1 Use during the year			22,692			22,884			265,376			310,952
C.2 Changes due to changes in discount rate												
C.3 Other decreases			4,516			6,713			95,373			106,602
D. Closing balance			**612,998**			**132,746**			**2,333,871**			**3,079,615**

10.3 Provisions for credit risk relating to commitments and financial guarantees issued

	Provisions for credit risk relating to commitments and financial guarantees issued			
(thousands of euro)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Commitments to disburse funds	177,624	4,899	2,829	**185,352**
Financial guarantees issued	177,171		1,113	**178,284**
Total	**354,795**	**4,899**	**3,942**	**363,636**

10.4 Provisions on other guarantees issued and other commitments

This item has a nil balance.

10.5 Defined benefit pension funds

This item has a nil balance.

10.6 Provisions for risks and charges - Other provisions

(thousands of euro) Items/Values	Prudential consolidation	Insurance companies	Other entities	31/12/2019	31/12/2018
4. Other provisions	**612,998**	**132,746**	**2,333,871**	**3,079,615**	**2,519,958**
4.1 Fiscal and legal disputes	540,765	1,457	579,113	1,121,335	665,606
4.2 Staff costs:	71,512	21,827	179,467	272,806	270,484
- early retirement	47,165	15,100	81,507	143,772	157,039
- loyalty bonus			4,247	4,247	4,627
- electricity discount			3,673	3,673	5,202
- other	24,347	6,727	90,040	121,114	103,616
4.3 Other risks and charges	721	109,462	1,575,291	1,685,474	1,583,868

The accruals included in the item 4.3 “Other risks and charges”, totalling approximately 1,685 million euro at 31 December 2019, consist mainly:

- of approximately 647 million euro relating to the provisions for the dismantling and reclamation of sites, recognised mainly for liabilities that are likely to be incurred to remove the structures and reclaim natural gas storage and transportation sites;
- of about 295 million euro relating to the provisions for the reclamation and preservation of properties, as well as provisions for commitments in respect of contracts. The estimate of the liabilities recognised is based both on technical assessments (relating to the determination of works to be carried out or actions to be taken) and on legal assessments, bearing in mind contractual provisions in force;
- of around 69 million euro relating to liabilities for contractual guarantees issued to customers in line with market practices and conditions.

Section 11 - Technical provisions - Item 110

11.1 Technical provisions: breakdown

(thousands of euro)	Direct business	Indirect business	Total 31/12/2019	Total 31/12/2018
A. Non-life insurance	**2,669,726**	**142,092**	**2,811,818**	**2,675,499**
A.1 Reserves for unearned premiums	2,141,314	100,123	2,241,437	2,222,013
A.2 Reserves for claims outstanding	527,494	41,969	569,463	452,638
A.3 Other	918		918	848
B. Life insurance				
B.1 Mathematical reserves				
B.2 Provision for claims outstanding				
B.3 Other				
C. Technical provisions where the investment risk is borne by the insured				
C.1 Reserves for contracts whose benefits are linked to investment funds and market indices				
C.2 Reserves from the operation of pension funds				
D. Total technical provisions	**2,669,726**	**142,092**	**2,811,818**	**2,675,499**

11.2 Technical provisions: changes for the year

(thousands of euro)	31/12/2019	31/12/2018
A. Non-life insurance	**2,811,818**	**2,675,499**
Opening balance	2,675,499	2,407,786
Business combinations		
Change in reserve (+/-)	136,319	267,713
B. Life insurance and other technical provisions		
Opening balance		
Business combinations		
Change in premiums		
Change in payments		
Change in income and other bonuses paid to policy holders (+/-)		
Change in exchange rate (+/-)		
Change in other technical reserves (+/-)		
C. Total technical provisions	**2,811,818**	**2,675,499**

Section 12 - Redeemable shares- Item 130

This item has a nil balance.

Section 13 - Group equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 “Share capital” and “Treasury shares”: breakdown

The share capital of the Parent Company of 4,051,143,264 euro at 31 December 2019 is fully paid up and is composed of 342,430,912 ordinary shares, without par value.

At 31 December 2019, the Parent Company held treasury shares with a value of 489 million euro, compared to a value of 57 million euro at the end of 2018, with an increase of approximately 432 million euro. The change derives from restating the value of treasury shares following a ruling by the Court of Rome, as represented in section 12 of the separate financial statements relating to the company’s equity, to which reference should be made.

13.2 Share capital - Number of shares of the Parent Company: changes for the year

Items/Type	Ordinary	Other
A. Shares at start of the year	**342,430,912**	
- fully paid	342,430,912	
- partly paid		
A.1 Treasury shares (-)	(4,451,160)	
A.2 Shares in circulation: opening balance	**337,979,752**	
B Increases		
B.1 New issues		
- for consideration:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
- bonus issues:		
- to employees		
- to directors		
- other		
B.2 Sale of own shares		
B.3 Other changes		
C Decreases		
C.1 Cancellation		
C.2 Purchase of own shares		
C.3 Disposal of companies		
C.4 Other changes		
D Shares in circulation: closing balance	**337,979,752**	
D.1 Treasury shares (+)	4,451,160	
D.2 Shares at end of the year	342,430,912	
- fully paid	342,430,912	
- partly paid		

13.3 Share capital: Other information

There is no other relevant information on the share capital.

13.4 Income reserves: additional information

(thousands of euro) Items/Types	31/12/2019	31/12/2018
Income reserves	**14,676,855**	**14,311,786**
Legal reserve	810,229	810,229
Other reserves	13,866,626	13,501,557

13.5 Equity instruments: breakdown and changes for the year

There were no equity instruments recorded under item 140 of the liabilities.

Section 14 - Non-controlling interests - Item 190

14.1 Breakdown of item 190 “Non-controlling interests”

(thousands of euro) Company name	31/12/2019	31/12/2018
Equity investments in consolidated companies with significant minority interests		
1. Terna S.p.A.	3,943,991	3,573,392
2. Snam S.p.A.	6,558,059	5,734,027
3. Italgas S.p.A.	1,678,508	1,301,927
Other equity investments	379,220	2,067,012
Total	**12,559,778**	**12,676,358**

14.2 Equity instruments: breakdown and changes for the year

There were no equity instruments recorded under item 140 of the liabilities.

Other information

1. Commitments and financial guarantees issued

	Nominal value on commitments and financial guarantees issued										
	Prudential consolidation			Insurance companies			Other entities				
(thousands of euro)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	31/12/2019	31/12/2018
1. Commitments to disburse funds	**26,417,063**	**126,518**	**12,117**					**2,068,800**		**28,624,498**	**23,608,519**
a) Central Banks	20,000									20,000	
b) General Government	8,491,096	121,078								8,612,174	6,887,542
c) Banks	572,618									572,618	77,005
d) Other financial companies	284,650									284,650	639,404
e) Non-financial companies	17,045,706	3,636	12,117					2,068,800		19,130,259	16,002,649
f) Households	2,993	1,804								4,797	1,919
2. Financial guarantees issued	**930,816**		**1,713**				**38,910**	**255,500**	**516**	**1,227,455**	**2,791,436**
a) Central Banks											
b) General Government	224,404						25,508			249,912	189,500
c) Banks											1,129,000
d) Other financial companies	449									449	1,960
e) Non-financial companies	705,963		1,713				13,402	255,500	516	977,094	1,470,976
f) Households											

2. Other commitments and other guarantees issued

(thousands of euro)	Nominal value 31/12/2019	31/12/2018
Other guarantees issued	**440,042**	**512,016**
- *of which: non-performing credit exposure*		
a) Central Banks		
b) General Government		1,544
c) Banks		32,371
d) Other financial companies		
e) Non-financial companies	440,042	478,101
f) Households		
- **Other commitments**	**6,854,650**	**8,138,046**
of which: non-performing credit exposure		
a) Central Banks		
b) General Government	25,508	23,441
c) Banks	87,207	98,376
d) Other financial companies	3,597,594	2,555,727
e) Non-financial companies	3,144,341	5,460,502
f) Households		

3. Assets pledged as collateral for own debts and commitments

(thousands of euro) Portfolios	Prudential consolidation	Insurance group	Other entities	31/12/2019	31/12/2018
1. Financial assets measured at fair value through profit or loss					150,000
2. Financial assets measured at fair value through other comprehensive income	2,118,500			2,118,500	7,283,154
3. Financial assets measured at amortised cost	67,352,506			67,352,506	73,822,618
4. Property, plant and equipment			1,022,122	1,022,122	644,137
- *of which: property, plant and equipment classified as inventory*			*789,100*	*789,100*	*401,100*

4. Breakdown of investments related to unit-linked and index-linked policies

This item has a nil balance.

5. Management and intermediation services on behalf of third parties

(thousands of euro) Type of service	31/12/2019
1. Order execution on behalf of customers	
a) Purchases:	
1. settled	
2. not yet settled	
b) Sales:	
1. settled	
2. not yet settled	
2. Asset management	**2,859,499**
a) Individual	
b) Collective	2,859,499
3. Securities custody and administration	**79,133,683**
a) Third-party securities held as part of depository bank services (excluding asset management):	
1. securities issued by consolidated companies	
2. other securities	
b) Other third-party securities on deposit (excluding asset management): other	5,589,290
1. securities issued by consolidated companies	
2. other securities	5,589,290
c) Third-party securities deposited with third parties	5,589,290
d) Own securities portfolio deposited with third parties	73,544,393
4. Other	**80,632,362**
Management on behalf of third parties in separate accounts on the basis of specific agreements:	
- Postal savings bonds managed on behalf of MEF (1)	61,614,787
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	3,482,269
- Payment PA payable - Decree Law 8 April 2013, no. 35 (3)	5,755,068
- Funds for Approved and Subsidised Residential Building initiatives (4)	2,663,719
- Funds for Regional Agreements and Area Contracts - Law 662/96, Article 2, paragraph 203 (4)	423,517
- Funds of Public Entities and Other Entities deposited pursuant to Legislative Decree 1058/1919 and Law no. 1041/1971 (4)	946,772
- Fondo Kyoto (3)	626,205
- Funds for Methanisation of Southern Italy - Law 784/80, Law 266/97 and Law 73/98 (4)	84,018
- MIUR Student Accomodation - Law 388/00 (4)	82,273
- Minimum Environmental Impact Fund (4)	27,281
- Revolving Fund for development cooperation (3)	4,845,210
- MEPLS Fund - contributions by the Ministry of Environment and Protection of the Land and See for cooperation	68,602
- MIPAAF Fund - Ministry of Agricultural and Forestry Policies - guarantee platform to support olive oil producers (4)	7,992
- EURECA Fund - guarantee platform to support SMEs in the Emilia-Romagna Region (4)	4,649
- Other funds (4)	

(1) The figure represents the amount at the reporting date of the financial statements.
(2) The figure represents the remaining principal, at the reporting date of the financial statements, of loans managed on behalf of the MEF.
(3) The figure represents the sum of the remaining principal of the loans disbursed and the remaining funds on the dedicated current accounts, at the reporting date of the financial statements, of loans managed on behalf of the MEF.
(4) The figure represents the remaining balances of the funds on the dedicated current accounts at the reporting date of the financial statements.

6. Financial assets offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euro) Technical forms	Gross amount of financial assets (A)	Amount of financial liabilities offset in financial statements (B)	Net amount of financial assets reported in balance sheet (C = A - B)	Correlated amounts not offset in financial statements: Financial instruments (D)	Correlated amounts not offset in financial statements: Cash deposits received as guarantee (E)	Net amount 31/12/2019 (F = C - D - E)	Net amount 31/12/2018
1. Derivatives	428,411		428,411	363,968	61,059	3,384	39,186
2. Repurchase agreements	378,365		378,365	378,365			53,126
3. Securities lending							
4. Other							
Total 31/12/2019	**806,776**		**806,776**	**742,333**	**61,059**	**3,384**	**X**
Total 31/12/2018	**778,470**		**778,470**	**389,559**	**296,599**	**X**	**92,312**

The table below shows the allocation of the amounts shown in column c) of the table above to the relevant items of the consolidated balance sheet.

(thousands of euro) Technical forms	Balance sheet items	Net amount of financial assets shown in financial statements (C = A - B)
1. Derivatives		428,411
	20. Financial assets measured at fair value through profit or loss	47,065
	50. Hedging derivatives	381,346
2. Repurchase agreements		378,365
	40. Financial assets measured at amortised cost	378,365
3. Securities lending		
4. Other		

For details of the valuation criteria used for the financial assets shown in the table above, see Section A of the Accounting Policies.

7. Financial liabilities offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of euro) Technical forms	Gross amount of financial liabilities (A)	Amount of financial assets offset in financial statements (B)	Net amount of financial liabilities reported in balance sheet (C = A - B)	Correlated amounts not offset in financial statements: Financial instruments (D)	Correlated amounts not offset in financial statements: Cash deposits received as guarantee (E)	Net amount 31/12/2019 (F = C - D - E)	Net amount 31/12/2018
1. Derivatives	2,803,698		2,803,698	363,968	2,435,962	3,768	839
2. Repurchase agreements	41,196,863		41,196,863	40,908,106	196,955	91,802	1
3. Securities lending							
4. Other							
Total 31/12/2019	**44,000,561**		**44,000,561**	**41,272,074**	**2,632,917**	**95,570**	**X**
Total 31/12/2018	**46,316,869**		**46,316,869**	**45,912,363**	**403,666**	**X**	**840**

The table below shows the allocation of the amounts shown in column c) of the table above to the relevant items of the consolidated balance sheet.

(thousands of euro) Technical forms	Balance sheet items	Net amount of financial assets shown in financial statements (C = A - B)
1. Derivatives		2,803,698
	20. Financial liabilities held for trading	121,143
	40. Hedging derivatives	2,682,555
2. Repurchase agreements		41,196,863
	10. Financial liabilities measured at amortised cost a) Due to banks	41,196,863
3. Securities lending		
4. Other		

For details of the valuation criteria used for the financial assets shown in the table above, see Section A of the Accounting Policies.

8. Securities lending transactions

This item has a nil balance.

9. Disclosure on joint operations

At 31 December 2019, this item has a nil balance.

Part C - Information on the consolidated income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar income: breakdown

(thousands of euro) Items/Technical forms	Debt securities	Loans	Other	2019	2018
1. Financial assets measured at fair value through profit or loss	**18,288**	**14,869**		**33,157**	**60,151**
1.1 Financial assets held for trading	3,369			3,369	20,121
1.2 Financial assets designated at fair value					
1.3 Other financial assets mandatorily measured at fair value	14,919	14,869		29,788	40,030
2. Financial assets measured at fair value thorough other comprehensive income	**116,602**		**X**	**116,602**	**86,910**
3. Financial assets measured at amortised cost	**1,418,551**	**5,691,491**		**7,110,042**	**8,020,503**
3.1 Loans to banks	10,812	242,258	X	253,070	239,507
3.2 Loans to customers	1,407,739	5,449,233	X	6,856,972	7,780,996
4. Hedging derivatives	**X**	**X**	**(255,827)**	**(255,827)**	**(227,827)**
5. Other assets	**X**	**X**	**19,926**	**19,926**	**20,943**
6. Financial liabilities	**X**	**X**	**X**	**177,097**	**156,918**
Total	**1,553,441**	**5,706,360**	**(235,901)**	**7,200,997**	**8,117,598**
of which: interest income on non-performing assets	*852*	*4,589*		*5,441*	*6,508*
of which: interest income on finance lease					

Interest income accrued in 2019 amounted to approximately 7,201 million euro. It substantially refers to the Parent Company and mainly comprises:

- interest income on loans to banks and customers, classified as assets measured at amortised cost, totalling 7,110 million euro (8,021 million euro in 2018);
- interest income on financial assets measured at fair value through other comprehensive income, of around 117 million euro (87 million euro in 2018);
- interest income on financial assets measured at fair value through profit or loss, of around 33 million euro (60 million euro in 2018).

Sub-item “4. Hedging derivatives” includes the (positive or negative) amount of differentials or margins accrued on interest rate risk hedging derivatives that adjusts the interest income recognised on the hedged financial instruments. At 31 December 2019, this amount is a negative figure of around 256 million euro, reducing interest income.

Sub-item “6. Financial liabilities” includes, amongst others, interest accrued on financial liabilities which, due to negative remuneration, gave rise to an income (interest income). This is in line with the EBA’s instructions where the sign of the economic component prevails over the nature of the balance sheet item.

The item includes interest income on impaired financial assets of approximately 5.4 million euro.

1.2 Interest income and similar income: additional information

1.2.1 Interest income on financial assets in foreign currency

The item includes interest income accrued on financial assets in foreign currency of about 93 million euro (42.2 million euro in 2018).

1.3 Interest expense and similar expense: breakdown

(thousands of euro) Items/Technical forms	Debt securities	Securities	Other	2019	2018
1. Financial liabilities measured at amortised cost	**4,228,800**	**658,342**		**4,887,142**	**4,710,353**
1.1 Due to central banks		X	X		
1.2 Due to banks	172,346	X	X	172,346	167,382
1.3 Due to customers	4,056,454	X	X	4,056,454	3,895,438
1.4 Securities issued	X	658,342	X	658,342	647,533
2. Financial liabilities held for trading			**161**	**161**	**288**
3. Financial liabilities designated at fair value	**3,594**			**3,594**	**3,137**
4. Other liabilities and provisions	**X**	**X**	**21,306**	**21,306**	**14,386**
5. Hedging derivatives	**X**	**X**	**(116,241)**	**(116,241)**	**(129,299)**
6. Financial assets	**X**	**X**	**X**	**25,472**	**33,715**
Total	**4,232,394**	**658,342**	**(94,774)**	**4,821,434**	**4,632,580**
of which: interest expense on finance lease	*5,907*			*5,907*	

Interest expense in 2019 amounts to 4,821 million euro, and is mainly attributable to:
- remuneration of the Parent Company's postal funding, amounting to approximately 4,099 million euro;
- interest expense accrued on securities issued by the Parent Company of 362 million euro, by the industrial companies of 268 million euro and by the SACE Group companies of 20 million euro.

Sub-item "5. Hedging derivatives" includes the (positive or negative) amount of differentials or margins accrued on interest rate risk hedging derivatives that adjusts the interest expense recognised on the hedged financial instruments. At 31 December 2019, this amount is a positive figure of around 116 million euro, reducing interest expense.

Sub-item "6. Financial assets" includes interest accrued on financial assets which, due to negative remuneration, gave rise to a charge (interest expense).

1.4 Interest expense and similar expense: additional information

1.4.1 Interest expense on liabilities in foreign currencies

The item includes interest expense accrued on financial liabilities accounted for in foreign currency, totalling about 27 million euro.

1.5 Differentials on hedging transactions

(thousands of euro) Items	2019	2018
A. Positive differences on hedging transactions	140,196	159,152
B. Negative differences on hedging transactions	(279,782)	(257,680)
C. Balance (A - B)	**(139,586)**	**(98,528)**

The balance of differences on hedging transactions at 31 December 2019 was negative and approximately equal to 139.6 million euro.

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

(thousands of euro) Type of services/Amounts	2019	2018
a) guarantees issued	19,440	17,639
b) credit derivatives		
c) management, intermediation and advisory services:	5,464	4,324
1. trading of financial instruments		
2. trading of currencies		
3. management of portfolios	5,464	4,324
3.1 individual		
3.2 collective	5,464	4,324
4. custody and administration of securities		
5. custodian bank		
6. placement of securities		
7. receipt and transmission of orders		
8. advisory services		
8.1 for investments		
8.2 for structured finance		
9. distribution of third party services		
9.1 management of portfolios		
9.1.1 individual		
9.1.2 collective		
9.2 insurance products		
9.3 other products		
d) collection and payment services		
e) servicing for securitisations		
f) factoring services	7,171	12,569
g) collection services		
h) management multilateral trading systems		
i) maintenance and management of current accounts		
j) other services	415,401	422,529
Total	**447,476**	**457,061**

Commission income at 31 December 2019 amounts to 447 million euro, mostly deriving from the contribution of the Parent Company, which during the year accrued commission income of 390 million euro in relation to:

- structuring and disbursement of loans for around 68 million euro;
- agreements signed with the Italian Ministry of the Economy and Finance for the management of the assets and liabilities of the MEF for approximately 303 million euro, of which 300 million euro relating to the management of the MEF Bonds, in accordance with the provisions of Article 7 of the CDP-MEF agreement relating to the MEF Bonds renewed on 23 February 2018;
- guarantees issued of more than 19 million euro.

The balance of this item also includes commissions earned for the management of the Revolving Fund for Development Cooperation, the Kyoto Fund, the Revolving Fund supporting enterprises and investment in research (FRI) and the commissions earned under the agreement signed with Italian Ministry for Foreign Affairs and International Cooperation for international cooperation activities and other services rendered.

The balance also includes commission income of 17.3 million euro received by the subsidiary SIMEST for the management of Public Funds, 7.2 million euro for commissions for services related to factoring transactions of the subsidiary SACE Fct, and commission income of 5.5 million euro accrued by the subsidiary CDPI SGR for the performance of its own institutional portfolio management activity.

2.2 Commission expense: breakdown

(thousands of euro) Services/Amounts	2019	2018
a) guarantees received	26,581	28,099
b) credit derivatives		
c) management and intermediation services:	1,488,425	1,542,077
1. trading of financial instruments	4	1,227
2. trading of currencies		
3. management of portfolios:	1,600	1,445
3.1 own portfolio	1,494	1,153
3.2 third-party portfolio	106	292
4. custody and administration of securities	7	3
5. placement of financial instruments	1,486,814	1,539,402
6. door-to-door selling of financial instruments, products and services		
d) collection and payment services	1,800	1,919
e) other services	6,783	11,190
Total	**1,523,589**	**1,583,285**

Commission expense is almost exclusively attributable to the Parent Company and is mainly related to the amount for the year, of around 1,471 million euro, of the remuneration paid to Poste Italiane S.p.A. for managing postal savings products.

The commission expense for the postal savings service recognised during the year accrued under the agreement signed in December 2017 between CDP and Poste Italiane S.p.A., for the three-year period 2018-2020.

Commission expense of 37.6 million euro was attributable to the industrial companies and mainly related to commissions due on guarantees received and services to place financial instruments.

Section 3 - Dividends and similar revenues - Item 70

3.1 Dividends and similar revenues: breakdown

(thousands of euro) Items/Revenues	2019		2018	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	34	203	221	2,633
B. Other financial assets mandatorily measured at fair value		13,596		5,642
C. Financial assets measured at fair value through other comprehensive income	2,664		3,336	
D. Equity investments				
Total	**2,698**	**13,799**	**3,557**	**8,275**

Section 4 - Profits (losses) on trading activities - Item 80

4.1 Profits (losses) on trading activities: breakdown

(thousands of euro) Type of operations/P&L Items	Gains (A)	Profits on trading (B)	Losses (C)	Losses on trading (D)	Net gain (loss) [(A + B) - (C + D)]
1. Financial assets held for trading	**19,386**	**11,426**	**8,350**	**7,422**	**15,040**
1.1 Debt securities	10,898	10,997	60	3,280	18,555
1.2 Equity securities	197	227		31	393
1.3 Units in collective investment undertakings	8,291	202	8,290	4,111	(3,908)
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**6,687**
3. Derivatives	**34,235**	**81,457**	**37,650**	**45,311**	**8,922**
3.1 Financial derivatives:	34,235	81,457	37,650	45,311	8,922
- on debt securities and interest rates	21,790	13,406	25,350	11,101	(1,255)
- on equity securities and equity indices	11,408	9,943	7,938	5,299	8,114
- on currencies and gold	X	X	X	X	(23,809)
- other	1,037	58,108	4,362	28,911	25,872
3.2 Credit derivatives					
of which: natural hedges associated with fair value option	*X*	*X*	*X*	*X*	
Total	**53,621**	**92,883**	**46,000**	**52,733**	**30,649**

The profits (losses) on trading activities, which showed a net profit of 31 million euro, was mainly due to the net income recorded with reference to the debt securities, achieved by the companies of the SACE group for 18.5 million euro.

Foreign exchange gains amounted to 3.4 million euro for CDP, 4.2 million euro for SACE and 4.7 million euro for Fincantieri, offset by the losses recorded by Terna equal to 5.8 million euro.

Also derivatives transactions were positive, mostly resulting from SACE (24 million euro) and FSI Investimenti (8 million euro), offset by the losses recorded by CDP's derivatives on currencies equal to 24 million euro.

Section 5 - Fair value adjustments in hedge accounting - Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

(thousands of euro) Type of operations/P&L Items	2019	2018
A. Income on:		
A.1 Fair value hedges	100,205	91,214
A.2 Hedged financial assets (fair value)	2,026,031	335,417
A.3 Hedged financial liabilities (fair value)	68,219	59,929
A.4 Cash flow hedges	3,511	250
A.5 Assets and liabilities in foreign currencies	43,177	40,360
Total income on hedging activities (A)	**2,241,143**	**527,170**
B. Expense on:		
B.1 Fair value hedges	2,154,518	407,104
B.2 Hedged financial assets (fair value)	15,228	31,512
B.3 Hedged financial liabilities (fair value)	68,406	64,474
B.4 Cash flow hedges	69,992	27,094
B.5 Assets and liabilities in foreign currencies	43,554	39,983
Total expense on hedging activities (B)	**2,351,698**	**570,167**
C. Net gain (loss) on hedging activities (A - B)	**(110,555)**	**(42,997)**

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

6.1 Gains (losses) on disposal or repurchase: breakdown

	2019			2018		
(thousands of euro) Type of operations/P&L Items	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Financial assets at amortised cost	661,923	(1,447)	660,476	61,344	(5,640)	55,704
1.1 Loans to banks	820	(2)	818	6,273		6,273
1.2 Loans to customers	661,103	(1,445)	659,658	55,071	(5,640)	49,431
2. Financial assets measured at fair value through other comprehensive income	129,284	(18,417)	110,867	23,685	(60,638)	(36,953)
2.1 Debt securities	129,284	(18,417)	110,867	23,685	(60,638)	(36,953)
2.2 Loans						
Total assets	**791,207**	**(19,864)**	**771,343**	**85,029**	**(66,278)**	**18,751**
Financial liabilities measured at amortised cost						
1. Due to banks						
2. Due to customers						
3. Securities issued		(28,744)	(28,744)		(46,986)	(46,986)
Total liabilities		**(28,744)**	**(28,744)**		**(46,986)**	**(46,986)**

The balance of the item was positive for approximately 743 million euro. It mainly refers to the Parent Company (743.6 million euro), which recorded profits on the sale of debt securities recorded among the Loans to customers (approximately +620 million euro) and of debt securities in the portfolio of financial assets measured at fair value through other comprehensive income (approximately +111 million euro). CDP Equity also contributed positively to the item (27 million euro).

The losses on the repurchase of securities issued (-28.7 million euro) arise from the liability management transaction completed by Snam, which repurchased bonds with a total nominal amount of 597 million euro on the market.

Section 7 - Profits (losses) on financial assets and liabilities measured at fair value through profit or loss - Item 110

7.1 Net change in value of financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(thousands of euro) Type of operations/P&L Items	Gains (A)	Realised profits (B)	Losses (C)	Realised losses (D)	Net gain (loss) [(A + B) - (C + D)]
1. Financial assets					
1.1 Debt securities					
1.2 Loans					
2. Financial liabilities		**24**	**1,799**		**(1,775)**
2.1 Securities issued		24	1,799		(1,775)
2.2 Due to banks					
2.3 Due to customers					
3. Foreign currency financial assets and liabilities: exchange rate differences	X	X	X	X	
Total		**24**	**1,799**		**(1,775)**

7.2 Net change in value of financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets mandatorily measured at fair value

(thousands of euro) Type of operations/P&L Items	Gains (A)	Realised profits (B)	Losses (C)	Realised losses (D)	Net gain (loss) [(A + B) - (C + D)]
1. Financial assets	**82,266**	**1,884**	**98,612**	**431**	**(14,893)**
1.1 Debt securities	1,079		8,162	420	(7,503)
1.2 Equity securities			78		(78)
1.3 Units in collective investment undertakings	73,969		41,693		32,276
1.4 Loans	7,218	1,884	48,679	11	(39,588)
2. Financial assets: exchange rate differences	X	X	X	X	
Total	**82,266**	**1,884**	**98,612**	**431**	**(14,893)**

Section 8 - Net adjustments/recoveries for credit risk - Item 130

This item shows a gain of around 26 million euro and almost exclusively relates to the net balance between adjustments and recoveries for credit risk calculated on an individual and collective basis and related to financial assets measured at amortised cost.

For financial assets that are performing (stages 1 and 2) impairment is calculated as a function of the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is also objective evidence of an impairment loss (stage 3), the amount of the loss is measured as the difference between the contractual cash flows and all the cash flows that one would expect to receive, discounted at the original effective interest rate.

The amount of the loss to be recognised through profit or loss is calculated based on an analytical assessment process or for categories of the same kind and thus attributed analytically to each position and takes account of forward-looking information and possible alternative recovery scenarios.

8.1 Net adjustments for credit risk relating to financial assets measured at amortised cost: breakdown

(thousands of euro) Type of operations/P&L Items	Writedowns			Writebacks			
		Stage 3					
	Stage 1 and 2	Write-off	Other	Stage 1 and 2	Stage 3	2019	2018
A. Loans to banks	**(10,290)**	**(7,305)**		**26,738**		**9,143**	**16,390**
Loans	(8,539)	(7,305)		26,162		10,318	11,989
Debt securities	(1,751)			576		(1,175)	4,401
of which: non-performing loans acquired or originated							
B. Loans to customers	**(313,069)**		**(41,203)**	**363,590**	**11,878**	**21,196**	**(127,264)**
Loans	(157,752)		(41,110)	357,090	11,878	170,106	(103,672)
Debt securities	(155,317)		(93)	6,500		(148,910)	(23,592)
of which: impaired loans acquired or originated							
Total	**(323,359)**	**(7,305)**	**(41,203)**	**390,328**	**11,878**	**30,339**	**(110,874)**

8.2 Net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

(thousands of euro) Type of operations/P&L Items	Writedowns			Writebacks			
		Stage 3					
	Stage 1 and 2	Write-off	Other	Stage 1 and 2	Stage 3	2019	2018
A. Debt securities	**(7,032)**			**3,033**		**(3,999)**	**(1,005)**
B. Loans							
Customers							
Banks							
of which: impaired financial assets acquired or originated							
Total	**(7,032)**			**3,033**		**(3,999)**	**(1,005)**

Section 9 - Gains/losses from changes in contracts without derecognition - Item 140

9.1 Gains/losses from changes in contracts: breakdown

(thousands of euro)	Gains	Losses	Net gain (loss)
Financial assets measured at fair value thorough other comprehensive income			
Loans			
Debt securities			
Financial assets measured at amortised cost: loans to banks			
Loans			
Debt securities			
Financial assets measured at amortised cost: loans to customers		**(497)**	**(497)**
Loans		(497)	(497)
Debt securities			
Total		**(497)**	**(497)**

Section 10 - Net premium income - Item 160

10.1 Net premium income: breakdown

(thousands of euro) Premiums from insurance activity	Direct work	Indirect work	2019	2018
A. Life insurance				
A.1 Gross premium income recognised (+)				
A.2 Premiums transferred to reinsurance (-)		X		
A.3 Total				
B. Non-life insurance				
B.1 Gross premium income recognised (+)	387,424	9,433	396,857	571,187
B.2 Premiums transferred to reinsurance (-)	(119,945)	X	(119,945)	(153,548)
B.3 Change in gross amount of provision for unearned premiums (+/-)	(43,741)	21,169	(22,572)	(273,918)
B.4 Change in reinsurer's share of provision for unearned reserves (-/+)	53,439	651	54,090	58,930
B.5 Total	277,177	31,253	308,430	202,651
C. Total net premium income	**277,177**	**31,253**	**308,430**	**202,651**

Section 11 - Net other income (expense) from insurance operations - Item 170

11.1 Net other income (expense) from insurance operations: breakdown

(thousands of euro)	2019	2018
1. Net change in technical provisions	(5,284)	(4,950)
2. Claims accrued and paid during the year	(145,355)	(128,829)
3. Other net profit (loss) on insurance operations	6,546	3,649
Total	**(144,093)**	**(130,130)**

11.2 Breakdown of sub-item "Net change in technical provisions"

(thousands of euro) Net change in technical reserves	2019	2018
1. Life insurance		
A. Mathematical reserves		
A.1 Gross annual amount		
A.2 (-) Amounts borne by reinsurers		
B. Other technical provisions		
B.1 Gross annual amount		
B.2 (-) Amounts borne by reinsurers		
C. Technical provisions where the investment risk is borne by the insured		
C.1 Gross annual amount		
C.2 (-) Amounts borne by reinsurers		
Total "life insurance reserves"		
2. Non-life insurance	**(5,284)**	**(4,950)**
Changes in other technical provisions for life insurance other the claims provisions net of cessions in reinsurance	(5,284)	(4,950)

11.3 Breakdown of sub-item "Claims accrued during the year"

(thousands of euro) Incurred claims	2019	2018
Life insurance: expenses for claims, net of cessions in reinsurance		
A. Amounts paid		
A.1 Gross annual amount		
A.2 (-) Amounts borne by reinsurers		
B. Change in the reserve for sums to be paid		
B.1 Gross annual amount		
B.2 (-) Amounts borne by reinsurers		
Total life insurance claims		
Non-life insurance: expenses for claims, net of recoveries and cessions in reinsurance		
C. Amounts paid	(236,416)	(242,773)
C.1 Gross annual amount	(272,964)	(276,150)
C.2 (-) Amounts borne by reinsurers	36,548	33,377
D. Change in recoveries net of amounts borne by reinsurers	120,392	167,341
E. Changes in claims reserve	(29,331)	(53,397)
E.1 Gross annual amount	(113,087)	(62,888)
E.2 (-) Amounts borne by reinsurers	83,756	9,491
Total non-life insurance claims	**(145,355)**	**(128,829)**

11.4 Breakdown of item "Net Other income (expense) from insurance operations"

(thousands of euro)	2019	2018
Life insurance		
Other gains		
Other losses		
Non-life insurance	**6,546**	**3,649**
Other gains	43,457	73,997
Other losses	(36,911)	(70,348)
Total	**6,546**	**3,649**

Section 12 - Administrative expenses - Item 190

12.1 Staff costs: breakdown

(thousands of euro) Type of expenses/Sectors	Prudential consolidation	Insurance companies	Other entities	2019	2018
1) Employees	**126,482**	**92,446**	**1,729,818**	**1,948,746**	**1,929,215**
a) wages and salaries	90,249	44,287	1,218,927	1,353,463	1,285,357
b) social security costs	338	123	28,346	28,807	31,158
c) staff severance pay	544	1,164	26,302	28,010	26,563
d) pension costs	20,814	11,891	337,931	370,636	357,567
e) allocation to staff severance pay	187	259	5,413	5,859	4,351
f) allocation to provision for post-employment benefits:					
- defined contribution					
- defined benefit					
g) payments to external supplementary pensions funds:	6,606	3,663	51,353	61,622	58,461
- defined contribution	6,606	3,663	48,394	58,663	55,419
- defined benefit			2,959	2,959	3,042
h) costs arising from share-based payment arrangements			4,014	4,014	3,722
i) other employee benefits	7,744	31,059	57,532	96,335	162,036
2) Other personnel in service	**965**	**493**	**5,576**	**7,034**	**7,337**
3) Board of Directors and Board of Auditors	**1,557**	**747**	**18,542**	**20,846**	**20,373**
4) Retired personnel					
Total	**129,004**	**93,686**	**1,753,936**	**1,976,626**	**1,956,925**

12.2 Average number of employees by category

(number)	Prudential consolidation	Insurance companies	Other entities	2019	2018
Employees	**967**	**1,139**	**31,465**	**33,571**	**32,020**
a) Senior management	105	65	678	848	780
b) Middle management	474	532	10,170	11,176	10,057
c) Other employees	388	542	20,617	21,547	21,183
Other personnel	**12**		**112**	**124**	**128**

12.3 Defined benefit pension funds: costs and revenues

This item has a nil balance.

12.4 Other employee benefits

(thousands of euro) Type of expenses/Values	Prudential consolidation	Insurance companies	Other entities	2019	2018
Food coupons	1,801	1,185	6,618	9,604	8,929
Insurance policies	2,981	2,761	1,952	7,694	7,388
Lump sum repayments					
Contributions to mortgage loan interest	637	354		991	857
Leaving incentives		15,230	8,490	23,720	87,282
Bonus energia			32	32	(7,378)
Length of service bonuses		13	331	344	662
Other benefits	2,325	11,516	40,109	53,950	64,296
Total	**7,744**	**31,059**	**57,532**	**96,335**	**162,036**

"Other employee benefits" amount to approximately 96 million euro. The positive balance of the 2018 "Bonus energia" is due to the release of the electricity discount provision, to the extent of the portion related to retired employees.

12.5 Other administrative expenses: breakdown

(thousands of euro) Type of expenses/Values	Prudential consolidation	Insurance companies	Other entities	2019	2018
IT costs	26,363	8,257	80,863	115,483	99,968
General services	7,694	2,651	4,851,397	4,861,742	4,598,241
Professional and financial services	14,801	7,336	622,220	644,357	429,410
Publicity and marketing expenses	3,608	2,256	31,786	37,650	34,267
Other personnel-related expenses	4,761	465	34,711	39,937	35,475
Utilities, duties and other expenses	9,287	8,699	204,281	222,267	246,662
Information resources and databases	4,911		6,085	10,996	10,121
Corporate bodies	466		251	717	619
Total	**71,891**	**29,664**	**5,831,594**	**5,933,149**	**5,454,763**

As required by Article 149-*duodecies* of Consob Issuers' Regulation no. 11971, the audit fees and fees for non-audit services for the year 2019 are given below:

	PricewaterhouseCoopers		
(thousands of euro)	Parent company	Other Group companies	Total
Auditing	408	5,482	5,890
Certification services	396	504	900
Other services	65	572	637
Total	**869**	**6,558**	**7,427**

Section 13 - Net provisions for risks and charges - Item 200

13.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees issued: breakdown

	Accruals		Reversal of excess		
(thousands of euro)	Stage 1 & 2	Stage 3	Stage 1 & 2	Stage 3	Net income (loss)
Commitments to disburse funds	(17,717)	(93)	8,659	943	(8,208)
Financial guarantees issued	(1,857)		775	69	(1,013)
Total	**(19,574)**	**(93)**	**9,434**	**1,012**	**(9,221)**

13.2 Net provisions for other commitments and other guarantees issued: breakdown

During the year, no accruals for other commitments and guarantees were made.

13.3 Net provisions to other provisions for risks and charges: breakdown

(thousands of euro) Type of transactions/Values	Accruals	Reversal of excess	2019
Net provisions for legal and fiscal disputes	(67,673)	16,854	(50,819)
Net provisions for sundry expenses for personnel	(2,128)	2,577	449
Net sundry provisions	(123,320)	60,017	(63,303)
Total	**(193,121)**	**79,448**	**(113,673)**

13.3 of which: pertaining to the Prudential consolidation

(thousands of euro) Type of transactions/Values	Allocations	Reversal of excess	2019
Net provisions for legal and fiscal disputes	(52,680)	1,153	(51,527)
Net provisions for sundry expenses for personnel	(86)		(86)
Net sundry provisions			
Total	**(52,766)**	**1,153**	**(51,613)**

This item includes the provision made by the Parent Company for ancillary charges defined by the ruling issued in January 2020 in the dispute with Fondazione Cariverona, which ordered CDP to pay, among other things, interest, taxes and expenses of approximately 25 million euro.

13.3 of which: pertaining to Insurance companies

(thousands of euro) Type of transactions/Values	Allocations	Reversal of excess	2019
Net provisions for legal and fiscal disputes	(122)	1,801	1,679
Net provisions for sundry expenses for personnel			
Net sundry provisions	(16,003)	19,623	3,620
Total	**(16,125)**	**21,424**	**5,299**

13.3 of which: pertaining to Other companies

(thousands of euro) Type of transactions/Values	Allocations	Reversal of excess	2019
Net provisions for legal and fiscal disputes	(14,871)	13,900	(971)
Net provisions for sundry expenses for personnel	(2,042)	2,577	535
Net sundry provisions	(107,317)	40,394	(66,923)
Total	**(124,230)**	**56,871**	**(67,359)**

Section 14 - Net adjustments to/recoveries on property, plant and equipment - Item 210

14.1 Net adjustments to property, plant and equipment: breakdown

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Property, plant and equipment				
1. Operating	(1,559,470)	(37,585)	83	(1,596,972)
- Owned	(1,504,401)	(36,679)	83	(1,540,997)
- Right of use acquired under leases	(55,069)	(906)		(55,975)
2. Investment	(4,022)	(2,719)	15,445	8,704
- Owned	(2,858)	(2,719)	15,445	9,868
- Right of use acquired under leases	(1,164)			(1,164)
3. Inventories	X	(39,744)	196	(39,548)
Total	**(1,563,492)**	**(80,048)**	**15,724**	**(1,627,816)**

14.1 of which: pertaining to the Prudential consolidation

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Property, plant and equipment				
1. Operating	(5,340)			(5,340)
- Owned	(3,993)			(3,993)
- Right of use acquired under leases	(1,347)			(1,347)
2. Investment	(4,022)			(4,022)
- Owned	(2,858)			(2,858)
- Right of use acquired under leases	(1,164)			(1,164)
3. Inventories	X			
Total	**(9,362)**			**(9,362)**

14.1 of which: pertaining to Insurance companies

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Property, plant and equipment				
1. Operating	(4,066)			(4,066)
- Owned	(1,872)			(1,872)
- Right of use acquired under leases	(2,194)			(2,194)
2. Investment				
- Owned				
- Right of use acquired under leases				
3. Inventories	X			
Total	**(4,066)**			**(4,066)**

14.1 of which: pertaining to Other companies

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Property, plant and equipment				
1. Operating	(1,550,064)	(37,585)	83	(1,587,566)
- Owned	(1,498,536)	(36,679)	83	(1,535,132)
- Right of use acquired under leases	(51,528)	(906)		(52,434)
2. Investment		(2,719)	15,445	12,726
- Owned		(2,719)	15,445	12,726
- Right of use acquired under leases				
3. Inventories	X	(39,744)	196	(39,548)
Total	**(1,550,064)**	**(80,048)**	**15,724**	**(1,614,388)**

Section 15 - Net adjustments to/recoveries on intangible assets - Item 220

15.1 Net adjustments on intangible assets: breakdown

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned	(615,581)	(2,387)		(617,968)
- Internally generated by the company	(53,278)	(380)		(53,658)
- Other	(562,303)	(2,007)		(564,310)
A.2 Right of use acquired under leases				
Total	**(615,581)**	**(2,387)**		**(617,968)**

15.1 of which: pertaining to the Prudential consolidation

(thousands of euro) Assets/P&L items	Amortisation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned:	(6,503)			(6,503)
- internally generated by the company				
- other	(6,503)			(6,503)
A.2 Acquired under finance leases				
Total	**(6,503)**			**(6,503)**

15.1 of which: pertaining to Insurance companies

(thousands of euro) Assets/P&L items	Amortisation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned:	(2,164)			(2,164)
- internally generated by the company	(668)			(668)
- other	(1,496)			(1,496)
A.2 Acquired under finance leases				
Total	**(2,164)**			**(2,164)**

15.1 of which: pertaining to Other companies

(thousands of euro) Assets/P&L items	Amortisation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Intangible assets				
A.1 Owned:	(606,914)	(2,387)		(609,301)
- internally generated by the company	(52,610)	(380)		(52,990)
- other	(554,304)	(2,007)		(556,311)
A.2 Acquired under finance leases				
Total	**(606,914)**	**(2,387)**		**(609,301)**

Section 16 - Other operating income (costs) - Item 230

16.1 Other operating costs: breakdown

(thousands of euro) Type of costs/Figures	Prudential consolidation	Insurance companies	Other entities	2019	2018
Depreciation of leasehold improvements	268		1,027	1,295	1,142
Other	3,989	1,154	112,198	117,341	102,619
Total	**4,257**	**1,154**	**113,225**	**118,636**	**103,761**

16.2 Other operating income: breakdown

(thousands of euro) Type of costs/Figures	Prudential consolidation	Insurance companies	Other entities	2019	2018
Income for company engagements to employees	568		259	827	934
Recovery of expenses	398	21	11,243	11,662	31,546
Rental income and other income from property management	7,012	573	17,442	25,027	21,932
Revenues from industrial management			12,624,892	12,624,892	11,811,907
Other	3,642	3,030	130,406	137,078	156,987
Total	**11,620**	**3,624**	**12,784,242**	**12,799,486**	**12,023,306**

Other operating income amounts to 12,799 million euro (12,023 million euro in 2018) and consists almost entirely of revenues from the industrial operations of:

- Fincantieri, in the amount of 5,767 million euro;
- Snam, in the amount of 2,657 million euro;
- Terna, in the amount of 2,329 million euro;
- Italgas, in the amount of 1,872 million euro.

Section 17 - Gains (losses) on equity investments - Item 250

17.1 Gains (losses) on equity investments: breakdown

(thousands of euro) P&L components/Sectors	2019	2018
1. Joint ventures		
A. Income	**481,047**	**166,177**
1. Writebacks	239,366	159,836
2. Gains on disposal		3,695
3. Writebacks	460	2,646
4. Other	241,221	
B. Expenses	**(305,915)**	**(362,153)**
1. Impairment	(219,340)	(361,552)
2. Writedowns for impairment	75	(581)
3. Losses on disposal		
4. Other	(86,650)	(20)
Net result	**175,132**	**(195,976)**
2. Enterprises subject to significant influence		
A. Income	**443,126**	**1,326,761**
1. Writebacks	442,027	1,324,547
2. Gains on disposal	1,099	
3. Writebacks		1,108
4. Other		1,106
B. Expenses	**(187,768)**	**(22,531)**
1. Impairment	(177,201)	(13,975)
2. Writedowns for impairment	(9,205)	(8,556)
3. Losses on disposal	(8)	
4. Other	(1,354)	
Net gain (loss)	**255,358**	**1,304,230**
Total	**430,490**	**1,108,254**

Considering the main dynamics described below, it is necessary to bear in mind that the item includes the valuation with the equity method:

- of the SIA group, the Ansaldo Energia Group, Fondo Italiano di Investimento SGR, FSIA Investimenti relating to the entire year since the control was ascertained to start from 31 December 2019;
- of Toscana Energia and Quadrifoglio Modena until 30 September 2019;
- of Alfiere until 30 June 2019.

Net gains on equity investments, of approximately 430 million euro, comprise the results of the measurement at equity of investments subject to significant influence or joint operations and are mainly due to:

- the positive effect of the measurement at equity of the investment in Poste Italiane (385 million euro), of the equity investments of the Snam group (161 million euro, of which 74 million euro relating to TAG, 44 million euro to Terega Holding (formerly TIGF Holding) and 33 million euro to Senfluga Energy Infrastructure Holdings), of the equity investment in Toscana Energia (18 million euro), of the equity investment in Saipem (2 million euro, negative for 60 million euro in 2018), of the equity investment in FSIA Investimenti (87 million euro) and the effect of restatement at fair value of the equity investment by the latter in SIA (241 million euro);
- the negative effect of the measurement at equity of Eni (162 million euro), Ansaldo Energia (243 million euro of which 87 million euro due to the effect of restatement at the fair value of the equity investment after ascertaining the control), and Open-Fiber (58 million euro).

Section 18 - Gains (losses) on property, plant and equipment and intangible assets measured at fair value - Item 260

This item has a nil balance.

Section 19 - Goodwill impairment - Item 270

19.1 Goodwill impairment: breakdown

This item has a nil balance for 2019 and 2018.

Section 20 - Gains (losses) on disposal of investments - Item 280

20.1 Gains (losses) on disposal of investments: breakdown

(thousands of euro) P&L components/Figures	2019	2018
A. Land and buildings	**11,023**	**5,492**
- Gains on disposal	11,103	8,011
- Losses on disposal	(80)	(2,519)
B. Other assets	**4,323**	**13,275**
- Gains on disposal	9,701	16,910
- Losses on disposal	(5,378)	(3,635)
Net gain (loss)	**15,346**	**18,767**

This item shows gains of 15.3 million euro and consists of gains on the disposal of investment property and other assets.

Section 21 - Income tax for the year on continuing operations - Item 300

21.1 Income tax for the year on continuing operations: breakdown

(thousands of euro) P&L components/Figures		2019	2018
1.	Current taxes (-)	(1,681,495)	(1,644,685)
2.	Change in current taxes from previous years (+/-)	30,757	18,455
3.	Reduction of current taxes for the year (+)		3,290
3.*bis*	Reduction of current income taxes for the year due to tax credits pursuant to Law 214/2011 (+)		
4.	Change in deferred tax assets (+/-)	(9,266)	(2,088)
5.	Change in deferred tax liabilities (+/-)	94,528	165,616
6.	**Taxes for the year (-) (-1+/-2+3+3 *bis* +/-4+/-5)**	**(1,565,476)**	**(1,459,412)**

21.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euro)	2019	Tax rate
Income (loss) before taxes	**5,004,383**	
IRES theoretical tax liability (rate 27.5%)	**(1,376,205)**	**-27.50%**
Increases in taxes		
- non-deductible interest expense	(7,069)	-0.14%
- writedowns of equity investments	(7,030)	-0.14%
- other non-deductible costs	(9,857)	-0.20%
- adjustments on receivables	(17,842)	-0.36%
- non-deductible temporary differences	(144,912)	-2.90%
- non-deductible permanent differences	(19,693)	-0.39%
- additional IRES (“Robin Hood Tax”)	(8,286)	-0.17%
- other changes	(44,303)	-0.89%
Decreases in taxes		
- ACE benefit	19,725	0.39%
- exchange rate differences	8,020	0.16%
- non-taxable income	13,313	0.27%
- use of accruals	49,370	0.99%
- technical reserves	2,880	0.06%
- other changes	182,650	3.65%
IRES actual tax liability	**(1,359,239)**	**-27.17%**

(thousands of euro)	2019	Tax rate
IRAP tax amount	**7,046,283**	
IRAP Theoretical tax liability (5.57% rate)	**(392,478)**	**-5.57%**
Increases in taxes		
- non-deductible interest 4%	(1,550)	-0.02%
- other non-deductible costs	(9,800)	-0.14%
- different regional rates	(5,095)	-0.07%
Decreases in taxes		
- costs deductible in previous years	29	0.00%
- deductible costs for staff costs	42,828	0.61%
- different regional rates	14,402	0.20%
- other decreases	29,408	0.42%
IRAP actual tax liability	**(322,256)**	**-4.57%**

Section 22 - Income (loss) after tax on discontinued operations - Item 320

22.1 Income (loss) after tax on discontinued operations: breakdown

The item is negative by 28 million euro and refers to the assets disposed of by Fincantieri and Snam.

22.2 Breakdown of income taxes on discontinued operations

This item has a nil balance for 2018 and 2019.

Section 23 - Net income (loss) for the year pertaining to non-controlling interests - Item 340

23.1 Breakdown of item 340 "Net income (loss) for the year pertaining to non-controlling interests"

Net income pertaining to non-controlling interests amounts to 1,626.5 million euro.

(thousands of euro) Company name	2019	2018
Equity investments in consolidated companies with significant third party interests		
1. Terna S.p.A.	575,488	562,404
2. Snam S.p.A.	758,336	669,364
3. Italgas S.p.A.	252,393	207,900
Other equity investments	**40,284**	**2,936**
Total	**1,626,501**	**1,442,604**

Section 24 - Other information

There is no additional information to report.

Section 25 - Earnings per share

The necessary conditions for the disclosure required by IAS 33 are not met.

Part D - Consolidated comprehensive income

Analytical statement of comprehensive income

(thousands of euro) Items		2019	2018
10.	**Net income (loss) for the year**	**3,410,702**	**4,333,455**
	Other comprehensive income not transferred to income statement	**(82)**	**(259,450)**
20.	Equity securities at fair value through other comprehensive income:	65,602	(268,100)
	a) fair value changes	70,187	(268,100)
	b) transfer to other equity items	(4,585)	
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating):		
	a) fair value changes		
	b) transfer to other equity items		
40.	Hedges on equity securities designated at fair value through other comprehensive income:		
	a) fair value change (hedged instrument)		
	b) fair value change (hedging instrument)		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit	(9,615)	7,328
80.	Non-current assets held for sale		
90.	Share of valuation reserves of equity investments accounted for using equity method	(58,905)	3,939
100.	Income tax relating to other comprehensive income not transferred to income statement	2,836	(2,617)
	Other comprehensive income transferred to income statement	**545,214**	**(509,688)**
110.	Hedging of foreign investments:		
	a) fair value changes		
	b) transfer to income statement		
	c) other changes		
120.	Exchange rate differences:	18,310	5,672
	a) changes in value	18,907	(3,146)
	b) transfer to income statement		
	c) other changes	(597)	8,818
130.	Cash flow hedges:	(238,250)	(204,412)
	a) fair value changes	(99,024)	(133,309)
	b) transfer to income statement	(572)	
	c) other changes	(138,654)	(71,103)
	- *of which: result of net positions*		
140.	Hedging instruments (non-designated items):		
	a) changes in value		
	b) transfer to income statement		
	c) other changes		
150.	Financial assets (other than equity securities) at fair value through other comprehensive income:	437,981	(316,717)
	a) fair value changes	543,844	(306,046)
	b) transfer to income statement	(106,777)	(12,115)
	- impairment adjustments	4,090	
	- gains (losses) on disposal	(110,867)	(12,115)
	c) other changes	914	1,444
160.	Non-current assets and disposal groups held for sale:		
	a) changes in value		
	b) transfer to income statement		
	c) other changes		
170.	Share of valuation reserves of equity investments accounted for using equity method:	410,985	(153,196)
	a) fair value changes	410,985	(153,196)
	b) transfer to income statement		
	- impairment adjustments		
	- gains (losses) on disposal		
	c) other changes		
180.	Income tax relating to other comprehensive income transferred to income statement	(83,812)	158,965
190.	**Total other comprehensive income**	**545,132**	**(769,138)**
200.	**Comprehensive income (items 10+190)**	**3,955,834**	**3,564,317**
210.	Consolidated comprehensive income pertaining to non-controlling interests	1,492,694	1,376,237
220.	**Consolidated comprehensive income pertaining to shareholders of the parent company**	**2,463,140**	**2,188,080**

Part E - Information on risks and related hedging policies

To ensure an efficient risk management system, the Parent Company and the companies belonging to the prudential consolidation perimeter have set-up rules, procedures, resources (human, technological, and organisational), and control activities to identify, measure or evaluate, monitor, prevent or mitigate, and communicate to the appropriate reporting structures all the risks - assumed or that could be assumed - in the different segments.

Risk management considers the specific characteristics of the activity performed by each entity of the group, and is implemented in compliance with the requirements established by the laws and regulations applicable to each company.

Within the organisational structure of the Parent Company, the Chief Risk Officer (CRO), who reports directly to the Chief Executive Officer (CEO), is responsible for the governance of all types of risk and for the clear presentation of the overall risk profile and solidity of CDP to the Board of Directors. As part of this mandate, the CRO coordinates the activities of the Risk Management (RM), Risk Governance, Compliance and Anti-Money Laundering, and Risk Operations Functions. RM is responsible for supporting the CRO with the management and monitoring of all types of risks, providing a clear view of the overall risk profile of CDP and of the capital requirements associated with each category of risk.

These types of risk are defined by the Risk Policy approved by the Board of Directors in 2010 and subsequently updated as necessary. They can be classified in market risks (which include equity risk, interest rate risk, inflation risk, and exchange rate risk), liquidity risks, credit risks (which include concentration and counterparty risks), operational risks, and reputation risks. The Risk Policy is updated semi-annually and is made up by a main document (the Risk Policy itself) and its related annexes, each of which focuses on a specific category of risks (e.g. interest rate risk) or area exposed to those risks (e.g. treasury operations and investment in securities). The Risk Policy is the key tool used by the Board of Directors to define the risk appetite of CDP, the tolerance thresholds, risk limits, risk management policies, and the framework of the corresponding organisational processes.

The guidelines for the risk management of the Parent Company are expressed in the Risk Policy and envisage:
- the separation of roles and responsibilities in the assumption and control of risks;
- the organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

In 2019, the structure was updated of the statutory, board and management committees, both at company and Group level. This included the committees responsible for risk, which were allocated their respective different responsibilities, in compliance with the principles adopted.

The Board of Directors' Risk Committee has control and guidance functions with respect to risk management and the assessment of the adoption of new products. Two technical and advisory committees, the Governance Risk Committee and the Evaluation Risk Committee, act as a support to management and the decision-making bodies. The Governance Risk Committee is responsible for (i) aspects relating to defining and controlling CDP's overall risk profile, (ii) compliance of new products with that risk profile and (iii) relevant aspects for the management of liquidity contingency situations. The Governance Risk Committee is responsible for (i) assessing transactions and activities, also in respect of concentration, economic and financial sustainability and risk, (ii) assessing proposals to manage specific non-performing loans and credit disputes, (iii) assessing proposals for impairment of loans or equity investments and (iv) periodically reviewing the risk profile of counterparties in the portfolio.

RM verifies compliance with the limits set by the Board of Directors and the operating limits established by the Chief Executive Officer, recommending corrective measures to the Governance Risk Committee or the Evaluation Risk Committee, according to their responsibilities, that might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and participating in capital management activities.

Within the companies pertaining to the prudential consolidation perimeter, the bodies participating in the risk and control management systems consist, in addition to top management, of second-level control functions (Risk Management, Compliance, Anti-Money Laundering) and third-level control functions (Internal Auditing).

Section 1 - The risks of accounting consolidation

Quantitative disclosures

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, changes and economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

(thousands of euro) Portfolios/quality	Bad debts	Unlikely to pay	Non-performing past-due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	75,197	199,831	36,775	212,201	343,681,242	344,205,246
2. Financial assets measured at fair value through other comprehensive in-come					11,411,701	11,411,701
3. Financial assets designated at fair value						
4. Financial assets mandatorily measured at fair value	18,499		262,913	3,807	1,076,778	1,361,997
5. Financial assets held for sale					324,338	324,338
Total 31/12/2019	**93,696**	**199,831**	**299,688**	**216,008**	**356,494,059**	**357,303,282**
Total 31/12/2018	**91,870**	**203,361**	**654,621**	**143,629**	**341,696,306**	**342,789,787**

The following table shows the breakdown of credit exposures for on-balance sheet forborne credit exposures (non-performing and performing loans).

Forborne credit exposures: breakdown by portfolio and credit quality

(thousands of euro) Type of exposition/value	Gross exposure	Accumulated impairment	Net exposure at 31/12/2019	Net exposure at 31/12/2018
Forborne loans to customers:				
Bad debts	22	(13)	9	
Unlikely to pay	92,023	(44,321)	47,702	47,476
Non-performing past-due exposures				38
Performing past-due exposures				54
Other performing exposures	530,600	(114,479)	416,121	436,538
Total forborne exposures at 31/12/2019	**622,645**	**(158,813)**	**463,832**	**X**
Total forborne exposures at 31/12/2018	**844,479**	**(360,373)**	**X**	**484,106**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

	Non-performing assets				Performing assets			
(thousands of euro) Portfolios/quality	Gross exposure	Specific adjustments	Net exposure	Accumulated partial write-offs (*)	Gross exposure	Portfolio adjustments	Net exposure	Total (net exposure)
1. Financial assets measured at amortised cost	569,633	(257,830)	311,803	364	344,705,878	(812,435)	343,893,443	344,205,246
2. Financial assets measured at fair value through other comprehensive income					11,426,589	(14,888)	11,411,701	11,411,701
3. Financial assets designated at fair value					X	X		
4. Financial assets mandatorily measured at fair value	328,486	(47,074)	281,412		X	X	1,080,585	1,361,997
5. Financial assets held for sale					324,338		324,338	324,338
Total 31/12/2019	**898,119**	**(304,904)**	**593,215**	**364**	**356,456,805**	**(827,323)**	**356,710,067**	**357,303,282**
Total 31/12/2018	**1,218,901**	**(269,049)**	**949,852**		**341,379,890**	**(896,175)**	**341,839,935**	**342,789,787**

(*) Value to be shown for information purposes.

(thousands of euro) Portfolios/Quality	Assets with markedly poor credit quality		Other assets
	Accumulated loss	Net exposure	Net exposure
1. Financial assets held for trading			1,473,000
2. Hedging derivatives			431,066
Total 31/12/2019			**1,904,066**
Total 31/12/2018			**1,108,715**

B. Disclosure of structured entities (other than securitisation companies)

Not present at 31 December 2019.

Section 2 - The Risks of the prudential consolidation

In compliance with the national and EU legislative framework, the CDP Group is not subject to prudential supervision on a consolidated basis. In this section, where reference is made to the scope of "prudential consolidation", the Parent Company CDP S.p.A. and the following companies, subject to supervision on an individual basis, are deemed to be included:
- CDP Investimenti SGR;
- SACE Fct;
- Fondo Italiano di Investimento SGR.

In contrast, the subsidiary SIApay S.r.l. has not been included the scope of the "prudential consolidation", due to the small significance of its operations with respect to those of the entities listed above. However, the risks connected with the operations carried out by SIApay are included in Section 4, The risks of other entities, in the paragraph on the SIA Group.

Article 5 of Decree Law no. 269 of 30 September 2003, relating to the transformation of CDP into a joint-stock company, specifies that one must apply to CDP the provisions of Title V of Legislative Decree no. 385 of 1 September 1993 provided for intermediaries registered in the list referred to in Article 106 of the same legislative decree, "taking into account the characteristics of the supervised entity and the special regulations applicable to the separate account […]". The transformation decree, therefore, provides for a specific set of supervisory regulations for CDP, since the provisions relating to non-banking financial intermediaries cannot be directly applicable to it.

On this point, it should be noted that since 2004 the Bank of Italy has been exercising mainly "informational" supervision over CDP, conducted by using management data based on sectorial legislation, geared to acquiring aspects of knowledge and assessment on the business and organisation of CDP.

It should also be noted that:
- CDP is classified in the harmonised statistics of the European System of Central Banks as "other monetary financial institution" (MFI), falling into the category of credit institutions and, as such, it is subject to the Eurosystem's minimum reserve requirement; and
- CDP is one of the counterparties admitted to the Eurosystem monetary policy operations and, as such, sends the Bank of Italy quarterly management figures on capital adequacy.

1.1 Credit risk

Qualitative disclosures

1. General aspects

Credit risk arises primarily in relation to the lending activity — both under the Separate Account and the Ordinary Account — and, on a secondary level, to hedging operations involving derivatives and treasury activities (in the form of counterparty risk).

The Separate Account, which easily has the largest stock of assets, primarily features exposures to the Italian Government and Local Authorities. CDP is also authorised to grant cash advances to local authorities, within the scope of the treasury service provided by Poste Italiane. This activity is aimed at municipalities with up to 5,000 inhabitants and its risk profile is in line with the traditional form of financing operations.

Over the last several years, an increasingly important role is being played by exposures under the Separate Account to the main banking groups operating in Italy, through which CDP channels various types of financing, in particular loans to SMEs and in support of the residential real estate market.

Although still accounting for a minority share, exposures under the Separate Account to private-sector parties involved in public interest projects promoted by public entities are also significant. Other exposures include those in respect of the Revolving Fund for Enterprises (FRI — Fondo Rotativo per le Imprese), which at present are essentially not exposed to credit risk (as they are secured by a guarantee of last resort by the State), and those assumed under International Financing and Export Bank operations. The Separate Account may also finance energy efficiency improvement projects and loans granted to support International Cooperation activities, which were initiated in 2019 as regards the use of own funds.

Under the Ordinary Account, CDP grants corporate and project financing drawing on non-government-backed funding, in competition with banks. Loans from the Ordinary Account are mainly aimed at the provision of public services and at investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and green economy.

In 2019, CDP continued to develop interventions on platforms covered by the investments plan of the European Fund for Strategic Investments (the so-called Juncker Plan), while maintaining alignment with CDP's typical risk profile.

SACE Fct is exposed to credit risk in connection with its factoring activity. This is a type of financing whereby a company sells, pursuant to the rules dictated by Law 52 of 1991 or the Italian Civil Code, the trade receivables that accrue from the operation of its own activity vis-à-vis all or certain of its customers (debtors) to a company specialising in this field (factor).

The factoring agreement may perform different functions, for which the factor provides different services, such as (i) management, where the factor performs certain activities on behalf of the transferor; (ii) financing, when the factor pays a price for the sold receivables; (iii) guarantee, when the transfer is made without recourse and the factor assumes the risk of default by the transferred debtor. These activities expose the factor to credit risk in different and gradually increasing ways. The risk is mitigated through the introduction of specific contractual clauses. Another type of activity is the final purchase of the receivable. In this case, the risks/benefits deriving from the receivable are transferred by the transferor to the Company pursuant to IFRS 9 ("recognition").

CDP Investimenti SGR is exposed to credit risk in the sense of counterparty risk, in connection with the fees received as fund manager. The exposure exists with regard to managed funds and, indirectly, their subscribers, who might be unable to comply with subscriptions (i.e. fully/partially unable to deposit funds for the subscribed investments). In this respect, it shall be noticed that the funds currently managed are mainly subscribed by the Parent Company.

For Fondo Italiano d'Investimento SGR S.p.A., the exposure to credit risk is also understood to be the exposure to counterparty risk in relation to the management fees received by the managed funds. However, this exposure is limited both due to the diversification of the funds and the investors and to their credit standing, in addition to the fact that the assets of the managed funds are mainly subscribed by the Parent Company.

2. Credit risk management policies

2.1 Organisational aspects

The principles followed by CDP in its lending activities are set out in the Credit Risk Policy, which also governs the lending process and the roles of the units involved.

Risk Operations assesses the proposals formulated by the CDP business units, as well as the most significant transactions submitted for a governance opinion by the subsidiaries; it is also responsible for issuing internal ratings and estimating the Loss Given Default. These parameters are used for management and accounting purposes and are determined in accordance with the Risk Policy and the Rating and Recovery Rate Policy. This latter document, approved by the CEO, provides the details on the methods adopted by CDP for the assignment of internal ratings to counterparties and in producing internal estimates of the recovery rate for individual financing transactions. Risk Operations is also responsible for the periodic review of the loan portfolio, as regards the evolution of the counterparty's financial situation and developments in their specific industry.

Risk Governance contributes towards the definition of risk policy guidelines for implementation both at CDP and at Group level and manages and monitors problem loans, as well as the analysis of counterparties for the purpose of management or regulatory classification.

Risk Management is responsible for the methods used to determine the risk-adjusted pricing, monitoring the risk-adjusted return, and the measured portfolio concentration. In addition, Risk Management regularly monitors the overall evolution of the loan portfolio risk, also to identify corrective measures designed to optimise the risk/return profile.

The credit risk responsibilities of Risk Management include:

- carrying out second-level controls to ensure that performance is monitored correctly, that the classifications of the individual exposures are consistent, that provisioning is adequate and that the recovery process is appropriate;
- preparing opinions on specific loan transactions, in the specific cases detailed in the policies in effect from time to time;
- defining, selecting and implementing the models, methods, and instruments of the internal rating system.

With regard to non-performing counterparties, Risk Operations reviews any proposals made for restructuring — where necessary with the support of other structures for more complex cases — while Risk Management performs a second-level control. Contractual amendment requests for performing loans ("waivers") are managed instead by Transactions Management.

In 2019, the structure was updated of the statutory, board and management committees, both at company and Group level. This included the committees responsible for risk, which were allocated their respective different responsibilities.

More specifically, the Evaluation Risk Committee is a technical and advisory body supporting the decision-making bodies. One of its duties is to give mandatory, non-binding opinions on financing transactions, both in regard to creditworthiness and the adequacy of the applied contractual terms and conditions. The Evaluation Risk Committee, whose structure varies according to the type and significance of the transactions, consists of the Chief Risk Officer and the heads of the structures reporting directly to him, the Chief Financial Officer, the Deputy General Manager and Chief Legal Officer, the Head of the relevant Business Department, or the persons appointed by them.

To monitor the risks at group level, a specific governance process is foreseen for the most significant transactions in terms of risk. In these cases, a non-binding opinion must be obtained from the Parent Company, which is prepared by the Group Evaluation Risk Committee. In particular, there has been a further implementation of the governance and coordination guidelines at a Group level by the Risk Governance function, whereas the Group Evaluation Risk Committee has provided its opinions on the Group's risk monitoring and assessment systems, and on risk policies and Group transactions with a significant impact.

The management of credit risk connected with the factoring activities carried out by SACE Fct is governed by internal corporate regulations. These apply from the initiation of contact and preliminary assessment of the counterparty, to possible management of credit collection.

The factoring process is broken down into the following phases: (i) an investigation aimed at preparing an initial assessment of the counterparty; (ii) a decision based on the thresholds and delegations of authority deriving from assessment of its creditworthiness; (iii) execution of the agreement; (iv) revision of the expiring credit facilities, with a new review and decision-making process; (v) operating management and management of anomalous loans, which calls for the determination of the relevant value adjustments, the commencement of judicial or extra-judicial proceedings for credit recovery or, if it is decided not to pursue legal action, the preparation of an irrecoverable credit report.

2.2 Management, measurement and control systems

The companies within the prudential consolidation scope adopt procedures for the credit risk management and measurement aimed at assessing the quality of credit assets. This is done both when the loan is first granted/approved and through the lifetime of the loan, by monitoring the performance of portfolio positions.

With regard to the credit risk management and control policies of the Separate Account, CDP has adopted a system for approving loans to local entities. This system is used to classify each loan in homogeneous risk categories, by adequately defining the risk level associated with the individual entities, with the aid of quantitative parameters that are differentiated by type and size of entity.

This loan approval system uses qualitative and quantitative criteria to identify the cases where the debtor's creditworthiness requires further analysis.

For the Ordinary Account and loans to private-sector parties under the Separate Account portfolio, with the exclusion of the liquidity funds in support of the economy via the banking system, CDP uses a validated proprietary model to calculate portfolio credit risk. CDP also uses this system to calculate the economic capital associated with the entire loan portfolio, with the sole exception of exposures, direct or indirect, to the State.

Risk Management monitors compliance with the system of limits and the guidelines for composition of the loan portfolio, which are an integral part of the Risk Policy. The limits are set according to the credit rating of each counterparty, and become stricter as the rating and recovery rate decrease, according to proportions in line with the economic capital.

Risk Management also carries out stress tests on the level of risk in the loan portfolio, based on assumptions of generalised deterioration in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increased correlation parameters.

Risk Management regularly monitors the net current and potential future exposure to banks in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. Risk Management checks compliance with the minimum rating limits of the counterparty and the limits associated with the maximum notional amount and maximum exposure value, by counterparty or group of related counterparties, as stipulated in the CDP Risk Policy. Similarly, Risk Management ensures the monitoring of exposures to counterparties in treasury activities, checking compliance with the limits and criteria set out in the Risk Policy.

The methods adopted for the assignment of internal ratings aim to ensure compliance with an adequate level of transparency and consistency, including auditability of the process of evaluation.

In the internal rating assignment process, CDP uses specific benchmark tools, developed by specialised providers, chosen on the basis of the principal classes of CDP counterparties, based on their size, legal form, and sector of activity.

In line with agency rating practice, the scale of ratings adopted by CDP is broken down into 21 classes, of which 10 are for "investment grade" positions and 11 for "speculative grade". A class is also used for counterparties in default. Given the limited number of historical defaults in the CDP portfolio, also considering the type of borrowers, probabilities of default are calibrated on the basis of long-term default rates (through the cycle) calculated using databases acquired from a specialised provider.

From 2018, as part of the implementation of IFRS 9, the CDP Group has adopted a methodology to derive point-in-time probabilities of default.

Default is defined in accordance with the supervisory regulations for banks issued by the Bank of Italy.

The internal estimates of Loss Given Default take into account the different types of guarantees, as well as recovery times, and are differentiated by category of customer.

The rating system is used in the loan approval process (for private individuals also in the setting of risk-adjusted prices), to monitor loan performance, to calculate provisions, within the limits framework and to measure the consumption of economic capital. The risk assessment assigned to the counterparty is updated at least annually. However, it is reviewed at any time during the year whenever events occur or information is acquired that significantly affect the credit rating.

In accordance with its own operations, SACE Fct has developed an internal scoring model for the assessment of public counterparties and, more specifically, of municipalities and provincial authorities. In that area, the Company complements the qualitative rating given by the AIDA PA rating tool with other indicators, representing the creditworthiness of the public counterparties. The internally determined score is compared with the appropriate thresholds. Scores higher than those thresholds qualify the analysed counterparty for a positive rating.

In its operations, SACE Fct uses an Early Warning System (EWS), which analyses the portfolio positions which are not in a state of default or probable default (i.e. performing and past due) in order to identify the signs of anomalies they show that might anticipate payment behaviours not in line with expectations which, if not properly monitored and managed, could lead to the position moving to a default condition. The EWS is based on the calculation of the statistically sustainable, overview monitoring indicator, which is capable of predicting the development of a worsening risk of the position.

2.3 Measurement methods of expected credit losses

From 1 January 2018, the new International Financial Reporting Standard 9 (IFRS 9, or the "Standard"), issued by the International Accounting Standards Board (IASB) on 24 July 2014 and endorsed by the European Commission through EU Regulation 2016/2067, has replaced IAS 39, and governs the classification and measurement of financial instruments.

The Standard has introduced numerous new aspects regarding scope, loan bucketing, a holding period for estimating expected credit loss, and in general certain characteristics of the basic components of credit risk: Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The main changes, introduced from 2018, concern the presence of a single impairment model, to be applied to all financial assets not measured at fair value through profit or loss, based on the concept of expected credit loss, compared with the previous concept of incurred loss. The aim of this new approach to impairment is to ensure more prompt recognition of losses compared to the previous IAS 39-compliant model, in which the losses are recognised if objective evidence is found of impairment losses after initial recognition of the asset. Conversely, the model envisages that the financial assets are allocated in three distinct "stages" (Stage Allocation):

- stage 1: this stage refers to performing financial assets for which no significant credit impairment was recognised in comparison with the date of initial recognition. These assets are measured on the basis of the expected loss over a time horizon of up to one year;
- stage 2: this stage involves performing financial assets whose credit quality has deteriorated significantly since initial recognition. These financial assets are measured based on their expected credit loss, calculated over a time horizon corresponding to the residual life of the financial asset;
- stage 3: this stage involves non-performing financial assets: having suffered a significant increase in their credit risk since initial recognition, they are measured accordingly based on the expected credit loss over the residual life of the financial asset.

The Parent Company has defined its policies and methods of Stage Allocation and calculation of expected losses in a way compliant with the Standard and appropriate to the specific characteristics of the CDP Group, while taking into consideration the characteristics of its own, whose main exposures are traditionally towards Public Entities and were originated with more than one decade horizon, and which consequently has recorded an extremely limited number of default events.

Stage Allocation

CDP has long since set up a series of internal processes and models for assessing creditworthiness, focused on the typical multi-year horizon of its business and used in the ex-ante assessment phase, as well as in risk monitoring and risk calculation. The results of these processes and models are summed up in a scale of internal ratings to which a term structure on the probability of default is associated.

The internal rating integrates all the key available information, including information on trends, since the structure of the internal rating system is forward-looking and takes into account the duration of the exposure.

Stage Allocation is, therefore, mainly based on the use of these methods, that are considered appropriate for managing the CDP assets. In particular, the classification in the various stages involves verifying a series of relative and absolute conditions.

The adoption of the new Standard does not lead to changes in the identification of non-performing assets, which are classified within stage 3.

Conversely, with regard to performing assets, it is necessary to define criteria for assigning them to stage 1 or stage 2.

The first element for identifying a significant impairment in creditworthiness is a change in the internal rating attributed to each instrument between the initial date and the measurement date. The adopted method involves defining the staging criteria based on the number of notches that separate the two ratings: the threshold that causes the shift from stage 1 to stage 2 takes account, among other things, of the age of the individual instrument and its rating on the reporting date. The first element allows CDP's expectations regarding changes in PD to be grasped (shifts in ratings over time), while, with regard to the second element, the threshold takes account of the fact that the probabilities of default increase in an uneven manner as the rating worsens (trends of the PD in line with the ratings);

The decision to use ratings as a benchmark was taken due, among other things, to the scarcity of past default events as mentioned above, which is a characteristic of CDP's loan portfolio and does not allow thresholds to be calibrated based on PD.

Additional criteria specified by the Stage Allocation policy are of an absolute and not relative nature: all instruments are classified in stage 2 if they relate to counterparties for which the following conditions apply:

- they belong to specific monitoring classes (known as "watchlists", which highlight the need for particularly careful monitoring, even for exposures that are performing, because of specific levels of risk);
- there are overdue amounts the age and materiality of which provide evidence of a possible deterioration of creditworthiness;
- classification of positions as forborne.

The existence of these elements ensures a gradual approach in classification, so as to reduce the likelihood of an instrument being classified to stage 3 without having been classified to stage 2.

In accordance with the Standard, one notes that when the conditions that led to a position being attributed to stage 2, in line with the Stage Allocation policy, cease to exist, it may return to stage 1 with the consequent reduction in the associated expected loss.

As regards debt securities, it was necessary to develop certain additional considerations because, in contrast with loans, these types of exposures may involve acquisitions subsequent to the first purchase, performed on a case-by-case basis in accordance with the business models identified by CDP. In particular, it is necessary to take account of the time sequence of purchases and sales of the same security, so as to enable differentiated staging, where necessary, between two tranches purchased at different times when the corresponding creditworthiness may have been different.

In the event of tranches of securities classified in stage 2, which require the calculation of the expected losses over the lifetime, the time profile of the EAD would be determined according to the actual redemption schedule of the individual tranches in line with their accounting measurement.

The staging policy developed by the Parent Company does not envisage the use of the "low credit risk exemption" (LCRE) for the portfolio of loans or for the portfolio of debt securities, even though this is an option permitted by IFRS 9. This exemption would involve classifying all positions with "low" credit risk (substantially similar to the "investment grade" threshold, i.e. from the "BBB-" rating upwards) in Stage 1, regardless of any changes in credit rating since origination. CDP has decided not to opt for this exemption, while taking account of the Basel Committee recommendations, even though they are not binding for CDP, which state that banks authorised to use internal models for credit risk should not apply this exception to their loan portfolio. The approach chosen by CDP enables exposures to be treated in a uniform way, regardless of their technical form: in particular, one of the effects deemed undesirable would have been the application of the LCRE to the securities portfolio, which would have led to differences in the classification of loans and securities issued by the same issuer and originated in the same period.

Elements for the calculation of expected loss

The accounting standard specifies that after identifying the appropriate stage for each instrument, one must use, in calculating the expected loss, all reasonable and sustainable information (that is available without excessive costs or effort), which might influence the credit risk of a financial instrument. The available information must include:

- specific attributes of the debtor, and
- general economic conditions and the assessment of current and forecast conditions ("forward-looking information").

With regard to the estimation of expected loss, IFRS 9 requires the adoption of the Point-in-Time (PIT) PDs instead of the Through-the-Cycle (TTC) PDs which CDP routinely uses in measuring risks, also in consideration of the nature of long-term investor which characterises its activity.

Therefore, CDP has developed a method for determining the PIT PDs drawing on the TTC PDs which are estimated using a sample of past external data, with methods that aim to take account of possible future trends.

In order to achieve the aims of the Standard, the TTC PDs are made contingent upon macroeconomic scenarios; a short-term, forward-looking element is, therefore, added to the medium-to-long term forward-looking component already present in the TTC PDs, through the introduction of an appropriate scale factor allowing the maintenance of the current forward-looking system, combined with a greater sensitivity towards the expected short-term trends.

Within its own credit assessment and management methods, CDP has defined certain recovery values (and correspondingly of Loss Given Defaults - LGD) based on expert opinions, adopting a conservative approach aimed at identifying the characteristic features of each position (i.e. existence of collateral or a "security package"), since it is unable to make use of a statistical approach due to the scarcity of events in its own portfolio. In those cases where an explicit value is not already provided for, reference was made to the instructions included in Regulation no. 2013/575/EU (CRR).

The calculation of the expected loss over the time horizon that is consistent with the staging of each instrument is based on the discounting of the expected cash flows according to the probability of default corresponding to the creditworthiness at the reporting date and LGD.

Governance aspects

The methodological framework was developed by the Risk Management Function, in collaboration with the Accounting function. The adoption of key choices on the implementation of the Standard was discussed in the relevant committees (Internal Risk Committee, at managerial level, and the Board Risk Committee) and was approved, in the ultimate instance, by the Board of Directors.

Various organisational and process adjustments were also developed to meet the increased demands for data compared to IAS 39.

2.4 Credit risk mitigation techniques

CDP mitigates the credit risk in respect of lending operations using techniques commonly adopted in the banking industry.

A significant number of the credit exposures of CDP in the Separate Account consist of special-purpose cash loans supported by payment orders ("delegazione di pagamento") or an irrevocable mandate for collection.

Financing under the Ordinary Account and the financing of non-public entities under the Separate Account can be secured by collateral or unsecured guarantees. Specifically, some of the products in support of the economy, which are channelled through the banking system and targeted at SMEs (e.g. the New SME Fund), and in support of the housing market, are secured through the pledge of the underlying loans to CDP and of government bonds in favour of CDP.

The portfolio of transferred receivables provides for mechanisms of alignment with respect to the direct exposures to banks and has an adequate quality level of customers transferred as a guarantee, including in terms of distribution by risk classes according to the system average values. Lastly, with regard to risk concentration, a system of limits has been defined according to the overall exposure of the bank (and any group that it might belong to) in relation to the Equity of CDP and the Regulatory Capital of the bank (or its group).

Aside from the acquisition of guarantees, typically in transactions under the Ordinary Account and in those with non-public entities under the Separate Account, there exists the possibility of including clauses in the loan agreements, obligating the counterparty to satisfy appropriate financial covenants and other typical contractual clauses in similar transactions, that allow CDP to monitor its credit risk more effectively over the life of the transaction.

With reference to loans to private-sector parties, in order to reduce the risk of involvement of criminal organisations, CDP takes part in the financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

The support provided by the sponsors of a deal assumes special importance in project finance transactions, and particularly during the construction phase. This support is realised both in terms of the commitment to provide additional resources, as necessary, and by remaining a shareholder until construction is completed and operations commence.

CDP has a credit quality monitoring system which ensures, through an early warning system, the prompt flagging up of credit events that indicate potential problems (based on information from both internal and external sources), and assigns the counterparty a specific management Watch List class depending on the level of importance of the signals identified. This system also operates on the regulatory statuses, with specific indicators that enable the generation of regulatory classification proposals, in particular as Unlikely To Pay.

Pursuant to the executed ISDA agreements, netting is used in hedge transactions with the bank counterparties of the Company to reduce exposure. All the contracts are based on the 2002 ISDA agreement.

Credit Support Annexes, which involve the periodic exchange of collateral, are also systematically used to strengthen CDP credit risk mitigation.

The arrangement is based on the standard format recommended by the ISDA.

Securities financing transactions utilise GMRAs (Global Master Repurchase Agreement, ISMA 2000 format). In addition, CDP has long since joined the Cassa di Compensazione e Garanzia (Central Clearing House), through which it transacts in repo agreements while benefiting from robust protections against counterparty risk.

As regards factoring, techniques are adopted to mitigate credit risk based on continuous monitoring of positions, assessing early warning signs tied to the payment behaviour of debtors, and the specific characteristics of transactions, such as: (i) notification to the debtor that the loan has been sold; (ii) recognition of the debt that enables the Company to confirm the certainty and collectability of the loans purchased and (iii) certification of the loan by the public debtors.

When deemed appropriate, SACE Fct also assesses the possibility of acquiring collateral and unsecured guarantees to mitigate credit risk. Unsecured guarantees generally consist of bank guarantees given by individuals and companies.

3. Non-performing credit exposures

3.1 Management strategies and policies

During 2019 the trend in gross non-performing credit exposures was substantially steady and in line with expectations. The incidence of the stock of non-performing exposures was confirmed as completely marginal in respect to the overall loan portfolio.

Non-performing financial assets are measured and classified in accordance with the supervisory regulations for banks issued by the Bank of Italy.

The main events monitored in analysing the financial soundness of counterparties and the consequent valuation of the credit exposure in the financial statements regard failure to make payments (or other contractual breaches), declarations of financial crisis by local authorities or the initiation of bankruptcy proceedings for other borrowers, an examination of the most significant financial statements indicators, or an analysis of information from the Central Credit Register.

Non-performing assets are recognised in the financial statements on the basis of discounting expected cash flows over the asset's entire lifetime, calculated using the original effective interest rate of the specific loan. The amount of the adjustments is equal to the difference between the carrying value of the asset and the discounted value of the expected future cash flows.

The estimate of the cash flows and the consequent adjustment of the value of loans receivable considers any collateral or unsecured guarantees received. In particular, it considers the amounts granted but not disbursed on special purpose loans, for which disbursements are made in several instalments according to the work progress reports on the financed project. Borrowers with substantial arrears are disqualified from accessing new CDP financing and any remaining amounts to be disbursed on problem loans are frozen.

In order to estimate future cash flows and related collection times, the loans in question of a significant unit value are subject to an analytical assessment process. For some consistent categories of non-performing loans of non-significant unit value, the assessment processes envisage that value adjustments must be determined with a lump-sum/statistical calculation method, to be analytically attributed to each individual position.

The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery of the credit exposure. In order for these events to be promptly recorded, available information on the financial position and earnings of the debtors is periodically monitored and the progress of any extra-judicial agreements being made and the evolution of any lawsuits with customers are constantly checked, while the information available from the Central Credit Register is verified.

Non-performing assets are classified in order to identify — based on information about the counterparty's financial position, the age of the past-due amounts, the materiality thresholds indicated by supervisory regulations, and any debt restructuring authorised by CDP — the non-performing positions to be reported under bad debts, unlikely to pay, and non-performing past-due exposures.

In the pre-litigation stage, non-performing exposures are monitored and handled by the Risk Governance organisational unit, which coordinates with the other organisational units involved. The recovery of these exposures is aimed at maximising earnings and financial results, by pursuing extra-judicial actions as deemed appropriate. These may include settlement agreements having a positive impact on recovery times and the level of costs incurred.

The restoration of non-performing exposures to performing status is subject to verification that the problem conditions or insolvency have been eliminated.

Both the classification and valuation processes of the individual financial assets are based on a system of delegations of powers to various decision-making bodies, depending on the asset class of the debtor and the amount of the credit exposure.

The consistent placement of an exposure in the appropriate risk class, as mandated by supervisory regulations, is also ensured by the presence of second-level controls, aimed at verifying not only the fairness of the classifications but also the fairness of the accruals.

Finally, non-performing exposures include individual forborne exposures that meet the definition of "Non-performing exposures with forbearance measures" envisaged by the EBA ITS (European Banking Authority Implementing Technical Standards), which do not form a separate category of non-performing assets but constitute a subset thereof. In the same way, performing exposures with forbearance measures are included in performing loans.

3.2 Write-offs

Credit exposures are written off, i.e. derecognised, when there is no longer any reasonable expectation of recovering the financial asset, including in cases of surrender of the asset. The write-off may relate to a financial position in its entirety or part of it, and may even occur before the end of any legal actions that have been brought, without necessarily entailing waiver of the legal right to recover the debt. In such cases, the gross nominal value of the loan remains the same, but the gross carrying amount is reduced by the amount being written off. Any recoveries from collection after derecognition of the asset are recognised in the income statement under recoveries.

In assessing the recoverability of non-performing loans, the following points, in particular, are taken into consideration:
- the age of past due positions, which could make any expectation of recovery substantially inexistent;
- the amount of the loan, in order to assess the cost-effectiveness of any credit recovery measures;
- the value of the guarantees that secure the exposure;
- the negative outcome of any action taken in and out of court.

3.3 Purchased and Originated Credit-Impaired financial assets

"Purchased and Originated Credit-Impaired (POCI) financial assets" are credit exposures that are impaired at the time of initial recognition.

Considering CDP's business operations, these exposures originated exclusively within the scope of restructuring operations for impaired exposures where new funds are disbursed, to a significant extent with respect to the amount of the original exposure.

For the purposes of interest calculation, for POCI exposures the credit-adjusted effective interest rate is used, which, in estimating future cash flows, considers the expected credit losses over the residual maturity of the asset.

These exposures are allocated, for as long as they are impaired, to stage 3, while they are classified in stage 2 if, following an improvement in the counterparty's creditworthiness, the originally impaired assets return to the performing portfolio.

4. Renegotiated financial assets and forborne exposures

Over the maturity of financial assets, and specifically for financial assets measured at amortised cost, it is possible that they are subject to renegotiation of the contract terms.

In that case, one needs to check whether or not the intervening contractual changes give rise to derecognition of the original instrument and the recognition of a new financial instrument.

The analysis required to assess which changes give rise to derecognition rather than modification may sometimes entail significant elements of valuation.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are of a substantial nature. However, in the absence of specific instructions in the IFRS to which one can refer, a list of major changes has been drawn up which lead to a substantial change in the terms of the existing contract, by introducing a different nature of risks and entailing, therefore, derecognition.

The list is as follows:
- change of the counterparty;
- change in the reference currency;
- replacement of debt to equity;
- acceptance in lieu, whose repayment depends on the fair value of an asset;
- other cases of substantial change in the nature of the contract, such as the introduction of contractual clauses that expose the debtor to new risk components;
- changes granted to performing customers, who do not show any economic and financial difficulties (thus not falling into the series of so-called "forborne" exposures) and which involve the use of market parameters for the restatement of the financial conditions of the loan agreement, also with the aim of retaining the customer.

With specific reference to the granting of loans to public entities (which is one of the main activities historically performed by CDP), over the last few years CDP has put several loan renegotiation transactions in place, with the aim of meeting specific needs expressed by the entities, and releasing financial resources that the entities can use for new investments as well.

These renegotiations are carried out according to the principle of financial equivalence and are aimed at entities other than defaulting ones and, for local authorities, entities that are not in financial crisis.

The renegotiation transactions proposed by CDP, executed in compliance with the regulations in force at the time, are particularly relevant in public sector finance, to the point that the transactions carried out in recent years have involved multiple positions and a considerable total amount of renegotiated loans. Therefore, these renegotiations represent “massive renegotiations”.

Their aims, the reference regulatory framework, their scope and the involvement, historically, of multiple renegotiated positions for a considerable total amount represent their qualitative and quantitative characteristics that further emphasise the existence of key elements from which the “substantial” nature emerges of the contractual changes they made to the loans involved, therefore entailing derecognition.

On the other hand, in the event of changes not deemed significant (modification), the gross value is re-determined through the calculation of the current value of the cash flows resulting from the renegotiation, at the original exposure rate.

The difference between the gross value of the financial instrument before and after the renegotiation of contract terms, is recognised through profit or loss as a gain or loss from contractual changes without derecognition.

Quantitative disclosures

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, accumulated impairment, changes and economic distribution

A.1.1 Prudential consolidation - Breakdown of financial assets by past-due bands (carrying amounts)

	Stage 1			Stage 2			Stage 3		
(thousands of euro) Portfolios/risk stages	Up to 30 days	More than 30 days to 90 days	More than 90 days	Up to 30 days	More than 30 days to 90 days	More than 90 days	Up to 30 days	More than 30 days to 90 days	More than 90 days
1. Financial assets measured at amortised cost	171,271	182	6,145	8	2,574	30,922	399	1,169	205,471
2. Financial assets measured at fair value through other comprehensive income									
3. Financial assets held for sale									
Total 31/12/2019	**171,271**	**182**	**6,145**	**8**	**2,574**	**30,922**	**399**	**1,169**	**205,471**
Total 31/12/2018	**34,872**	**1,249**	**60,544**	**15,614**	**4,502**	**20,958**	**976**	**2,555**	**219,615**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: changes in accumulated impairment and provisions

(thousands of euro) Items/risk stages	Accumulated impairment																Total provisions for commitments to disburse funds and financial guarantees issued			Total
	Assets in stage 1					Assets in stage 2					Assets in stage 3									
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	of which: non - performing financial assets acquired or originated	Stage 1	Stage 2	Stage 3	
Opening accumulated impairment and provisions	**213,585**	**9,418**			**222,850**	**657,724**	**1,471**			**658,973**	**212,610**			**206,478**	**461**		**26,282**	**5,430**	**4,848**	**1,131,368**
Increases resulting from financial assets acquired or originated	52,614	5,516			58,130	141,669				141,669	226			226			120,017	1,403		321,445
Derecognitions other than write-offs	(18,108)	(1,736)			(19,844)	(335,591)				(335,591)	(5,693)			(5,689)	(4)		(12,935)	(2,288)	(1,344)	(377,695)
Net adjustments/recoveries for credit risk (+/-)	45,209	(57)			45,201	39,170	367			39,537	5,134			5,533	(399)		4,706	354	425	95,308
Contractual amendments without derecognition											(684)			(684)						(684)
Changes in estimation method																				
Write-offs not recognised directly through profit or loss																				
Other Changes	36				36	(2,945)				(2,945)	(3,304)			(3,304)			(11,169)			(17,382)
Closing accumulated impairment and provisions	**293,336**	**13,141**			**306,373**	**500,027**	**1,838**			**501,643**	**208,289**			**202,560**	**58**		**126,901**	**4,899**	**3,929**	**1,152,360**
Recoveries from collection on financial assets subject to write-off																				
Write-offs recognised directly through profit or loss																				

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: transfers between credit risk stages (gross and nominal values)

(thousands of euro) Items/risk stages	Gross exposure/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	325,093	548,579	16,415	5,485	46,822	9,884
2. Financial assets measured at fair value through other comprehensive income						
3. Financial assets held for sale						
4. Commitments to disburse funds and financial guarantees issued	2	13,678			419	915
Total 31/12/2019	**325,095**	**562,257**	**16,415**	**5,485**	**47,241**	**10,799**
Total 31/12/2018	**1,388,698**	**357,245**	**15,927**	**5,830**	**35,691**	**46,030**

A.1.4 Prudential consolidation - On-balance sheet and off-balance sheet credit exposures to banks: gross and net amounts

(thousands of euro) Type of exposures/values	Gross exposure		Accumulated impairment and provisions	Net exposure	Accumulated partial write-off (*)
	Non-performing	Performing			
A. On-balance sheet credit exposures					
a) Bad debts		X			
- *of which: forborne exposures*		*X*			
b) Unlikely to pay		X			
- *of which: forborne exposures*		*X*			
c) Non-performing past due positions		X			
- *of which: forborne exposures*		*X*			
d) Performing past due positions	X	18		18	
- *of which: forborne exposures*	*X*				
e) Other performing positions	X	28,323,633	(38,625)	28,285,008	
- *of which: forborne exposures*	*X*				
Total (A)		**28,323,651**	**(38,625)**	**28,285,026**	
B. Off-balance sheet credit exposures					
a) Non-performing		X			
b) Others	X	744,270	(1,489)	742,781	
Total (B)		**744,270**	**(1,489)**	**742,781**	
Total (A + B)		**29,067,921**	**(40,114)**	**29,027,807**	

(*) Value to be shown for information purposes.

A.1.5 Prudential consolidation - On-balance sheet and off-balance sheet credit exposures to customers: gross and net amounts

(thousands of euro) Type of exposures/values	Gross exposure		Accumulated impairment and provisions	Net exposure	Accumulated partial write-off (*)
	Non-performing	Performing			
A. On-balance sheet credit exposures					
a) Bad debts	148,007	X	(82,323)	65,684	364
- *of which: forborne exposures*	*22*	*X*	*(13)*	*9*	
b) Unlikely to pay	319,793	X	(119,962)	199,831	
- *of which: forborne exposures*	*92,023*	*X*	*(44,321)*	*47,702*	
c) Non-performing past due positions	34,327	X	(6,005)	28,322	
- *of which: forborne exposures*		*X*			
d) Performing past due positions	X	212,180	(1,096)	211,084	
- *of which: forborne exposures*	*X*	*2,104*		*2,104*	
e) Other performing positions	X	321,154,732	(768,632)	320,386,100	
- *of which: forborne exposures*	*X*	*530,600*	*(114,479)*	*416,121*	
Total (A)	**502,127**	**321,366,912**	**(978,018)**	**320,891,021**	**364**
B. Off-balance sheet credit exposures					
a) Non-performing	13,829	X	(3,848)	9,981	
b) Others	X	31,505,140	(211,999)	31,293,141	
Total (B)	**13,829**	**31,505,140**	**(215,847)**	**31,303,122**	
Total (A + B)	**515,956**	**352,872,052**	**(1,193,865)**	**352,194,143**	**364**

(*) Value to be shown for information purposes.

A.1.6 Prudential consolidation - On-balance sheet exposures to banks: changes in gross non-performing positions

There are no non-performing credit exposures to banks.

A.1.6-*bis* Prudential consolidation - On-balance sheet exposures to banks: changes in gross forborne exposures by credit quality

There are no forborne credit exposures to banks.

A.1.7 Prudential consolidation - On-balance sheet exposures to customers: changes in gross non-performing positions

(thousands of euro) Items/Categories	Bad debts	Unlikely to pay	Impaired past-due exposures
A. Opening gross exposure	**141,703**	**326,178**	**53,365**
- *of which: exposures assigned but not derecognised*			
B. Increases	**15,298**	**72,136**	**24,456**
B.1 transfers from performing loans	74	24,741	23,951
B.2 transfers from impaired financial assets acquired or originated			
B.3 transfers from other categories of impaired exposures	6,508	14,258	
B.4 changes in contracts without derecognition			
B.5 other increases	8,716	33,137	505
C. Decreases	**8,994**	**78,521**	**43,494**
C.1 transfers to performing loans	55		24,497
C.2 write-offs			
C.3 collections	8,053	69,604	3,229
C.4 gains on disposal			
C.5 losses on disposal			
C.6 transfers to other categories of impaired exposures	268	6,394	14,104
C.7 changes in contracts without derecognition		287	
C.8 other decreases	618	2,236	1,664
D. Closing gross exposure	**148,007**	**319,793**	**34,327**
- *of which: exposures assigned but not derecognised*			

A.1.7-bis Prudential consolidation - On-balance sheet exposures to customers: changes in gross forborne exposures by credit quality

(thousands of euro) Items/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**94,269**	**750,210**
- *of which: exposures assigned but not derecognised*		
Changes in opening balance		
B. Increase	**21,945**	**559,830**
B.1 transfers from performing loans not forborne	3,997	188
B.2 transfers from forborne performing loans		X
B.3 transfers from forborne non-performing loans	X	
B.4 transfers from non-forborne non-performing loans	920	1,752
B.5 other increases	17,028	557,890
C. Decreases	**24,169**	**777,336**
C.1 transfers to non-forborne performing loans	X	
C.2 transfers to forborne performing loans		X
C.3 transfers to forborne non-performing loans	X	
C.4 write-off		
C.5 collections	24,108	777,329
C.6 gains on disposal		
C.7 losses on disposal		
C.8 other decreases	61	7
D. Closing gross exposure	**92,045**	**532,704**
- *of which: exposures assigned but not derecognised*		

A.1.8 Prudential consolidation - On-balance sheet non-performing credit exposures to banks: changes in accumulated impairment

There are no non-performing credit exposures to banks.

A.1.9 Prudential consolidation - On-balance sheet non-performing credit exposures to customers: changes in accumulated impairment

(thousands of euro) Items/Categories	Bad debts		Unlikely to pay		Impaired past-due exposures	
	Total	Of which forborne exposures	Total	Of which forborne exposures	Total	Of which forborne exposures
A. Opening accumulated impairment	**79,705**		**122,817**	**46,754**	**10,088**	**1**
- *of which: exposures assigned but not derecognised*						
B. Increases	**2,721**	**13**	**14,630**	**9,539**	**5,592**	
B.1 writedowns on impaired financial asset acquired or originated		X		X		X
B.2 other writedowns	55	13	5,309	1,281	1,785	
B.3 losses on disposal			1,210	1,210		
B.4 transfers to other categories of impaired positions	2,614		1,511			
B.5 changes in contracts without derecognition						
B.6 other increases	52		6,600	7,048	3,807	
C. Decreases	**103**		**17,485**	**11,972**	**9,674**	**1**
C.1 writebacks from valuations			1,497	1,276	1,849	
C.2 writebacks from collection	103		8,648	5,964	534	
C.3 gains on disposal						
C.4 write-offs						
C.5 transfers to other categories of impaired positions			2,606		1,519	
C.6 changes in contracts without derecognition						
C.7 other decreases			4,734	4,732	5,772	1
D. Closing accumulated impairment	**82,323**	**13**	**119,962**	**44,321**	**6,006**	
- *of which: exposures assigned but not derecognised*						

A.2 Classification of exposures based on external and internal ratings

A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees issued by external rating classes (gross amounts)

(thousands of euro) Type of exposures	External rating grades						Not rated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**1,536,926**	**5,077,978**	**269,860,752**	**8,388,082**	**463,388**	**1,958,696**	**51,513,627**	**338,799,449**
- Stage 1	1,536,926	5,074,268	263,800,300	7,522,121	463,333	1,947,364	44,705,389	325,049,701
- Stage 2		2,576	6,059,624	863,879	10	11,332	6,310,201	13,247,622
- Stage 3		1,134	828	2,082	45		498,037	502,126
B. Financial assets measured at fair value through other comprehensive income	**601,247**	**141,852**	**9,699,009**	**277,548**		**390,012**	**154,115**	**11,263,783**
- Stage 1	601,247	141,852	9,699,009	277,548		357,665	154,115	11,231,436
- Stage 2						32,347		32,347
- Stage 3								
C. Financial assets held for sale								
- Stage 1								
- Stage 2								
- Stage 3								
Total (A + B + C)	**2,138,173**	**5,219,830**	**279,559,761**	**8,665,630**	**463,388**	**2,348,708**	**51,667,742**	**350,063,232**
of which: non-performing financial assets acquired or originated								
D. Commitments to disburse funds and financial guarantees issued								
- Stage 1	2,045,573	952,553	13,734,025	130,349	42,199	712	11,364,661	28,270,072
- Stage 2			1	103,120			23,397	126,518
- Stage 3				238			13,592	13,830
Total (D)	**2,045,573**	**952,553**	**13,734,026**	**233,707**	**42,199**	**712**	**11,401,650**	**28,410,420**
Total (A + B + C + D)	**4,183,746**	**6,172,383**	**293,293,787**	**8,899,337**	**505,587**	**2,349,420**	**63,069,392**	**378,473,652**

The following table maps the rating grades and the agency ratings used.

Rating grades	ECAI		
	Moody's	Fitch	Standard & Poor's
Class 1	from Aaa to Aa3	from AAA to AA-	from AAA to AA-
Class 2	from A1 to A3	from A+ to A-	from A+ to A-
Class 3	from Baa1 to Baa3	from BBB+ to BBB-	from BBB+ to BBB-
Class 4	from Ba1 to Ba3	from BB+ to BB-	from BB+ to BB-
Class 5	from B1 to B3	from B+ to B-	from B+ to B-
Class 6	Caa1 and lower	CCC+ and lower	CCC+ and lower

A.3 Breakdown of secured exposures by type of guarantee

A.3.1 Prudential consolidation - On-balance sheet and off-balance sheet secured credit exposures to banks

(thousands of euro)	Gross expo-sure	Net exposure	Collateral (1) - Land and buildings - mortgages	Collateral (1) - Land and buildings - finance leases	Collateral (1) - Securities	Collateral (1) - Other assets	Unsecured guarantees (2) - Credit derivatives - CLN	Unsecured guarantees (2) - Credit derivatives - Other derivatives - Central counterparties	Unsecured guarantees (2) - Credit derivatives - Other derivatives - Banks	Unsecured guarantees (2) - Credit derivatives - Other derivatives - Other financial companies	Unsecured guarantees (2) - Credit derivatives - Other derivatives - Other	Unsecured guarantees (2) - Guarantees - General government	Unsecured guarantees (2) - Guarantees - Banks	Unsecured guarantees (2) - Guarantees - Other financial companies	Unsecured guarantees (2) - Guarantees - Other	Total (1) + (2)
1. Secured on-balance sheet credit exposures																
1.1 fully secured:	9,181,373	9,155,407				2,639,177						6,516,230				9,155,407
- *of which: non-performing*																
1.2 partially secured:	223,344	220,171				62,839										62,839
- *of which: non-performing*																
2. Secured off-balance sheet credit exposures																
2.1 fully secured:	2,811	2,808										2,808				2,808
- *of which: non-performing*																
2.2 partially secured:																
- *of which: non-performing*																

A.3.2 Prudential consolidation - On-balance sheet and off-balance sheet secured credit exposures to customers

(thousands of euro)	Gross exposure	Net exposure	Collateral (1) - Land and buildings - mortgages	Collateral (1) - Land and buildings - finance leases	Collateral (1) - Securities	Collateral (1) - Other assets	Unsecured guarantees (2) - Credit derivatives - CLN	Unsecured guarantees (2) - Credit derivatives - Other derivatives - Central counterparties	Unsecured guarantees (2) - Credit derivatives - Other derivatives - Banks	Unsecured guarantees (2) - Credit derivatives - Other derivatives - Other financial companies	Unsecured guarantees (2) - Credit derivatives - Other derivatives - Other	Unsecured guarantees (2) - Guarantees - General government	Unsecured guarantees (2) - Guarantees - Banks	Unsecured guarantees (2) - Guarantees - Other financial companies	Unsecured guarantees (2) - Guarantees - Other	Total (1) + (2)
1. Secured on-balance sheet credit exposures																
1.1 fully secured:	8,995,320	8,936,508	238,813		2,362,762	964,102						3,788,586	141,740		1,470,157	8,966,160
- *of which: non-performing*	*150,815*	*142,961*	*64,261*			*14,795*						*45,507*			*18,398*	*142,961*
1.2 partially secured:	4,624,009	4,616,179				45,224						4,177,205	34,934			4,257,363
- *of which: non-performing*	*19,683*	*19,324*				*1,743*						*17,581*				*19,324*
2. Secured off-balance sheet credit exposures																
2.1 fully secured:	3,883,388	3,877,332	58,510			146,515						3,374,753	131		296,305	3,876,214
- of which: non-performing	4,849	4,610	1,859									2,438			313	4,610
2.2 partially secured:	5,645,915	5,639,662				28,315						4,611,891				4,640,206
- *of which: non-performing*																

B. Breakdown and concentration of credit exposures

B.1 Prudential consolidation - On-balance sheet and off-balance sheet credit exposures to customers by sector

	General Government		Financial companies		Financial companies (of which: insurance undertakings)		Non financial companies		Households	
(thousands of euro) Exposure/counterparties	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions
A. On-balance sheet credit exposures										
A.1 Bad debts	3,732	(4,491)					61,717	(77,616)	235	(216)
- *of which: forborne exposures*	*9*	*(13)*								
A.2 Unlikely to pay	15,721	(40,671)		(10)			181,748	(79,072)	2,362	(209)
- *of which: forborne exposures*	*1,670*	*(643)*		*(10)*			*45,347*	*(43,592)*	*685*	*(76)*
A.3 Non-performing past-due positions	22,549	(5,568)					4,880	(373)	893	(64)
- *of which: forborne exposures*										
A.4 Performing exposures	296,963,808	(598,217)	5,421,315	(4,060)	2,569	(3)	18,185,145	(167,177)	26,916	(274)
- *of which: forborne exposures*							*418,225*	*(114,479)*		
Total (A)	**297,005,810**	**(648,947)**	**5,421,315**	**(4,070)**	**2,569**	**(3)**	**18,433,490**	**(324,238)**	**30,406**	**(763)**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures							9,981	(3,848)		
B.2 Performing exposures	9,315,551	(158,313)	3,020,678	(825)			18,866,845	(52,860)	19,747	(1)
Total (B)	**9,315,551**	**(158,313)**	**3,020,678**	**(825)**			**18,876,826**	**(56,708)**	**19,747**	**(1)**
Total 31/12/2019	**306,321,361**	**(807,260)**	**8,441,993**	**(4,895)**	**2,569**	**(3)**	**37,310,316**	**(380,946)**	**50,153**	**(764)**
Total 31/12/2018	**301,171,605**	**(542,149)**	**8,354,677**	**(4,205)**			**30,224,947**	**(530,324)**	**62,261**	**(1,610)**

B.2 Prudential consolidation - On-balance sheet and off-balance sheet credit exposures to customers by geographical area

(thousands of euro) Exposures/Geographical area	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions
A. On-balance sheet credit exposures										
A.1 Bad debts	65,684	(82,323)								
A.2 Unlikely to pay	182,607	(118,360)	8,628	(992)	2,532	(185)	5,283	(399)	781	(26)
A.3 Non-performing past-due positions	28,208	(5,996)	114	(9)						
A.4 Performing exposures	312,616,134	(761,608)	2,937,047	(2,891)	2,672,379	(2,684)	1,689,503	(1,858)	682,121	(687)
Total (A)	312,892,633	(968,287)	2,945,789	(3,892)	2,674,911	(2,869)	1,694,786	(2,257)	682,902	(713)
B. Off-balance sheet exposures										
B.1 Non-performing exposures	9,981	(3,848)								
B.2 Performing exposures	21,309,892	(202,038)	1,256,340	(1,059)	6,061,530	(6,057)	2,085,929	(2,333)	509,130	(512)
Total (B)	21,319,873	(205,886)	1,256,340	(1,059)	6,061,530	(6,057)	2,085,929	(2,333)	509,130	(512)
Total (A + B) 31/12/2019	334,212,506	(1,174,173)	4,202,129	(4,951)	8,736,441	(8,926)	3,780,715	(4,590)	1,192,032	(1,225)
Total (A + B) 31/12/2018	323,336,921	(1,065,220)	3,028,857	(2,621)	8,447,471	(6,484)	3,754,913	(3,172)	1,245,328	(793)

B.3 Prudential consolidation - On-balance sheet and off-balance sheet credit exposures to banks by geographical area

(thousands of euro) Exposures/Geographical area	Italy		Other European countries		Americas		Asia		Rest of the world	
	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions	Net exposure	Accumulated impairment and provisions
A. On-balance sheet credit exposures										
A.1 Bad debts										
A.2 Unlikely to pay										
A.3 Non-performing past-due positions										
A.4 Performing exposures	25,710,572	(38,312)	2,460,857	(311)			92,004	(1)	21,593	(1)
Total (A)	25,710,572	(38,312)	2,460,857	(311)			92,004	(1)	21,593	(1)
B. Off-balance sheet exposures										
B.1 Non-performing exposures										
B.2 Performing exposures	571,483	(1,135)							106,853	(354)
Total (B)	571,483	(1,135)							106,853	(354)
Total (A + B) 31/12/2019	26,282,055	(39,447)	2,460,857	(311)			92,004	(1)	128,446	(355)
Total (A + B) 31/12/2018	20,783,081	(53,106)	493,130	(38)					120,326	

C. Securitisations

Qualitative disclosures

At the end of 2002, Cassa Depositi e Prestiti, then a public entity, carried out a securitisation with the assignment without recourse of six portfolios of claims on customers in respect of loans to the following types of borrowers:

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

At 31 December 2019, there was only one portfolio of securitised loans (RFI S.p.A.) outstanding. The transaction and the associated cash flows are proceeding as envisaged. It should be noted that the loans underlying this transaction were fully derecognised, since CDP applied the provisions of paragraph B2, Appendix B, of IFRS 1, which requires first-time adopters to apply rules for the prospective derecognition of financial assets for transactions effected as from 1 January 2004.

Quantitative disclosures

C.5 Prudential consolidation - Servicer activities - own securitisations: collections on securitised assets and redemption of securities issued by the securitisation vehicle

		Securitised assets (end period figure)		Collections in the year		% of redeemed securities (end-period figure)					
						Senior		Mezzanine		Junior	
(thousands of euro) Servicer	Securitisation vehicle	Non-performing	Performing	Non-performing	Performing	Non-performing assets	Performing assets	Non-performing assets	Performing assets	Non-performing assets	Performing assets
CDP S.p.A.	CPG - Società di cartolarizzazione a r.l.		86,094			31,804					

D. Asset disposals

A. Financial assets assigned but not derecognised

Qualitative disclosures

Financial assets assigned but not derecognised mainly consist of Government securities classified as “Financial assets measured at fair value through other comprehensive income”, and “Financial assets measured at amortised cost”, underlying repurchase agreements.

Quantitative disclosures

D.1 Prudential consolidation - Financial assets assigned recognised in full and associated financial liabilities: carrying amount

(thousands of euro)	Financial assets assigned recognised in full				Financial liabilities associated		
	Carrying amount	Of which: subject to securisation	Of which: subject to sales agreements with repurchase arrangements	Of which impaired	Carrying amount	Of which: subject to securisation	Of which: subject to sales agreements with repurchase arrangements
A. Financial assets held for trading				X			
B. Other financial assets mandatorily measured at fair value							
C. Financial assets designated at fair value							
D. Financial assets measured at fair value through other comprehensive income	**1,418,794**		**1,418,794**		**1,386,950**		**1,386,950**
1. Debt securities	1,418,794		1,418,794		1,386,950		1,386,950
2. Equity securities				X			
3. Loans							
E. Financial assets measured at amortised cost	**36,449,064**		**36,449,064**		**37,482,931**		**37,482,931**
1. Debt securities	36,449,064		36,449,064		37,482,931		37,482,931
2. Loans							
Total 31/12/2019	**37,867,858**		**37,867,858**		**38,869,881**		**38,869,881**
Total 31/12/2018	**45,355,748**		**45,355,748**		**44,460,569**		**44,460,569**

D.2 Prudential consolidation - Financial assets assigned partially recognised and associated financial liabilities: carrying amounts

There are no financial assets assigned partially recognised.

D.3 Prudential consolidation - Disposals with liabilities with recourse only on divested assets but not derecognised: fair value

(thousands of euro)	Fully recognised	Partially recognised	Total	
			31/12/2019	31/12/2018
A. Financial assets held for trading				
B. Other financial assets mandatorily measured at fair value				
C. Financial assets designated at fair value				
D. Financial assets measured at fair value through other comprehensive income	**1,418,794**		**1,418,794**	**5,817,568**
1. Debt securities	1,418,794		1,418,794	5,817,568
2. Equity securities				
3. Loans				
E. Financial assets measured at amortised cost (fair value)	**37,685,522**		**37,685,522**	**39,655,300**
1. Debt securities	37,685,522		37,685,522	39,655,300
2. Loans				
Total financial assets	**39,104,316**		**39,104,316**	**45,472,868**
Total financial liabilities associated	**38,869,881**		**X**	**X**
Net value 31/12/2019	**234,435**		**39,104,316**	**X**
Net value 31/12/2018	**1,007,298**		**X**	**45,472,868**

B. Financial assets assigned and derecognised with recognition of continuing involvement

There were no existing transactions classified in the portfolio of financial assets assigned and derecognised with recognition of continuing involvement.

D.4 Prudential consolidation - Covered bond transactions

At the reporting date, no covered bond transactions have been carried out by Banking group companies.

1.2 Market risk

1.2.1 Interest rate risk and price risk - Supervisory trading book

In 2019, the prudential consolidation companies did not undertake any transactions qualifying for allocation to the supervisory trading book.

1.2.2 Interest rate risk and price risk - Banking book

Qualitative disclosures

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

As a result of its operations, the Parent Company is exposed to interest rate risk under all its forms: repricing, yield curve, basis and option risk. CDP also monitors inflation risk within the same conceptual and analytical framework as interest rate risk in the banking book.

These risks can affect both the earnings and 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 existing before its transformation into a joint-stock company and to its assets and liabilities structure: a considerable portion of CDP's liabilities consists of Ordinary fixed-rate Postal Bonds with an early redemption option, while the asset side mainly comprises fixed rate loans. Other types of postal savings bonds also embed an early redemption option, whose value is significantly affected by interest rates and inflation changes.

The basic approach taken by CDP to measuring and managing interest rate risk is an "economic value" perspective, which complements the "earnings-based" perspective. The economic value perspective corresponds to the long-term representation of the earnings-based perspective, as the economic value of the firm is essentially equal to the discounted flows of future net interest income.

From this perspective, CDP analyses its exposure and risk profile by assessing those balance sheet items that are sensitive to interest rates, by quantifying their reaction to small changes (sensitivity analysis) and to major shocks (stress testing) to the underlying risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and complex indicators representing the economic capital needed to ensure that the company stays solvent given its risk profile.

This monitoring structure is translated into the calculation of value at risk (VaR), which CDP measures using historical simulations methods.

To quantify and monitor the interest rate risk in the banking book, CDP measures VaR both over short time horizons — such as over one day or ten days — and annually, which is more suited to the internal capital adequacy assessment process with regard to risks in the banking book. The short-term and annual measures of VaR share the same combination of models for evaluating balance sheet items and measuring sensitivities; moreover they use the same input data. The daily VaR is then used for backtesting, thanks to its larger pool of figures available over that interval.

VaR summarises in a single amount the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. Despite the limits of any composite metric based on historical scenarios, VaR has two significant strengths:
- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry);
- it makes it possible, through the backtesting process, to check the hypotheses underpinning not only the calculation of the daily VaR but also the entire simulation.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risks. More specifically, limits have been established on the impact on the economic value of parallel shifts (+/- 100 basis points) in the yield curve and the inflation curve. Furthermore, more granular limits set by the Chief Executive Officer are in place.

CDP also assesses the impact of interest rate risk on earnings for shorter horizons using internal planning and ALM systems, specifically quantifying the impact of parallel shifts in the yield curve on net interest income.

CDP's ALM approach seeks to limit the volume of hedging derivatives by exploiting "natural hedges" between fixed-rate assets and liabilities. Therefore, hedging regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance function.

The measurement and the monitoring of interest rate risk are performed by the Risk Management Department and discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methodology and receives periodic reporting on the results achieved.

Price risk regards the possibility that the net economic value, profitability or the book equity of CDP could be adversely affected by variables associated with stocks, in particular the market prices of such securities and related derivatives, or changes in the current and future profitability of the investment in such instruments.

In line with the net economic value approach, equity risk is quantified in terms of VaR (with a one-year time horizon). The VaR gives a proxy of the risk that the listed and liquid securities — even when they are not recognised at their current fair value — do not recover any impairment over time. It is calculated based on hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments in the long term.

An additional source of price risk lies in CDP's funding operations, namely the issue — which is no longer active — of "Premia" and "Europa" postal savings bonds, whose yield is indexed to the Euro Stoxx 50. The Risk Management monitors the net exposure to such risk.

SACE Fct monitors and manages interest rate risk according to the provisions of the specific policy and by setting appropriate operating limits. Interest rate risk management is ensured by the Budget and Treasury Function, in close collaboration with the Risk Management Function, through operating management of assets and liabilities in compliance with the guidelines defined by the Board of Directors.

SACE Fct is exposed to interest rate risk in relation to the final purchases of receivables, generated by short-term funding against the granting of fixed-rate loans over a longer term, whereas in its more standard operations (factoring arrangements whereby the ceded receivables are not recognised on the balance sheet of the factor) the interest rate risk is minimised, because the frequency of the revisions of interest rates payable and receivable is aligned. The Company monitors and manages interest rate risk by focusing on the nature and characteristics of the trade receivables purchased (giving preference to transactions with a higher turnover rate) and the ability of the borrowers to pay within the terms set.

CDP Investimenti SGR has no direct (i.e. resulting from its primary activity) exposure to interest rate risk and inflation risk; a marginal exposure is detected in connection with investments of the available liquidity (mainly, fixed-rate securities issued by the Italian Government and postal savings bonds guaranteed by the Parent Company).

As a closed-end fund manager, Fondo Italiano d'Investimento SGR S.p.A. is not directly exposed to interest rate risk. The liquidity stock during 2019 was held in liquid market instruments (time deposits) or deposited in current accounts. The asset management company is not directly exposed to inflation risk.

In 2019, SACE Fct, CDPI SGR and FII SGR had not set up any interest-rate-hedging strategy.

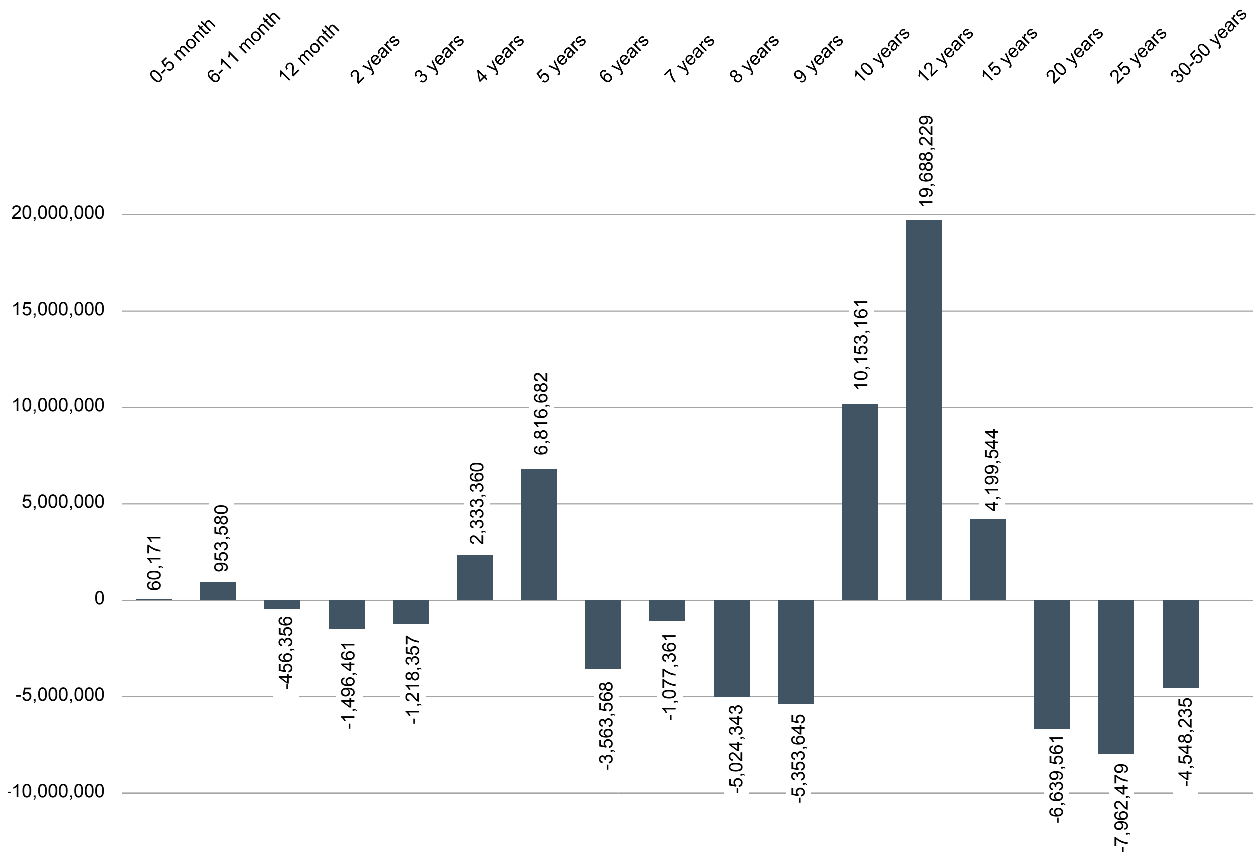
Quantitative disclosures

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

The following figure shows an analysis of the interest rate risk sensitivity of the Parent Company developed on the basis of internal models, in line with the economic value approach.

Sensitivity to zero-coupon rates by maturity (increase of 1 basis point)

Market figures at 31/12/2019



1.2.3 Exchange rate risk

Qualitative disclosures

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

Exchange rate risk is the risk that changes in exchange rates might have a negative impact on the profitability and/or the economic value of CDP.

Certain activities of CDP can generate exchange rate risk. CDP undertakes such activities only if covered by appropriate exchange rate hedges.

The activities of CDP that can engender such exposure are normally associated with the issue of bonds denominated in foreign currencies, the purchase of bonds denominated in foreign currencies, and the granting of loans denominated in currencies other than the Euro under the "Export Bank" system.

SACE Fct purchases commercial paper denominated in foreign currency, almost all of which are in US dollars. In this instance, the "Exchange Rate Risk Policy" defines the roles and responsibilities of the corporate bodies and units involved in the process and the methods used to measure, manage, and monitor exchange rate risk.

CDP Investimenti SGR and Fondo Italiano d'Investimento SGR S.p.A. are not exposed to exchange rate risk within their operations.

B. Hedging exchange rate risk

With regard to the Parent Company's exposure to the US Dollar, there was a residual component of unhedged exchange rate risk at 31 December 2019. This was tied mainly refinancing operations of assets denominated in US dollars, in the short and medium term.

With regard to the Parent Company's exposure to the Yen, the exchange rate risk arising from a bond issue denominated in Yen is fully hedged through a Cross Currency Swap, which makes the net cash flows paid by CDP equivalent to those of a fixed-rate issue denominated in Euro.

With regard Parent Company's exposure to the Renminbi, there was a residual component of unhedged exchange rate risk at 31 December 2019, linked to the reinvestment of the liquidity raised through a bond issue in that currency completed in 2019.

SACE Fct manages the exchange rate risk associated with the purchase of commercial paper in foreign currency, largely through the acquisition of funding in the same currencies of loans made in currencies other than the euro. A general alignment between the time profile of loans and the time profile of the related funding is also required. Moreover, to maintain exposure within levels that are consistent with management policy and to avoid concentration risks on specific currencies, appropriate ceilings (maximum volume of exposure) are defined by foreign currency.

Quantitative disclosures

1. Breakdown by currency of assets, liabilities and derivatives

(thousands of euro) Items	Currency		
	US dollar	Renminbi	Yen
A. Financial assets	**2,990,294**	**128,465**	
A.1 Debt securities	328,840		
A.2 Equity securities			
A.3 Loans to banks	27,805	92,005	
A.4 Loans to customers	2,628,057	36,460	
A.5 Other financial assets	5,592		
B. Other assets			
C. Financial liabilities	**525,261**	**129,763**	**61,723**
C.1 Due to banks	424,022		
C.2 Due to customers	3,652		
C.3 Debt securities	93,074	129,515	61,723
C.4 Other financial liabilities	4,513	248	
D. Other liabilities			
E. Financial derivatives			
- Options			
+ long positions			
+ short positions			
- Other derivatives	2,344,301		61,506
+ long positions			61,506
+ short positions	2,344,301		
Total assets	**2,990,294**	**128,465**	**61,506**
Total liabilities	**2,869,562**	**129,763**	**61,723**
Difference (+/-)	**120,732**	**(1,298)**	**(217)**

1.3 The financial derivatives and hedging policies

1.3.1 Financial derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: period-end notional values

(thousands of euro) Underlying assets/Type of derivatives	31/12/2019				31/12/2018			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets
1. Debt securities and interest rates		**4,412,350**	**40,000**			**3,167,824**	**40,000**	
a) Options								
b) Swaps		4,412,350	40,000			3,167,824	40,000	
c) Forwards								
d) Futures								
e) Other								
2. Equity securities and equity indices		**775,250**	**1,058,632**			**4,664,350**	**3,927,136**	
a) Options		775,250	1,058,632			4,664,350	3,927,136	
b) Swaps								
c) Forwards								
d) Futures								
e) Other								
3. Foreign currencies and gold		**772,654**				**200,873**		
a) Options								
b) Swaps								
c) Forwards		772,654				200,873		
d) Futures								
e) Other								
4. Commodities								
5. Other underlyings								
Total		**5,960,254**	**1,098,632**			**8,033,047**	**3,967,136**	

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

(thousands of euro) Type of derivatives	31/12/2019				31/12/2018			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets
1. Positive fair value								
a) Options		4,154				3,106		
b) Interest rate swap		105,839	14,969			57,566	10,354	
c) Cross currency swap								
d) Equity swap								
e) Forward		7,392						
f) Futures								
g) Other								
Total		**117,385**	**14,969**			**60,672**	**10,354**	
2. Negative fair value								
a) Options			7,786				1,881	
b) Interest rate swap		120,809				69,058		
c) Cross currency swap								
d) Equity swap								
e) Forward		335				42		
f) Futures								
g) Other								
Total		**121,144**	**7,786**			**69,100**	**1,881**	

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair values by counterparty

(thousands of euro) Underlying assets	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X			40,000
- positive fair value	X			14,969
- negative fair value	X			
2) Equity securities and equity indices				
- notional value	X			1,058,632
- positive fair value	X			
- negative fair value	X			7,786
3) Foreign currencies and gold				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
4) Commodities				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
5) Other				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value		2,375,715	1,062,635	974,000
- positive fair value		35,520	6,438	63,881
- negative fair value		120,210	599	
2) Equity securities and equity indices				
- notional value		775,250		
- positive fair value		4,154		
- negative fair value				
3) Foreign currencies and gold				
- notional value		772,654		
- positive fair value		7,392		
- negative fair value		335		
4) Commodities				
- notional value				
- positive fair value				
- negative fair value				
5) Other				
- notional value				
- positive fair value				
- negative fair value				

A.4 Residual life of OTC financial derivatives: notional values

(thousands of euro) Underlyings/Residual maturity	To 1 year	From 1 year to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	2,570,000	1,274,350	608,000	4,452,350
A.2 Financial derivatives on equity securities and equity indices	1,833,882			1,833,882
A.3 Financial derivatives on exchange rates and gold	772,654			772,654
A.4 Financial derivatives on commodities				
A.5 Financial derivatives on other				
Total 31/12/2019	**5,176,536**	**1,274,350**	**608,000**	**7,058,886**
Total 31/12/2018	**7,962,655**	**3,957,528**	**80,000**	**12,000,183**

B. Credit derivatives held for trading

There were no credit derivatives.

1.3.2 Accounting hedges

Qualitative disclosures

A. Fair value hedges

Within the scope of its Asset Liability Management policies, the Parent Company, where possible, makes use of natural hedges between assets and liabilities exposed to the same risks, also with a view to minimising recourse to hedging through derivatives.

Moreover, CDP's transactions in derivatives have the sole purpose of risk hedging, mainly for interest rate, exchange rate, liquidity and equity risk. Derivatives are designated as accounting hedges under IAS 39 or as operational hedges; the latter are monitored according to a framework established under the provisions of the EMIR regulation.

A fair value hedge is applied when the exposure to a specific risk leads to a change in fair value of assets or liabilities which impacts on profits and losses.

As regards the activity of fair value hedging, CDP implements the following types of hedges:
- micro fair value hedges of loans in the Separate Account and Ordinary Account;
- micro fair value hedges of asset and liability bonds in the Separate Account and Ordinary Account;
- partial term hedges of loans and bonds in the Separate Account;
- macro fair value hedges of specifically selected uniform portfolios, exposed to interest rate risk within the Separate Account.

As for the micro fair value hedges, the hedged item is one or more individually selected contracts, exposed proportionately to the same risk and hedged with one or more derivatives.

As for the partial term hedges, the hedged item is defined as a subset of the cash flows of one or more contracts, specifically selected according to duration and/or amount.

As for the hedging of portfolios exposed to interest rate risk, the hedged item consists of portfolios of homogeneous loans. These hedges differ from micro hedges since the hedged item does not identify the flows (or part of the flows) of a specific loan that is being hedged (or an aggregate of similar loans), and the univocal relationship (link) between hedged loan and hedging derivative loses significance.

Fair value hedges are performed through the use of Interest Rate Swap derivatives, which provide for the exchange of fixed-rate interest payments with floating-rate interest payments that are linked to the 6M Euribor index or, to a lesser extent and for specific ALM purposes, to the 3M Euribor and 6M USD Libor indices.

Within the scope of prudential consolidation no further fair value hedges have been undertaken.

B. Cash flow hedges

Cash flow hedges are risk hedges associated with the variability of cash flows, whose objective is the stabilisation of expected flows. At 31 December 2019, the following cash flow hedges existed in CDP's Separate Account, relating to exchange rate risk, interest rate risk and inflation risk:

- EUR/USD exchange rate risk hedge of asset bonds;
- EUR/JPY exchange rate risk hedge of liability bonds;
- Interest rate risk hedge of liability bonds;
- Inflation risk hedge of asset bonds.

Exchange rate risk hedges are performed through the use of Cross Currency Swaps which exchange the cash flows of the securities, denominated in US Dollar or Yen, with fixed-rate cash flows denominated in Euro.

Interest-rate risk hedges are performed through the use of Interest Rate Swaps which exchange cash flows indexed to the 3M Euribor or the European inflation index with fixed-rate cash flows in Euro.

Within the scope of prudential consolidation no further cash flow hedges have been undertaken.

C. Hedging of foreign investments

Currently there are no foreign investment hedges.

D. Hedging instruments

The hedging instruments used by CDP for fair value hedge strategies are mainly vanilla Interest Rate Swaps which exchange fixed-rate flows with floating-rate flows indexed to the Euribor, plus any market spread. For some specific hedges, such as those on inflation-linked securities, it is likely that the derivatives also provide for the collection or payment of upfront premiums. In a limited number of cases, CDP has taken out fair value hedges through Cross Currency Swaps, which exchange floating-rate cash flows indexed to the USD Libor for floating-rate flows indexed to the Euribor (again with any market spreads), to hedge the interest rate and exchange rate risks associated with the granting of US Dollar loans within the Export Bank system.

The hedging swaps of loans in micro hedging relationships have amortising profiles that mirror those of the loans or groups of similar loans hedged, generally with spot starting date. The partial term relationships are used in particular to hedge specific curve segments. These can have amortising or bullet profiles and, in some cases, forward start date. Swaps originated as macro hedges typically have bullet profiles and spot start date. All swaps have payment frequency that is the same as the refixing frequency, except in some cases for any initial or final periods.

Interest Rate and Cross Currency Swaps are used in cash flow hedges which have amortising profiles and payment frequencies that mirror those of securities hedged.

All derivatives are traded Over the Counter (OTC), concluded with market counterparties with whom ISDA agreements are in place (2002 ISDA agreement), where netting is used to reduce exposure. Within the scope of executed CSA agreements high frequency exchanges of collateral are also provided for.

E. Hedged items

CDP's existing accounting hedges at the end of 2019 were all carried out on asset and liability items, such as loans, receivables and bonds. There are also residual operational hedges of equity risk resulting from the issue — which is no longer active — of postal bonds savings indexed to the EuroStoxx 50, through the purchase of options with financial and payoff characteristics that mirror those embedded in the issued bonds.

Within the scope of fair value hedges, loans and securities are typically represented by dummy instruments with cash flows representing the hedged risk, namely only the part of the cash flows at market level at the time of the hedge. For loans and securities this produces an item which has:

- capital flows of the hedged loan or bond;
- interest flows of the hedged loan or bond net of the hedge spread (spread on the floating-rate leg);
- in the event of IRS with forward starting date, an initial capital outflow, equal to the nominal value of the swap on the start date.

In the cash flow hedges, the hedged items are usually represented with the hypothetical derivative method, namely instruments that mirror the executed derivatives, less the credit risk embedded in the real derivative.

Quantitative disclosures

A. Financial derivatives held for hedging

A.1 Financial derivatives held for hedging: period-end notional values

(thousands of euro) Underlying assets/Type of derivatives	Total 31/12/2019				Total 31/12/2018			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets
1. Debt securities and interest rates		**40,982,705**				**39,396,679**		
a) Options								
b) Swaps		40,982,705				39,396,679		
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		**1,633,152**				**533,927**		
a) Options								
b) Swaps		1,633,152				533,927		
c) Forwards								
d) Futures								
e) Other								
4. Commodities								
5. Other underlyings								
Total		**42,615,857**				**39,930,606**		

A.2 Financial derivatives held for hedging: gross positive and negative fair value — breakdown by product

(thousands of euro) Type of derivatives	Positive and negative fair value							
	Total 31/12/2019				Total 31/12/2018			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets	Central counter-parties	With netting arrange-ments	Without netting arrange-ments	Organised markets
1. Positive fair value								
a) Options								
b) Interest rate swap		363,642				602,962		
c) Cross currency swap		17,704				76,192		
d) Equity swap								
e) Forward								
f) Futures								
g) Other								
Total		**381,346**				**679,154**		
2. Negative fair value								
a) Options								
b) Interest rate swap		2,675,688				656,433		
c) Cross currency swap		6,867						
d) Equity swap								
e) Forward								
f) Futures								
g) Other								
Total		**2,682,555**				**656,433**		

A.3 Financial derivatives held for hedging: notional values, gross positive and negative fair values by counterparty

(thousands of euro) Underlying assets	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
2) Equity securities and equity indices				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
3) Foreign currencies and gold				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
4) Commodities				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
5) Other				
- notional value	X			
- positive fair value	X			
- negative fair value	X			
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value		38,156,654	2,826,051	
- positive fair value		347,290	16,352	
- negative fair value		2,437,563	238,125	
2) Equity securities and equity indices				
- notional value				
- positive fair value				
- negative fair value				
3) Foreign currencies and gold				
- notional value		1,038,533	594,619	
- positive fair value		6,267	11,437	
- negative fair value		6,867		
4) Commodities				
- notional value				
- positive fair value				
- negative fair value				
5) Other				
- notional value				
- positive fair value				
- negative fair value				

A.4 Residual life of OTC financial derivatives held for hedging: notional values

(thousands of euro) Underlyings/Residual maturity	To 1 year	From 1 year to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	2,822,078	11,359,793	26,800,834	40,982,705
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold	119,826	568,322	945,004	1,633,152
A.4 Financial derivatives on commodities				
A.5 Financial derivatives on other				
Total 31/12/2019	**2,941,904**	**11,928,115**	**27,745,838**	**42,615,857**
Total 31/12/2018	**3,297,766**	**11,105,342**	**25,527,498**	**39,930,606**

B. Credit derivatives held for hedging purposes

There were no credit derivatives.

1.3.3 Other information on derivatives (held for trading and hedging)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

(thousands of euro)	Central counterparties	Banks	Other financial companies	Other
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value		40,532,369	3,888,686	1,014,000
- positive fair value		382,810	22,789	78,851
- negative fair value		2,557,772	238,724	
2) Equity securities and equity indices				
- notional value		775,250		1,058,632
- positive fair value		4,154		
- negative fair value				7,786
3) Foreign currencies and gold				
- notional value		1,811,187	594,619	
- positive fair value		13,659	11,438	
- negative fair value		7,202		
4) Commodities				
- notional value				
- positive fair value				
- negative fair value				
5) Other				
- notional value				
- positive fair value				
- negative fair value				
B. Credit derivatives				
1) Protection purchases				
- notional value				
- positive fair value				
- negative fair value				
2) Protection sales				
- notional value				
- positive fair value				
- negative fair value				

1.4 Liquidity risk

Qualitative disclosures

A. General aspects, management processes, and methods for measurement of liquidity risk

Liquidity risk arises in the form of “asset liquidity risk[44]” and “funding liquidity risk[45]”.

Since the banking group does not engage in trading activities, the exposure to liquidity risk in the sense of asset liquidity risk is limited.

In view of the dominant weight of demand deposits (savings accounts) and bonds redeemable on demand (postal savings bonds) on the liability side of the Separate Account, for the Parent Company liquidity risk becomes significant mainly in the form of funding liquidity risk.

In order to ensure that any uncontrolled run-off scenario remains remote, CDP benefits from the mitigating effect of the state guarantee on postal savings. In addition to the key function of that guarantee, the ability of CDP to ensure that such a scenario does in fact remain remote is based on its capital strength, on the protection and promotion of postal savings reputation with the public, on safeguarding CDP’s reputation in the market and on liquidity management. With regard to the latter, CDP adopts a series of specific measures to prevent the emergence of unexpected funding requirements and to be able to meet them if it should prove necessary.

To this end, Risk Management (RM) monitors a lower limit on the stock of liquid assets together with a number of aggregates that represent the capacity of CDP to cope with potential crisis. As an operational protection measure for liquidity risk, CDP has adopted a Contingency Funding Plan (CFP). The CFP sets out the processes and strategies used by CDP to manage possible liquidity crises, whether of systemic origin — caused by an unexpected deterioration in money and financial market conditions — or due to idiosyncratic difficulties at CDP itself.

As regards the Ordinary Account, CDP raises funds through the market or the EIB, adopting approaches, opportunities and constraints similar to those of ordinary banks.

CDP prevents the emergence of unexpected liquidity requirements by developing effective loan disbursement forecasting systems, setting structural limits on maturity transformation, monitoring the short-term liquidity position, carried out on a continuous basis by the Finance function, and monitoring liquidity gaps at short, medium and long term, which is performed by RM.

Management of treasury activities by the Finance department enables CDP to raise funds using repos, for both the Separate and Ordinary Accounts.

CDP can also take part in European Central Bank refinancing operations, as it holds a significant stock of eligible negotiable and non-negotiable assets.

As a further control, for both the Separate and the Ordinary Account, RM monitors the incremental liquidity available in a stress scenario, through transactions with the European Central Bank and by refinancing liquid assets with market counterparts.

In addition to the monitoring tools described, RM performs a stress test to assess the potential effects of an extremely unfavourable scenario on the liquidity position.

With regard to SACE Fct’s operations, the liquidity risk connected with factoring operations is mitigated by the recourse to diversified forms of financing, through: i) the activation of revolving credit lines granted by major banking groups, ii) short-term loans granted by the Parent Company and iii) re-assignment of receivables with recourse towards leading factoring companies. In this context, the “Liquidity Risk Policy” defines the roles and responsibilities of the corporate bodies and units involved in the process and the methods used to measure, manage, and monitor liquidity risk. Moreover, a Contingency Funding Plan defines the strategies for management of a possible liquidity crisis and the specific procedures to be implemented in response to adverse fund-raising situations.

44 Asset liquidity risk means the impossibility, for a financial institution or a generic investor, of selling assets on the market without significantly reducing their price.
45 Funding liquidity risk means the impossibility, for a financial institution, to meet its obligations by collecting liquidity at non-penalising conditions or selling assets held.

As far as liquidity risk is concerned, CDPI SGR is potentially exposed to a cash shortfall risk, caused by, among others, lower management fees due to fluctuations in values of the real estate Alternative Investment Fund (AIF) units and/or real estate direct assets held by the portfolios it manages, as management fees are actually calculated as a percentage of either the Net Asset Value (FIA[46]) or the Gross Asset Value (FIV, FIT, FT1[47] and FIA 2).

Any value fluctuation for the real estate funds and/or assets held in their portfolios might consequently affect the management fees. Such risk currently appears not significant.

From an operational point of view, liquidity risk is monitored through a careful planning of Company cash flows ("financial forecast"), prepared by the Planning Organisational Unit and updated on a monthly basis.

With regard to FII SGR, the increased exposure to liquidity risk consists of asset liquidity risk. The asset management company manages closed-end funds with underlyings that have low liquidity and a long-term time horizon. The potential need, which is currently very unlikely, to rapidly liquidate the assets could significantly affect the prices of those assets.

In terms of funding risk, FII SGR has limited exposure due to the type and standing of its counterparties, which are periodically monitored, and the operating procedures of the individual funds (in addition to the possibility of using funding facilities in its operations).

46 Fondo investimenti per l'Abitare
47 Respectively: Fondo Investimenti per la Valorizzazione, Fondo Investimenti per il Turismo and Fondo Turismo 1.

Quantitative disclosures

1. Breakdown of financial assets and liabilities by residual maturity

(thousands of euro) Items/Maturities	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Indefinite life
A. On-balance sheet assets	**157,025,786**	**17,654**	**806,462**	**1,155,927**	**5,416,641**	**2,617,421**	**6,635,921**	**47,344,967**	**113,003,061**	**13,286,951**
A.1 Government securities		8,479	186,302		2,858,601	1,621,498	2,511,564	22,064,221	36,830,404	
A.2 Other debt securities	500		32	309,260	262,493	197,878	372,945	3,943,731	3,767,520	
A.3 Units in collective investment undertakings	2,615,821									
A.4 Loans:	154,409,465	9,175	620,128	846,667	2,295,547	798,045	3,751,412	21,337,015	72,405,137	13,286,951
- banks	246,911	13	63,935		30,624	104,268	810,966	2,914,838	8,146,340	13,286,951
- customers	154,162,554	9,162	556,193	846,667	2,264,923	693,777	2,940,446	18,422,177	64,258,797	
B. On-balance sheet liabilities	**108,643,328**	**8,385,390**	**7,719,084**	**8,616,393**	**21,544,376**	**17,924,440**	**12,571,677**	**146,909,121**	**24,983,739**	
B.1 Deposits and current accounts:	108,355,880	273,001	4,405,203	5,092,150	8,449,252	9,641,663	5,420,736	136,882,924	10,734,604	
- banks	482,637	94,289		305,000				1,278,921	85,373	
- customers	107,873,243	178,712	4,405,203	4,787,150	8,449,252	9,641,663	5,420,736	135,604,003	10,649,231	
B.2 Debt securities			50,000	140,000	140,000	310,000	3,975,000	7,641,885	7,460,506	
B.3 Other liabilities	287,448	8,112,389	3,263,881	3,384,243	12,955,124	7,972,777	3,175,941	2,384,312	6,788,629	
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital:										
- long positions			26,358		241,177	1,915,430		89,015	150,521	
- short positions			26,705		241,667	1,912,946		90,752	147,888	
C.2 Financial derivatives without exchange of capital:										
- long positions										
- short positions										
C.3 Deposits and loans to receive:										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds:										
- long positions	28,672,474						5,000,039	302	196	
- short positions	28,672,474						5,000,039	302	196	
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital:										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital:										
- long positions										
- short positions										

1.5 Operational risks

Qualitative disclosures

A. General aspects, management and measurement of operational risks

Definition of operational risk

The Banking Group has adopted the guidelines established by the Basel Committee for the banking industry and incorporated by the Bank of Italy in Circular no. 285 of 17 December 2013 as the benchmark for managing operational risk.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such risk includes, among others, losses resulting from internal or external fraud, human error, employment practices and workplace safety, business disruption, system unavailability, breach of contract, process management, damage to physical assets and natural disasters.

Operational risk includes legal risk but not strategic or reputational risk.

The "legal risk" is the risk of incurring losses resulting from violations of laws or regulations, from contractual or tortious liability or from other disputes.

System for managing operational risks

Apart from adopting best practice in the banking sector as a reference, the CDP Group pays particular attention to industrial sector benchmarks for the management of operational risks. The methodological and organizational framework implemented aims at capturing the company's actual risk profile, similarly to what occurs in the most advanced corporates, which actively manage operational risks even though they are not subject to capital requirements.

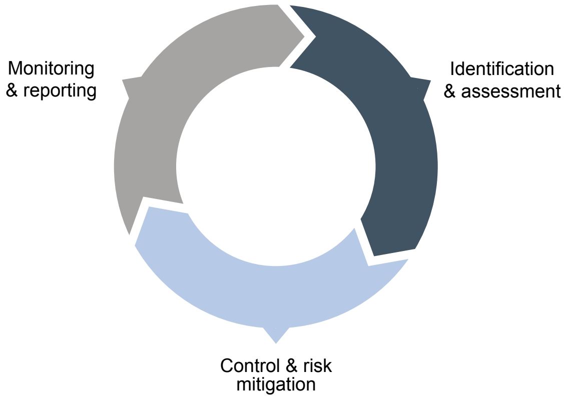
The objective is to improve corporate processes and the Internal Control System, so as to lay the foundations for more targeted mitigation measures and to make a more accurate quantification of the associated economic capital, currently estimated using the Basic Indicator Approach.

The Operational Risks Organisational Unit, operating within the Risk Management Function, is responsible for designing, implementing and monitoring the methodological and organizational framework for (i) the assessment of the exposure to operational risks, (ii) the monitoring of the implementation of the mitigation measures proposed by the Risk Owners, and (iii) the reporting system designed to ensure that information is made available to the Governing Bodies and to the managers of the Organisational Units concerned.

The adopted framework involves the inclusion of information on operational losses classified according to specified Loss Event Types (i.e. a Model of loss events), Loss Effect Types (i.e. a Model of types of losses) and Risk Factors (i.e. a Model for the classification of risk factors).

This information comprises:
- internal data on operational losses (Loss Data Collection);
- external loss data;
- potential loss data (risk self-assessment);
- key factors of the business environment and internal control systems.

The CDP Group's system for managing operational risks is divided into the following stages:



1. Identification and measurement

This stage involves the:
- structured collection and timely updating of internal data on losses attributable to operational risk events (loss data collection);
- identification of potential operational risks associated with business processes and the forward-looking assessment of the Company's level of exposure to those risks (risk self-assessment);
- analysis of operational events received from the Italian database on operational losses (*Database Italiano delle Perdite Operative* - DIPO) (external loss data);
- identification of potential operational risks arising from the introduction of new products, services and activities.

1.1 Loss Data Collection

Loss data collection is the process designed to collect and manage — in a structured manner and according to rigorous criteria — the internal data on losses attributable to operational risk events occurred in the Company. The data recording concerns both operational risk events which have negative economic effects recorded in the income statement items (actual losses) and events that do not generate a loss (near misses).

The loss data collection process is structured as follows:
- collection and recording of internal loss data, to classify the data on losses attributable to operational risk events;
- monitoring and management of loss data, to observe the evolution of the Company's exposure to operational risks over time, in order to identify appropriate mitigation measures for the most significant events (in terms of impact, frequency and/or relevance to the strategic company objectives).

The data collection is supported by a network of information sources (an information source is defined as the organisational unit that can provide information concerning the main features of each loss event recorded and its associated effects).

The prompt availability of uniform, comprehensive and reliable data - within a dedicated database - allows the appropriate mitigation actions to be identified in order to combat the most significant risks and to achieve overall improvements, in terms of effectiveness and efficiency, of the corporate processes and the internal control system (so-called use test).

1.2 Risk Self-Assessment

This consists of a self-assessment of the potential operational risks inherent in the processes, carried out by the parties involved in the operations reviewed. The aim is to assess the level of the Company's vulnerability to these risks and, at the same time, to establish the necessary corrective actions, if the monitoring system is inadequate. The process consists of the following activities:
- mapping of the operational risk events to the corporate processes (risk mapping), in order to understand the origin of potential losses attributable to operational risks by retracing the events and causes that may generate those losses;
- assessment of the operational risk events and of the related controls for estimating the residual exposure to each risk.

The aim of the Risk Self-Assessment is to produce a Risk Map, which is a tool designed to dynamically monitor the evolution of the Company's risk profile, in order to:

- ensure an overall view of the main areas of risk of the company by process and by nature of the risk;
- strengthen the controls;
- monitor the actions to prevent and mitigate risks.

Based on the risk perception of the officers interviewed (Organizational Unit Managers, Risk owners, other employees who are 'experts' in the relevant processes, individuals representing specialist and control functions), suitably 'weighted' with that of Risk Management and supplemented by additional relevant considerations, forward-looking indications are provided to the Company's management on events that have not yet occurred but could take place as a result of 'latent' risks in corporate processes.

Risk Self-Assessment findings, therefore, are used for management purposes (use test): the operational risk management system, integrated into the Management's decision-making, aims at strengthening corporate processes and improving the Internal Control System.

1.3 External loss data

CDP subscribes to the Italian Operational Loss Database (DIPO) managed by ABIServizi S.p.A. in order to be able to retrieve data on operational risk events that took place in other financial institutions; this enables CDP to improve its estimates about operational losses and to compare itself against the best practices used by other main Banking Groups.

2. Risk control and mitigation

Based on the findings from the Risk Self-Assessment and any specific further analyses conducted by the other corporate Control Functions, supported by the trends in operational losses found in the loss data collection, the mitigation process is activated in order to reduce the Company's exposure to the most significant operational risks — in terms of likelihood of occurrence and/or impact — through the identification and adoption of appropriate corrective measures.

Corrective actions are defined by the Risk Owners, with the support — where necessary — of the other corporate functions and the Risk Management Function, which verifies the implementation of the corrective actions through periodic follow-ups.

The Operational Risk Organisational Unit monitors the status of the corrective actions initiated by periodically checking their progress with the individuals responsible for the actions taken and/or to be taken.

3. Monitoring and reporting

The results of the activities performed are shared and disseminated through dedicated reports, which detail operational risk exposures and detected losses. In this way, information on operational risks is provided to the Top Management and the managers of the business units involved, in order to enable the implementation of the most appropriate corrective actions.

The main reports produced cover:

- Loss Data Collection, in relation to which a report is prepared every six months and sent to the Governing Bodies;
- Risk Self-Assessment, for which, at the end of each analysis on processes/operational areas a report with the assessment of individual risks and relevant control centres is produced, with an indication of the most vulnerable areas;
- follow-up on the mitigation actions, identified for the most significant risks detected by the Loss Data Collection and Risk Self-Assessment.

Operational Risk Culture

In line with the mission of the Operational Risk Organisational Unit, which is to develop and disseminate awareness of operational risks within the Company, during 2019 training initiatives addressed to all the staff involved in the analyses were organised.

Other periodical actions organised by the Operational Risk Organisational Unit for the staff concerned include training, also in the form of on-the-job training. These actions ensure that the bank officers concerned have appropriate knowledge of the process and of its attendant responsibilities, so as to make the best use of support tools.

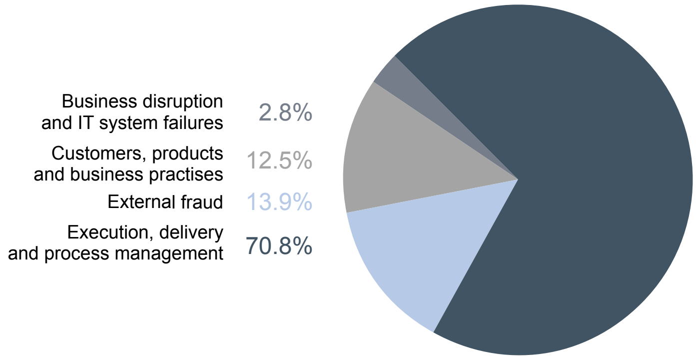
In addition to the above, the Operational Risk Organisational Unit supports the ICT Organisational Unit in organising cybersecurity training.

The aim is to put in place a coordinated approach at all levels within the Company, which can be achieved by wide dissemination of operational risk awareness.

Quantitative disclosures

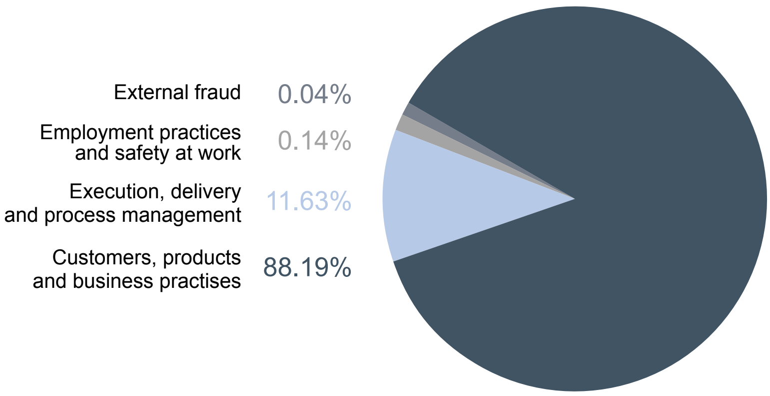
The chart below gives the breakdown by event type, showing the impact and number of occurrences in 2019[48], based on the event type classification scheme established by the New Basel Capital Accord.

Breakdown by number of events (actual and near-miss losses)



In 2019, the most frequently observed event type was "Execution, Delivery & Process Management", which includes losses mainly related to unintentional errors or delays in the management of operational and support activities and contractual disputes with counterparties that do not qualify as customers, outsourcers or suppliers.

Breakdown by accounting amount recorded



In 2019, the most significant type of event in terms of impact was "Clients, Products & Business Practices", which includes losses arising from contractual disputes with clients and improper market activities or practices.

48 The figures refer to CDP, SACE Fct and CDPI SGR.

SACE Fct

SACE Fct adopts the Group's operational risk management framework for the purpose of strengthening risk controls and improving the overall effectiveness and efficiency of processes, in order to reduce the variability of operating profits and protect its assets.

In 2019, the Risk Self-Assessment was carried out on the Company's business processes to identify and assess the level of future exposure to potential operational risks and produce the related Action Plans for the risks identified as most significant (in order to reduce them to a risk threshold considered acceptable).

For the loss data collection, the Company adopts a bottom-up approach for the collection and recording of loss data through a network of information sources that can provide information concerning the main features of each loss event recorded and its associated effects. The data collection is performed on an ongoing basis and is supported by an IT application (developed by the Parent Company) for recording the loss data, which enables the data recording and accounting reconciliation of the data collected and its validation.

CDPI SGR

CDPI SGR adopts the Group's operational risk management framework for the purpose of strengthening risk controls and improving the overall effectiveness and efficiency of processes, in order to reduce the variability of operating profits and protect its assets.

In the first quarter of 2019, a thorough Risk Self-Assessment of the Company processes was completed. As a result, a set of mitigation actions were planned: a first follow-up on the execution status of such actions was performed in the third quarter.

For the Loss Data Collection, the Company adopts a bottom-up approach for the collection and recording of loss data through a network of information sources that can provide information concerning the main features of each loss event recorded and its associated effects, through a continuous reporting process.

FII SGR

FII SGR has set up a proprietary operational risk management system covering (i) risks associated with human error (i.e. errors, unintentional damage and/or fraudulent situations created by internal and external operators that may be detrimental to the company), (ii) technology-related risks (i.e., IT procedures and intentional or unintentional damage to company hardware and software), (iii) process-related risks (i.e., missing or incomplete internal procedures or breaches), and (iv) risks related to external factors (i.e., events external to the company). FII SGR's overall exposure to operational risks is small and is mainly concentrated in the area of internal processes, regulatory compliance and employment relationships.

Civil and administrative disputes

At 31 December 2019, there were 77 pending disputes in civil and administrative matters in which CDP is a defendant, for a total amount of approximately 875 million euro.

In particular, the most significant dispute in civil matters related to the exercise of the right of withdrawal by Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona, on the occasion of conversion of preference shares into CDP ordinary shares which took place in 2012. The dispute, initiated by the Foundation in June 2013 before the Court of Rome, amounted to approximately 432 million euro and was subsequently increased to 651 million euro when the parties' conclusions were presented.

These proceedings ended with the judgment of the Court of Rome in January 2020, in which CDP was ordered to pay Cariverona the sum of approximately 432 million euro, plus interest. The judgment can be appealed before the Court of Appeal; for more information please refer to paragraph "Civil and administrative disputes" in the separate financial statements of the Parent Company.

With reference to the remaining disputes, there are 43 disputes with a risk of a ruling against the company estimated to be probable. Of these, 27 refer to positions relating to Postal Savings products amounting to approximately 186 thousand euro and 16 refer to credit positions or other civil and administrative law issues amounting to approximately 169 million euro.

There are also 19 disputes with a risk of a ruling against the company estimated to be possible. Of these, 1 refers to a position relating to Postal Savings products amounting to approximately 26 thousand euro and 18 refer to credit positions or other civil and administrative law issues amounting to approximately 54 million euro.

With reference to ongoing disputes, as at 31 December 2019 a provision for risks and charges was set up amounting to approximately 534 million euro.

Employment disputes

At 31 December 2019, there were 18 pending disputes in labour matters in which CDP is a defendant, for which provisions were made for a total of about 3.5 million euro.

Section 3 - The risks of insurance companies

3.1 Insurance risks

Key risks for the insurance business include technical risk, meant as underwriting and credit risk. The former, relating to the portfolio of policies, refers to the risk of losses arising from unfavourable claim performance compared with estimated claims (pricing risk) or from mismatches between the cost of claims and the amount reserved (reserve risk). The latter refers to the risk of default of the counterparties and of migrations of their creditworthiness. Both risks are managed by the adoption of prudent pricing and reserve policies defined using the best market practices, underwriting criteria, monitoring techniques and active portfolio management.

The total exposure of SACE S.p.A., calculated as the sum of loans and guarantees issued (principal and interest) amounted to 65.1 billion euro, up 6.6% from 2018. This is a continuation of the growth trend already recorded in 2018 and 2017, mainly as a result of the guarantee portfolio that accounts for 99.1% of total exposure. The receivables portfolio fell from 2018, by 3.5%, mainly due to sovereign debt, which fell by 15.4%. Sovereign debt represents 57.8% of the total receivables portfolio. The commercial component, which represents 42.2% of the portfolio, increased by 19.6%, up from 203.9 million euro to 243.8 million euro.

SACE BT S.p.A.'s total exposure as at 31 December 2019 amounted to 67.2 billion euro, an increase on the 2018 year-end figure (+29.3%).

(millions of euro; %) Portfolio	31/12/2019	31/12/2018	Change (+ / -)	Change %
SACE	**65,115**	**61,078**	**4,037**	**6.6%**
Outstanding guarantees	64,537	60,480	4,057	6.7%
of which:				
- *principal*	*57,140*	*53,579*	*3,561*	*6.6%*
- *interest*	*7,397*	*6,901*	*496*	*7.2%*
Loans	577	598	(21)	-3.5%
SACE BT	**67,153**	**51,937**	**15,216**	**29.3%**
Short-term credit	10,520	9,703	817	8.4%
Surety Italy	6,157	6,299	(142)	-2.3%
Other property damage	50,476	35,935	14,541	40.5%

SACE

The geo-economic area analysis shows greater exposure to the MENA countries (27.5% compared to 26.5% in 2018). By country, the first in terms of exposure is Qatar, with a concentration of 14.8%. Next in line are the European Union countries, accounting for 24.4% of the portfolio (down from 2018 when it was 26.9%) and the Americas, accounting for 19.1% of the portfolio, up 11.3% from 18.3% in 2018. The other geo-economic areas had a total weight of 28.9% in the portfolio: Other European and CIS (Commonwealth of Independent States) countries rose by 10.5% (with their portfolio weight increasing slightly from 16.1% in 2018, to 16.7% in 2019). Sub-Saharan Africa saw a fall of 14.5% (with its portfolio weight down from 6.8% in 2018, to 5.5% in 2019), and the East Asia and Oceania area saw an increase of 34.2% from the previous year (with the portfolio weight rising from 5.3% in 2018 to 6.7% in 2019).

The proportion of loans in US dollars decreased from 46.4% to 35.9% compared with the previous year, with 37.8% of SACE S.p.A.'s guarantee portfolio denominated in that currency (versus 33.7% in 2018). The US dollar appreciated against the euro, moving from 1.145 on 31 December 2018 to 1.1234 on 31 December 2019.

The exchange rate risk in respect of the loan portfolio and the guarantee portfolio is mitigated in part by the natural hedge provided by the unearned premium provision and in part through asset-liability management techniques implemented by the company.

The level of sector concentration remains high, with the top five sectors accounting for 84.1% of the total private portfolio. The cruise line sector represented the single largest exposure sector, accounting for 41.4% of the total, up 7.8% from 2018. The Oil&-Gas sector remained in second place in terms of exposure, increasing by 16.2%, with its weight rising from 18.6% to 20.1% of the private portfolio. The chemical/petrochemical sector came in third place, with an increase of 34.5% (and a portfolio weight that rose from 7.3% to 9.2%). Then came the infrastructure and construction sector, which saw a fall of 16.0% (with the portfolio weight dropping from 9.9% to 7.8%). The electrical sector increased by 7.6% and the banking sector fell by 21.4%.

SACE BT

Credit insurance business

There were 118,892 policies in place under the credit insurance business as at 31 December 2019 (+3.3% compared to 2018), for an overall value of 10.5 billion euro. The current portfolio, in terms of policy limits, was primarily concentrated in EU countries (84.4%), with Italy accounting for 64.8%.

Wholesale Trade, Agri-food and Retail Trade were the top three industries for this line of business, accounting for 24.6%, 12.0% and 8.3% of total exposure respectively.

Surety business

Exposure to the Surety business (amounts of capital insured) totalled 6.1 billion euro (-2.3% compared to 2018). Guarantees in tenders represent 68.9% of the exposure, followed by guarantees for tax payments and reimbursements (20.9%).

Construction/Other property damage business

Nominal exposure (limits and capital insured) of the Construction/Other property damage business was equal to 50.5 billion euro (+40.5% compared to the previous financial year).

The number of existing policies was 8,554 (+7.1% versus 2018). CAR and EAR policies accounted for 24.7% of the nominal exposure, 10-year Posthumous insurance policies accounted for 18.4% and Non-life policies for 56.9%.

Reinsurance

Reinsurance is a tool of fundamental importance in the context of the integrated risk management and control system. In this regard, with a view to protecting their portfolios and achieving their strategic objectives, SACE S.p.A and SACE BT S.p.A. make use of reinsurance cover, in accordance with the market standards and best practice in use in the export credit sector.

The main aims of reinsurance are:
- improved equilibrium of the portfolio;
- greater financial soundness of the company;
- sharing the risk with reliable insurance counterparties;
- stability of financial performance;
- increasing the underwriting capacity.

The selection of the type of reinsurance is based on the foregoing criteria, specifically:
- Quota share reinsurance: mainly aimed at increasing the underwriting capacity. The use of such reinsurance is analysed and may be implemented subject to assessment of the economic impact;
- Surplus share reinsurance: aimed at increasing the underwriting capacity for debtors/countries/sectors in relation to which the company has reached its underwriting limits;

- Excess of Loss or Stop Loss reinsurance: non-proportional reinsurance aimed at making SACE's guarantee portfolio more efficient in terms of capital relief or ensuring the stability of the technical account.

The Reinsurance Division of SACE S.p.A defines the disposals plan in line with the reinsurance strategies approved by the Board of Directors. The Division also manages operations and monitors risks in relation to the use of reinsurance.

2019 confirmed the rising trend in the use of reinsurance: the overall completed commitments ceded as at 31/12/2019 totalled 28 billion euro. Around 82% of the reinsurance commitments were ceded to the Ministry for the Economy and Finance (MEF) pursuant to the Agreement between SACE and the MEF approved with Italian Prime Minister's Decree of 20 November 2014, registered at the State Audit Court on 23 December 2014. A share of 16% was ceded to the private reinsurance market, represented by the main counterparties active at a global level. Lastly, a marginal share (3%) was represented by reinsurance cessions with other ECA in accordance with the bilateral agreements in force.

Key aspects of reinsurance activities in 2019

2019 was characterised by a general deterioration in the expectations of the reinsurance market with respect to the macroeconomic context due to the continuing instability connected with the penalty framework and the general slowdown of growth indicators in important sectors and economies. The general conditions, together with the high number of claims recorded in the Credit Insurance and Surety segments in 2019, have reduced the reinsurance market capacity intended for the two businesses. With respect to market participants, the M&A transactions involving the major names are continuing, resulting in the revision of strategies, operating models, underwriting guidelines and also capacities allocated to the market.

During 2019, in response to total resolved annual flow of around 15 billion euro, around 9 billion euro were ceded for reinsurance, of which: i) around 5.6 billion euro to the Ministry of Economy and Finance, ii) around 2.6 billion euro to the Reinsurance Treaty and iii) around 800 million euro to the optional private market. The proportional cession Reinsurance Treaty represents the innovative instrument of SACE's reinsurance strategy for 2019 and provides for the transfer through quota sharing of the flows resolved by SACE during the year.

3.2 Financial risks

Financial management aims to achieve the following two macro-objectives:

- preserving the value of company assets: in line with developments of the reference regulatory and financial framework, the SACE group, through a process of integrated asset & liability management, concludes a number of operational hedging transactions in order to offset the negative changes in the guarantee and loan portfolio in the event of adverse changes of risk factors;
- contributing to the achievement of corporate financial goals.

This activity confirmed that values were in line with the limits defined for each company and each type of investment.

(millions of euro) Asset Class	Financial assets measured at FVPL	Financial assets measured at FVOCI	Financial assets measured at amortised cost	Total	%
Bonds	1,870		2,197	4,067	54.6%
Units in collective investment undertakings	157			157	2.1%
Shares					
Money Market			3,219	3,219	43.3%
Total	**2,027**	**-**	**5,416**	**7,443**	**100%**

The table is gross of the positions between SACE group companies.

Portfolio composition is as follows: 54.6% bonds and other debt securities, 43.3% monetary instruments and 2.1% units in collective investment undertakings mainly invested in bonds.

With regard to the credit risk of its securities portfolio, SACE S.p.A. and its subsidiaries pursued a prudent investment policy, setting limits on the types of financial instruments that can be used, on concentration by class and on the creditworthiness of the issuer.

Breakdown of the securities portfolio by rating grades

Rating grades	%
AAA	4.9%
AA	2.1%
A	0.6%
BBB	92.1%
Other	0.3%

3.3 Legal disputes

At 31 December 2019, SACE S.p.A. was involved in 21 disputes, mainly relating to insurance commitments undertaken before 1998, plus 2 labour disputes. There are currently 52 proceedings ongoing for the recognition of the privileged nature, pursuant to Italian Legislative Decree 123/1998, of the receivables due to SACE S.p.A. within the context of insolvency proceedings for compensation disbursed (or currently being disbursed) on guarantees issued in support of companies' internalisation.

With reference to the subsidiaries, the following proceedings are ongoing: *(i)* for SIMEST S.p.A., 2 disputes as the defendant, *(ii)* for SACE BT S.p.A., 160 insurance disputes, 2 generic disputes and 3 disputes as the plaintiff (*iii*) for SACE SRV S.r.l., 1 dispute as the defendant and lastly (*iv*) for SACE Fct S.p.A., 68 disputes as the plaintiff for the recovery of receivables and 2 disputes as the defendant.

Section 4 - The risks of other entities

Terna group

In the course of its operations, the Terna group is exposed to a variety of financial risks: market risk, liquidity risk and credit risk.

In this section information is provided on the Terna group's exposure to each of the risks listed above, the aims, policies and processes for managing these risks and the methods used to measure them, also including further quantitative information on the 2019 financial statements.

The group's risk management policies seek to identify and analyse the risks to which the group companies are exposed, establish their limits and create a system to monitor them. These policies and the related systems are reviewed on a regular basis in order to take account of any changes in market conditions or in the operations of group companies.

The exposure of the Terna group to the aforementioned risks is largely represented by the exposure of the parent company.

As a part of the financial risk management policies approved by the Board of Directors, Terna has established the responsibilities and operating procedures for financial risk management, specifically with respect to the instruments to be used and the precise operating limits in managing them.

	31/12/2019			31/12/2018		
(millions of euro)	Loans carried at amortized cost	Fair value	Total	Loans carried at amortized cost	Fair value	Total
Assets						
Derivative financial instruments		45.1	45.1		1.3	1.3
Cash and equivalent and government bonds	1,057.4	513.3	1,570.7	1,328.9	402.6	1,731.5
Trade receivables	1,290.7		1,290.7	1,167.0		1,167.0
Total	**2,348.1**	**558.4**	**2,906.5**	**2,495.9**	**403.9**	**2,899.8**

(millions of euro)	31/12/2019 Loans carried at amortized cost	31/12/2019 Fair value	31/12/2019 Total	31/12/2018 Loans carried at amortized cost	31/12/2018 Fair value	31/12/2018 Total
Liabilities						
Long-term debt	9,607.2		9,607.2	9,458.2		9,458.2
Derivative financial instruments		160.4	160.4		59.2	59.2
Trade payables	2,445.2		2,445.2	2,539.6		2,539.6
Total	**12,052.4**	**160.4**	**12,212.8**	**11,997.8**	**59.2**	**12,057.0**

Financial risks

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in financial market conditions. Market risk comprises three forms of risk: exchange rate risk, interest rate risk and inflation risk.

Risk management must pursue the objective of minimising the risks in question by selecting counterparties and instruments compatible with the corporate Risk Management policy. Speculative activity is not envisaged in the corporate mission.

The Terna group intends to adopt a dynamic approach to financial risk management. This approach is characterised by risk aversion, aiming at minimising risk through continuous monitoring of financial markets in order to execute planned recourse to new debt and hedging transactions in favourable market conditions. The dynamic approach makes it possible to take action to improve existing hedges where changing market conditions or changes in the hedged item make the latter unsuitable or unduly expensive.

The fair value of instruments is determined in accordance with the fair value hierarchy envisaged under IFRS 7 (level 2) by means of appropriate valuation models for each category of financial instrument, using market data as at the end of the financial year (such as interest rates, exchange rates and volatility) and discounting projected cash flows on the basis of the market yield curve at the reporting date.

Interest rate risk

Interest rate risk is represented by the uncertainty associated with changes in interest rates. It is the risk that a change in market interest rates could have an impact on the fair value or future cash flows of financial instruments.

In conducting its operations, the group is exposed to the risk of fluctuations in interest rates. Its main source of interest rate risk derives from items of net financial debt and the associated hedging positions in derivatives, which generate financial expenses. Terna's borrowing strategy focused on debt instruments with long-term maturities reflecting the useful life of the company's assets. It also pursued an interest rate risk hedging policy that aimed to cover at least 40% of fixed-rate debt, as established in the company's policies. At the end of 2019, the fixed-rate group debt was 81%.

As at 31 December 2019, interest rate derivatives are fair value hedge derivatives and cash flow hedge derivatives, used to hedge the risk of changes in the cash flows associated with long-term loans.

The following table shows the notional amounts and fair value of the derivatives entered into by the Terna group:

(millions of euro)	31/12/2019 Notional	31/12/2019 Fair value	31/12/2018 Notional	31/12/2018 Fair value	Change (+ / -) Notional	Change (+ / -) Fair value
FVH derivatives	1,600.0	45.0			1,600.0	45.0
CFH derivatives	3,794.0	(160.4)	3,246.3	(59.2)	547.7	(101.2)

The notional amounts of CFH derivatives as at 31 December 2019, amounting to 3,773.5 million euro, are broken down as follows:
- 1,223.5 million euro (fair value equal to -12.8 million euro) maturing in 2021;
- 1,250.0 million euro (fair value equal to -71.0 million euro) maturing in 2027;
- 1,300.0 million euro (fair value equal to -75.2 million euro) maturing in 2028;
- 21.0 million euro (fair value equal to -1.4 million euro) relative to the subsidiary Difebal, maturing in 2032.

The notional amounts of FVH derivatives as at 31 December 2019, amounting to 1,600.0 million euro, are broken down as follows:
- 850.0 million euro (fair value equal to +20.3 million euro) maturing in 2027;
- 750.0 million euro (fair value equal to +24.7 million euro) maturing in 2028.

Sensitivity to interest rate risk

To manage its interest rate risk, after restructuring its derivatives portfolio, Terna has implemented a floating-to-fixed interest rate swap (CFH) to neutralise the risk inherent in expected future cash flows.

Since the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, initially and periodically verified, is high, Terna chose to apply hedge accounting in order to ensure perfect time matching between the hedge and the hedged item. The purpose of hedge accounting is to recognise simultaneously the income statement effects of the hedges and the hedged item. As a result, for CFH derivatives, the fair value changes of the derivative must be recognised in "Other comprehensive income" (immediately recognising any ineffective portion in profit or loss) and then derecognised from Equity and recognised in profit or loss in the same period in which the cash flows relating to the hedged item have an impact on income. The characteristics of the CFH derivative contracts in place mirror those of the underlying hedged items; therefore, the related cash flows shall occur at the same maturities as the interest on debt, with no impact of fair value changes on the income statement.

The following table shows: the amounts recognised in the income statement and in "Other comprehensive income" in respect of positions sensitive to changes in interest rates; the theoretical value of those positions following a positive or negative shift in the market yield curve; and the differential impact of those changes recognisable in the income statement and in "Other comprehensive income". A hypothetical 10% variation (increases and decreases) in the yield curve with respect to market interest rates at the reporting date has been assumed.

	Net income or loss			Equity		
(millions of euro)	Current rates +10%	Current values	Current rates -10%	Current rates +10%	Current values	Current rates -10%
31 December 2019						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	2.4	5.4	8.4	(98.8)	(101.2)	(103.7)
Hypothetical change	*(3.0)*		*3.0*	*2.4*		*(2.4)*
31 December 2018						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)				(48.5)	(59.2)	(69.9)
Hypothetical change				*10.7*		*(10.7)*

Inflation risk

As regards inflation rate risk, the rates established by the Regulator to remunerate Terna S.p.A.'s activities are determined so as to allow coverage of the sector's recognised costs. These cost components are updated each year to reflect the accrued impact of inflation. In 2007, the Company used an inflation-linked bond issue, thereby obtaining a partial hedge on net income for the year: any decrease in expected revenues due to a decrease in the inflation rate is partially offset by lower financial expense.

Exchange rate risk

Exchange rate risk management must be carried out with the aim of defending the company's profitability from the risks of exchange rate fluctuations through continuous market control and constant monitoring of existing exposure. To manage this risk, each time, Terna selects the financial hedging instruments with structural and duration characteristics consistent with the group's exposure to foreign currencies. The instruments used by Terna are those with limited complexity, high liquidity and ease of pricing, e.g. forward contracts and options. The group's existing contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, or the expected cash flows, so that any change in the fair value and/or estimated cash flows deriving from an appreciation or depreciation of the euro against other currencies is fully offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position.

As at 31 December 2019, the Terna's group Income Statement exposure to exchange rate risk was residual and due to the Tamini subsidiary. At 31 December 2019, this exposure is managed through foreign exchange derivatives with a notional value of 10.0 million dollars and a positive fair value of 0.1 million euro.

Liquidity risk

Liquidity risk is the risk that the Terna group might experience difficulties in discharging its obligations in respect of its financial liabilities and operational cycle. Liquidity risk management seeks to ensure adequate coverage of cash needs by obtaining adequate lines of credit and appropriately managing any surplus liquidity. As at 31 December 2019, the group had approximately 825 million euro available in short-term credit lines and 2,650 million euro in revolving credit lines.

Credit risk

Credit risk is the risk that a customer or one of the counterparties to a transaction in financial instruments could cause a financial loss by failing to discharge an obligation. It is mainly generated by the group's trade receivables and financial investments.

The credit risk originated by open positions on transactions in financial derivatives is considered to be marginal since, in compliance with financial risk management policies, the counterparties are leading international credit institutions with high ratings.

Terna essentially renders its services to counterparties considered solvent by the market and hence with a high credit standing, and avoids concentrations of credit risk.

Credit risk management is also compliant with Resolution no. 111/06 of the Italian Regulatory Authority for Energy, Networks and the Environment (Autorità di Regolazione per Energia Reti e Ambiente, ARERA), which, at Article 49, introduced instruments to limit the risks linked to the insolvency of dispatching customers, both on a preventive basis and in the event of actual insolvency. In particular, the Resolution establishes three instruments to safeguard the electricity market: a guarantee system (bank guarantees provided by individual dispatching customers, based on their turnover), the option of terminating dispatching contracts (in the event of insolvency or failure to replace enforced guarantees) and, finally, the possibility of recovering uncollected debts, after having taken all other possible collection actions, through a specific fee to be defined by ARERA where necessary.

At the end of the year, this exposure was as follows:

(millions of euro)	31/12/2019	31/12/2018	Change (+/-)
FVH derivatives	45.0		45.0
Cash and cash equivalents and other financial assets	1,057.4	1,328.9	(271.5)
Trade receivables	1,290.7	1,167.0	123.7
Total	**2,393.1**	**2,495.9**	**(102.8)**

The overall credit risk exposure as at 31 December 2019 is represented by the carrying amount of trade receivables and cash and cash equivalents.

The following tables provide qualitative disclosures on loans to customers in terms of geographical distribution and type of customer.

Geographical distribution

(millions of euro)	31/12/2019	31/12/2018
Italy	1,146.7	1,076.0
Euro area countries	27.6	19.9
Other countries	116.4	71.1
Total	**1,290.7**	**1,167.0**

Type of customer

(millions of euro)	31/12/2019	31/12/2018
Distributors	313.5	309.8
CSEA	88.9	114.0
Dispatching customers for injections	169.9	200.8
Dispatching customers for withdrawals (not distributors)	517.8	408.9
Parties which have signed virtual import contracts and virtual import services (interconnectors and shippers)	12.8	13.7
Sundry receivables	187.8	119.8
Total	**1,290.7**	**1,167.0**

Default risk and debt covenants

This risk is associated with the possibility that the loan contracts or bond rules to which the parent company is party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk.

Parent company guarantees issued in the interests of subsidiaries

The Company has issued parent company guarantees in favour of third parties as a guarantee for certain contractual obligations assumed by its subsidiaries, with the Company's maximum exposure as at 31 December 2019 totalling 759.3 million euro, which can be subdivided as follows: 135.7 million euro for Terna Interconnector S.r.l., 226.2 million euro for Terna Rete Italia S.p.A., 15 million euro for Difebal S.A., 7.1 million euro for Terna Crna Gora d.o.o., 26.8 million euro for Rete S.r.l., 41 million euro for Santa Lucia S.A., 12.3 million euro for Terna Perù SAC, 0.7 million euro for Terna Energy Solutions, 0.3 million euro for Terna Plus S.r.l.

With regard to the long-term loan entered into by the Uruguayan subsidiary, Difebal, on 14/07/2017, Terna S.p.A. signed a Sponsor Support Agreement which includes a commitment by the parent company to inject contingent equity totalling a maximum of 50 million dollars.

Bank guarantees

The amount of bank guarantees issued to third parties on behalf of the group companies as at 31 December 2019 totalled 255.5 million euro, subdivided as follows: 93.5 million euro on behalf of Terna S.p.A., 43.9 million euro on behalf of the company Terna Rete Italia S.p.A., 39.2 million euro on behalf of the company Terna Interconnector S.r.l., 42.9 million euro on behalf of the company Santa Lucia S.A., 22.6 million euro on behalf of the company Santa Maria SA, 6.2 million euro on behalf of the company Difebal S.A., 3.4 million euro on behalf of the company Rete S.r.l., 2.7 million euro on behalf of the company Terna Perù SAC, 0.7 million euro on behalf of the company Terna Energy Solutions S.r.l., 0.3 million euro on behalf of the company Avvenia The Energy Innovator S.r.l., 0.1 million euro on behalf of the company Terna Cile S.p.A. and 65.3 million euro on behalf of the company Tamini Trasformatori S.r.l.

Litigation

We describe below the main off-balance sheet commitments and risks at 31 December 2019, related to the parent company Terna, its subsidiary Terna Rete Italia S.p.A. and the Tamini group companies, as there were no significant commitments and risks for the other subsidiaries at the reporting date.

Environmental and town planning disputes

The disputes involving environmental issues linked to the construction and operation of power plants under Terna's responsibility refer, in part, to legal actions brought against the alleged adverse effects of exposure to electric and magnetic fields generated by the power lines. In general, these disputes require the parent company to be involved, as owner of the plants in question. It cannot in any case be excluded that the subsidiary Terna Rete Italia S.p.A. may also be summoned, as the electromagnetism generated by the power lines concerns not only the owner of the plant, but also its operation and the quantity/quality of the electricity in transit.

However, it should be noted that the issue of the Prime Minister's Decree of 8 July 2003, which set in practice the values of the three parameters (exposure limits, warning values and quality targets) specified by Framework Law No. 36 of 22 February 2001, with which power plants must comply, resulted in a significant decrease in the number of pending disputes in this regard. There are other pending environmental and town planning disputes involving Terna S.p.A. that are not related to electromagnetic fields, but to the operation of some plants owned by Terna. An unfavourable outcome of these disputes could have immediate effects also on Terna Rete Italia S.p.A., as agent of Terna S.p.A. both for the construction and for the operation of the plants. These effects are in any case unforeseeable at this date, and therefore were not included in the "Provision for disputes and other risks". In particular, Terna Rete Italia S.p.A. might incur costs related to the need to modify the plants involved in these disputes as well as to their temporary unavailability. Terna S.p.A. and the outside legal consultants engaged by the latter have reviewed the disputes in question and concluded that a negative outcome is unlikely.

In particular, there is a dispute pending concerning the new "Udine Ovest - Redipuglia" 380 kV line and associated works, which has been operational for two years. Should the claims filed by the Municipalities and/or private citizens be upheld, with the resulting annulment of the decree authorising the works, this could also have consequences on the running of the plant.

Disputes concerning the validity of authorisations to build and operate plants

Other disputes related to the plants owned by the Parent Company arise out of legal actions brought before the administrative courts to render null and void authorisations granted to build and operate the plants.

Disputes concerning activities granted under concession arrangements

As the holder of a transmission and dispatching concession as of 1 November 2005, the parent company is a party to a number of legal proceedings involving such activities - mostly appeals against measures of the energy networks and environment Regulator ARERA and/or the Ministry of Economic Development and/or of Terna itself. Where the appellants have alleged not only the flawed nature of the measures challenged, but also a violation by Terna of the rules set by the aforementioned Authorities, that is, in the cases in which the proceedings may have an impact on Terna, the Company has appeared in court. In the context of these disputes, even though some proceedings have ended, in first and/or in second instance, with the cancellation of the ARERA resolutions and, if applicable, of the resulting measures issued by Terna, we believe a negative outcome for the Company to be unlikely, as these usually are pass-through items.

Disputes related to supply agreements

These refer only to the Tamini group companies and are related to supply agreements executed by the Tamini group companies with their customers for the supply of transformers and/or their components.

These disputes concern also some compensation claims filed against the companies, for alleged damage caused by the machinery and/or components supplied by them.

In regard to these proceedings, at this date we cannot absolutely exclude a negative outcome for which, when it is believed likely, a special provision has been made.

Snam group

The risks identified by Snam can be subdivided into financial risks and non-financial risks. The latter are classed in the following categories:
- strategic risks;
- legal and compliance risks;
- operational risks.

Strategic risks

Regulatory and legislative risk

Snam's regulatory and legislative risk concerns the rules applicable to the gas industry. The resolutions of the Regulatory Authority for Energy, Networks and the Environment (ARERA) and National Regulatory Authority of the countries where the foreign affiliates operate, the European and Italian legislation and, more generally, changes to the reference regulatory framework may have a significant impact on Company operations, earnings and financial stability.

It is impossible to envisage the effect that future changes in legislative and tax policies might have on the business of Snam and on the industrial sector in which it operates.

Considering the specific nature of its business and the area in which Snam operates, developments in the regulatory context with regard to criteria for determining reference tariffs are particularly significant.

Macroeconomic and geopolitical risk

In view of the specific nature of its business sector, Snam is also exposed to risks linked to political, social and economic instability in natural gas supplying countries, mainly affecting the gas transport sector. Most of the natural gas transported on the Italian national transport network is imported from or transits through countries in the MENA area (Middle East and North Africa, in particular Algeria, Tunisia, Libya and, in light of TANAP-TAP, Turkey combined with the States which overlook the eastern Mediterranean) and in the former Soviet Bloc (Russian Federation, Ukraine and, in the future, Azerbaijan and Georgia). Those regions are sensitive to political, social and economic instability, which could possibly develop into future crisis scenarios.

The import of natural gas from these countries, or its transit through them, is subject to a wide range of risks, including: terrorism and general crime; changing levels of political and institutional stability; armed conflict, social-economic and ethnic-sectarian tensions; social unrest and protests; inadequate legislation on insolvency and creditor protection; ceilings placed on investments and on the import and export of goods and services; introduction of and hikes in taxes and excise duties; forced contract renegotiation; nationalisation of assets; changes in commercial policies and monetary restrictions.

If a Shipper that operates the transport service through Snam's networks is unable to complete the supply or transport of natural gas from or through these countries due to the occurrence of the aforesaid adverse conditions, or is affected by said adverse conditions, to an extent that causes or worsens the inability to fulfil its contractual obligations towards Snam, this may produce adverse impacts on the business and on the performance and financial position of the Snam group.

Commodity risk connected with gas price changes

As concerns the risk of changes in the price of natural gas, under the current regulatory framework, the fluctuation in the price of natural gas to hedge gas for self-consumption and network leaks does not represent a significant risk factor for Snam because all the gas for technical activities is supplied in kind by the Shippers. Similar risk hedging is ensured by the regulations of the countries where the foreign affiliates operate or by the related transport contracts. However, as concerns transport, starting from the third regulatory period 2010-2013, the Regulatory Authority for Energy, Networks and the Environment (ARERA) laid down the methods for payment in kind by service users to the major transmission operators of gas quantities to cover unaccounted-for gas (UFG) due as a percentage of the inputs and outputs from the gas transmission network. Specifically, in the Resolution (514/2013/R/gas), the ARERA established the allowed level of UFG taking into account the mean value recorded over the past two years, and has decided to keep such value fixed for the entire regulatory period in order to encourage the main gas transmission system operator to achieve further efficiency gains. Indeed, no extra tariffs would be paid for amounts of UFG in excess of the level allowed for the reference regulatory period. This criterion was subsequently confirmed also for the years 2018 and 2019 of the transitional tariff period.

With resolution no. 114/2019/R/gas, as part of the process of review of the criteria for the determination of the recognised revenue of the natural gas transport and measurement service for the fifth settlement period (2020-2023), the criteria to recognise the UFG have also been defined. Based on these criteria, from the year 2020 onwards, the quantities of gas for self-consumption, network leaks and UFG will be paid by cash instead of the recognition in kind by Shippers. However, the change in the price of natural gas will not continue to be a significant risk factor for Snam, since a mechanism will be put in place to cover the risk associated with the differences between the price set for gas volumes for self-consumption, network leaks and UFG and the actual supply price. With regard to the quantities recognised, the above-mentioned decision confirmed the current criterion regarding gas for self-consumption and leaks, while for the UFG the admitted level will be updated annually and will be equal to the average of the quantities actually recorded in the last four years available.

In view of the above-mentioned mechanisms for the payment of UFG, uncertainty persists, with reference to the transitional period ended 31 December 2019, about possible quantities of UFG recorded in excess of the quantities recognised. In this regard, please note that, as part of the dialogue established with ARERA, in 2019 ARERA recognised the increased costs incurred in 2018. In general, the changes in the current regulatory framework on the recognition of quantities of natural gas covering self-consumption, network leaks and UFG might have an adverse impact on the Snam group's business, financial position and results.

Market risk

Lastly, as to the risk linked to gas demand, under the current tariff system applied by the ARERA to natural gas transport, Snam's revenues, through its directly controlled transport subsidiaries, are partly correlated to volumes transported. However, ARERA has introduced a guarantee mechanism covering the share of revenues correlated with volumes transported. This mechanism reconciles higher or lower revenues exceeding ± 4% of the reference revenue correlated with volumes transported. This mechanism guarantees about 99.5% of the authorised overall revenues from transmission activities. This mechanism is confirmed, with resolution 114/2019/R/gas, also for the fifth regulatory period.

Under the current tariff system applied by ARERA to natural gas storage, Snam's revenues, through Stogit, are correlated to the use of infrastructure. However, ARERA has introduced a guarantee mechanism covering these revenues, which allows companies to cover a main share of the authorised revenues. Until the fourth regulatory period (2015-2019), the minimum guaranteed level of recognised revenue was approximately 97%, while for the fifth regulatory period (2020-2025) Resolution 419/2019/R/gas extended the level of guarantee to all recognised revenue (100%). The same resolution also introduced an enhanced incentive mechanism against a reduction in the portion of recognised revenue subject to a hedging factor. This mechanism will be defined by ARERA itself with subsequent measures.

Finally, with reference to the tariff regulatory criteria for the LNG regasification service for the fifth regulatory period (2020-2023), resolution 474/2019/R/gas confirmed the mechanism to cover reference revenue at a guaranteed minimum level of 64%.

In general, the changes in the current regulatory framework might have adverse impacts on the Snam group's business, financial position and results.

Abroad, protection against market risk is offered by French (Teréga) and Greek (Desfa) regulations, long-term TAP agreements and Austria (different deadlines for TAG and Gas Connect starting from 2023). In Austria and the United Kingdom (Interconnector UK) the regulations do not guarantee the hedging of the volume risk.

Climate change risk

In the future, to maintain compliance with the rules on greenhouse gases and the new European and international medium/long-term energy-climate policies, Snam might be required to upgrade its plants and to control or restrict its greenhouse gas emissions or take other steps which might increase its regulatory compliance costs and hence affect negatively the Snam group's business, financial position and results.

The risks associated with the emissions market fall within the scope of the European Union directives on trading carbon dioxide emission permits and the rules for controlling emissions of certain atmospheric pollutants. With the start of the third regulatory period (2013-2020) of the European Emissions Trading System (EU - ETS), the main objective of updating the sector's legislation concerned the authorisations to emit greenhouse gas and a steady reduction in free emission allowances. The allowances are allocated to each plant with progressively decreasing, and no longer constant grants, and also depend on the actual operation of the plants. The allowances granted free of charge to the Snam group's plants are no longer sufficient to comply with regulatory compliance obligations relating to ETS mechanisms and, as a result, Snam obtains the missing allowances from the market. The ongoing further development of European legislation could lead to identifying new ways of managing the necessary allowances.

With resolution 114/209/R/gas of 28 March 2019, ARERA defined the regulatory criteria for the fifth regulatory period (2020-2023) of the natural gas transport and measurement service, including — among other things — the recognition of the costs relating to the Emission Trading System (ETS). With resolutions 419/2019/R/gas and 474/2019/R/gas, the recognition of the costs relating to the ETS mechanism was introduced also for the storage services (regulatory period 2020-2025) and for the regasification service (2020-2023).

Climate change scenarios could also lead to a change in the choice of the energy mixes of the various European countries and in consumer behaviour, with resulting impacts on the demand for natural gas and on volumes transported, as well as effects on the development of alternative uses for gas, encouraging a greater penetration of renewable gas (biomethane, synthetic methane and hydrogen) and on the promotion of new business.

Climate change could also increase the severity of extreme weather conditions (flooding, drought, extreme temperature fluctuations), thus deteriorating the natural and hydro-geological conditions of the territory, with possible impacts on both the quality and continuity of the service supplied by Snam and on the demand for gas at national and European level. With reference to the effects of the change in gas demand on the financial position and results of the Snam group, see the previous paragraph "Market risk".

In relation to the new climate agreements in force at global level (including the "Paris Agreement" adopted as part of the 2015 Climate Conference (COP21) whereby Governments agreed to maintain the average increase in global temperature well below 2°C compared to preindustrial levels as a long-term objective) aimed to encourage the transition to a more sustainable economy that favours zero-emission energy sources, there may be a regulatory and legislative risk related to the possible implementation of increasingly stringent regulations at European and national level, which may also have an impact on the development and related financing of energy infrastructure worldwide.

Legal and compliance risk

Legal and compliance risk concerns the failure to comply, in full or in part, with laws and regulations at European, national, regional and local level with which Snam must comply in relation to the activities it performs. The violation of such laws and regulations may result in criminal, civil, tax and/or administrative penalties, as well as damage to its financial position, results and/or reputation.

Specific cases, including infringements of workers' health and safety, environmental protection or anti-corruption rules may also entail substantial fines for the Company based on the administrative liability of entities (Legislative Decree no. 231 of 8 June 2001). With regard to the Risk of Fraud and Corruption, it is a top priority for Snam to conduct its business fairly and transparently and to reject all forms of corruption as part of its commitment to the respect of ethical principles. Snam's management is fully engaged in implementing an anti-corruption policy: they strive to identify potential weaknesses and to eliminate them, strengthening their control and working constantly to raise all workers' awareness of how to identify and prevent corruption in all business contexts.

Reputational Check, as well as acceptance and signing of the Ethical Integrity Agreement are the pillars of the set of controls designed to prevent the risks associated with illegal conduct and criminal infiltration of our suppliers and subcontractors, with the aim of ensuring transparent relationships and professional morality requirements in the entire chain of companies and for the duration of the relationship.

Since 2014, Snam has collaborated with Transparency International Italia and has joined the Business Integrity Forum (BIF). In addition, in 2016, it was the first Italian company to become a member of the "Global Corporate Supporter Partnership".

As part of this cooperation, in October 2018 Snam renewed its partnership with Transparency International, Secretariat General of Berlin, during the 18th International Anti-Corruption Conference of Transparency International held in Copenhagen. On this occasion, Snam took part in a reserved round table which included, for the first time, the participation of 4 companies from the private sector, including Snam as the only Italian company.

During 2019, Snam further strengthened its cooperation with other leading organisations active in fighting against corruption. In particular, in October Snam also joined the Partnering Against Corruption Initiative (PACI) of the World Economic Forum, which aims to bring together the main Compliance & Anticorruption Officers of some of the most important companies in the world at least twice a year, to share and strengthen best practices and preventive controls; in November, it was included in the "Integrity & Compliance Taskforce" of the B20 Saudi Presidency, whose works began in January 2020 with an "inception event" and will continue for the entire year, until the Summit in October, where the results of the work and proposals to be brought to the G20 will be presented.

In addition to the new collaborations, during 2019 Snam also participated in a series of events dedicated to the subjects of transparency, integrity, business ethics, best practices and sound governance to prevent corruption. Among the most significant events Snam participated in during 2019, worth mentioning are those held at the OECD, i.e. the Global Anti-Corruption & Integrity Forum in March on "Tech for Trust: risks and opportunities of new technologies for anti-corruption & integrity", the Trust in Business Forum and the Working Party on State Ownership and Privatisation Practices in October. Finally, Snam also took part in the Working Group on Bribery in December 2019, an annual consultation that was preceded by a restricted meeting of the members of the Permanent representation of business at the OECD (BIAC). Furthermore, in October, Snam's General Counsel was also appointed as Vice-president of BIAC's Anti-corruption Committee, a tremendous recognition, which will see Snam - the only Italian company in the BIAC's Leadership - even more committed and involved in the OECD's activities on integrity and anti-corruption issues.

Finally, in December Snam took part in the Italian Business Integrity Day — an initiative sponsored by the Anti-Corruption Coordination of the Ministry of Foreign Affairs - held at the 8th Conference of the States Parties to the United Nations Convention against Corruption in Abu Dhabi. On that occasion, Snam intervened to describe the challenges it faces daily in the anti-corruption field and the best practices implemented to manage the different complexities. In this context, Snam also participated in the round table "Private sector as a Partner in Anti-Corruption Education" organised by the United Nations Office on Drugs and Crime, where it illustrated its experience and commitment also in the field of training, aimed not only at its own people but also at the outside world.

Operational risks

Ownership of gas storage concessions

For Snam, the risk connected with keeping storage concessions stems from the business operated by its subsidiary Stogit, on the basis of concessions awarded by the Ministry of Economic Development. Eight of the ten concessions (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala) expired on 31 December 2016 and may be extended not more than twice for ten years each time. With regard to those concessions, Stogit submitted, within the legal time limits, application for their renewal to the Ministry of Economic Development; the procedure is currently pending at the Ministry. Pending this procedure, the Company, as provided for by the reference standards, will continue to operate under the old concessions, whose expiry is automatically extended for the purpose until completion of the renewal process. A concession (Fiume Trieste) will expire in June 2022 and has already been subject to a ten-year extension in 2011 and, finally, a concession (Bordolano) will expire in November 2031 and may be extended for another ten years[49]. As a result of the 2011 appeals filed by Municipalities of Azzanello, Verolavecchia and another seven entities also representing environmental associations, the Council of State, with an opinion incorporated into the Presidential Decree of 16 September 2019, cancelled the environmental impact assessment for the Bordolano storage facility. With regard to the risk of continuing to operate storage activities in Bordolano, it should be noted that: (i) the decision of the Council of State is without prejudice to the provisions contained in the VIA (Environmental Impact Assessment) Decree of 2009 and, with reference to the subsequent measures taken on the basis of illegitimacy, it confirmed the ongoing validity of the provisions contained therein, in order to protect public safety and security; (ii) according to art. 29 paragraph 3 of the consolidated environment act, in case of cancelling VIA measures in a court of law relating a project already carried out, the competent authority may allow the works or activities to continue. The Ministry of Economic Development, with note U.0025890 of 22 November 2019, issued an order pursuant to art. 29, paragraph 3 of Legislative Decree 152/2006 concerning the continuation of activities for the Bordolano storage facility. With note of the Ministry of the Environment DVA - U.28389 of 29 October 2019, the VIA procedure was reopened with the participation of the Municipalities of Azzanello and Verolavecchia; the procedure is in progress and is followed by Stogit.

If Snam is unable to retain ownership of one or more of its concessions or if, at the time of renewal, concessions are awarded under terms less favourable than current ones, the Company may experience negative effects on its business, financial position and results.

Failures and unforeseen interruption of the service

The risk of service malfunction and sudden outages is due to unforeseeable events, such as accidents, breakdowns or malfunctioning of equipment or control systems, lower plant yield and extraordinary events such as explosions, fires, landslides or other similar events that fall outside Snam's control. Such events may cause a drop in revenues as well as result in significant damage to persons, with possible compensation obligations. Although Snam has taken out specific insurance policies to cover some of these risks, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

Delays in infrastructure work progress

Moreover, Snam may incur delays in infrastructure work progress due to the many unknown factors linked to operational, financial, regulatory, authorisation and competition aspects over which it has no control. Snam is therefore unable to guarantee that planned works to expand and improve the network are effectively undertaken or, if undertaken, are effectively completed or able to achieve the benefits envisaged by the tariff system. Furthermore, development projects may involve higher levels of investment or longer timeframes than initially estimated, thus affecting Snam's financial position and performance.

Investment projects could be stalled or delayed due to difficulties in obtaining environmental and/or administrative authorisations or due to objections raised by political forces or other organisations, or could be affected by changes in the price of equipment, material and labour, or by political and regulatory changes during construction, or by the inability to obtain financing at acceptable interest rates. Such delays might have adverse impacts on the Snam group's business, financial position and results. In addition, changes in the price of commodities, equipment, material and labour could affect Snam's financial results.

49 Stogit's concessions issued prior to the entry into force of Legislative Decree 164/2000 can be extended by the Ministry of Economic Development no more than twice for a period of ten years each, pursuant to art. 1, paragraph 61, of Law no. 239/2004. Pursuant to art. 34, paragraph 18, of Decree Law no. 179/2012, converted by law 221/2012, the duration of Stogit's only concession issued after the entry into force of Legislative Decree 164/2000 (Bordolano) is thirty years with the possibility of extension for a further ten years.

Environmental risks

Snam and the sites where it operates are subject to laws and regulations covering pollution, environmental protection, and the use and disposal of hazardous substances and waste. These laws and regulations expose Snam to contingent costs and liability connected with operation and its assets. The costs linked to potential environmental remediation obligations are subject to uncertainty in terms of the extent of the contamination, the appropriate corrective actions and the share of responsibility. They are therefore difficult to estimate.

Snam cannot predict whether and how environmental regulations and laws may become more binding over time, nor can it provide assurance that future costs of ensuring compliance with environmental legislation will not increase or that these costs may be recoverable within the applicable tariff mechanisms or regulation. Substantial increases in costs related to environmental compliance and other associated aspects and the costs of possible sanctions could negatively impact the business, operating results and financial and reputational aspects.

Employees and personnel in key roles

Snam's ability to run its business efficiently is dependent on the skills and performance of its personnel. The loss of "key" personnel or the inability to attract, train and retain skilled personnel (especially in technical positions for which there may be limited availability of appropriately skilled personnel), or situations where the ability to implement a long-term business strategy is negatively affected by significant disputes with employees, could have an adverse impact on the business, the financial situation and the operating results.

Risks linked to foreign equity investments

Snam's foreign investee companies may be subject to regulatory/legislative risk, political, social and economic instability risk, market risk, cyber security risk, credit and financial risks and all other risks typically affecting Snam's business in the natural gas transport and storage sector. These risks could therefore have an adverse impact on their business, financial position and performance. This could have a negative impact on the investees' contribution to Snam's net income.

Risks linked to future acquisitions/equity investments

Investments made under joint-venture agreements and any future investments in Italian or foreign companies could increase the complexity of the Snam group's operations insofar as it cannot be guaranteed that these investments will generate the expected profitability as part of the acquisition or investment decision and will integrate effectively with the group's other operations in terms of consistency with quality standards, policies and procedures. The integration process may involve additional outflows and investments. Lack of integration of the investment could have negative impacts on business, operating results and financial performance.

Cyber security

Snam adopts a complex technological structure to conduct its business, relying on an integrated model of processes and solutions able to ensure the efficient management of the gas system nationwide. However, the development of the business and the use of innovative solutions to achieve continual improvement do require an increasing level of focus on cyber security. Snam has therefore developed its own cyber security strategy based on a framework defined in accordance with the prevailing cyber security standards and with constant focus on regulatory developments at national and EU level, especially with regard to critical infrastructure and essential services. This strategy primarily requires that processes be adjusted to the provisions of ISO/IEC 27001 (Information Security Management Systems) and ISO22301 (Business Continuity Management Systems) and the formal certification of compliance of part of them with the listed standards. At the same time and according to technological evolution, solutions are assessed and, where appropriate, implemented to protect the company from the most widespread cyber threats and modern threatening agents.

Specifically, Snam has defined a cyber security incident management model aimed at preventing events capable of damaging the confidentiality, integrity and availability of the information processed and the IT systems used, as well as implementing timely remediation actions, where required. Based on activity, there is a Security Incident Response Team that, by adopting technology that collects and correlates all the security events recorded on the entire perimeter of the company's IT infrastructure, has the task of monitoring all anomalous situations from which negative impacts for the company may arise, and to activating, where necessary, escalation plans that are suitable to ensure the involvement of the various operating structures.

With reference to managing information supporting business processes, it should be noted that the company owns the asset (fibre) used for data transmission to and from the territory; this results in greater intrinsic security thanks to its non-dependence on the service provided by third parties and the possibility of exclusively using the communication channel. Finally, within the context of cyber incident management activities (preventive and reactive), info-sharing logic is also used with national and European institutions and peers in order to improve the response time and capacity in respect of various possible negative events. Considerable attention is also paid to raising awareness and training specialist staff, to make it easier to identify weak signs and make everyone as aware as possible of the cyber risks that can occur during normal work activities.

Risks

Risks for third-party assets held, amounting to 2,111 million euro (2,609 million euro as at 31 December 2018), refer to around 9 billion cubic metres of natural gas held at storage facilities by the beneficiaries of the service. This amount was determined by measuring the quantities of stored gas at the presumed unitary repurchase cost[50], amounting to around 0.23 euro per normal cubic metre (0.32 euro per normal cubic metre at 31 December 2018).

Risks associated with compensation and claims (38 million euro) refer to compensation potentially payable but not probable in relation to ongoing disputes with low probability of verification of the related business risk.

Financial risk management

Within the framework of corporate risks, the main financial risks identified, monitored, and, as specified below, managed by Snam, are as follows:
- risk arising from exposure to fluctuations in interest rates and exchange rates;
- credit risk arising from the possibility of default by a counterparty;
- liquidity risk arising from a lack of financial resources to meet short-term commitments;
- rating risk;
- default risk and debt covenants.

Below, a description is provided of Snam's policies and principles for the management and control of financial risks. In accordance with the information required under IFRS 7 "Financial instruments: disclosures", the nature and extent of the risks arising from financial instruments are also illustrated.

Interest rate risk

Interest rate risk relates to fluctuations in interest rates, which may affect the market value of the company's financial assets and liabilities and the level of net financial charges.

Snam's objective is to optimise interest rate risk whilst pursuing the objectives set out in its Financial Plan.

The Snam group has adopted a centralised organisational model. Under this model, Snam's business units cover their financial requirements through recourse to the financial markets and use funds in line with the approved objectives, ensuring that the risk profile is kept within set limits.

As at 31 December 2019, the Snam group used external financial resources through bond issues and bilateral and syndicated loan agreements with banks and other financial institutions, in the form of medium- and long-term loans and credit facilities at interest rates indexed to benchmark market rates — in particular the Europe Interbank Offered Rate (Euribor) — or at fixed rates.

As at 31 December 2019, exposure to interest rate risk amounted to approximately 24% of the Snam group's total exposure (22% at 31 December 2018). As at 31 December 2019, Snam had Interest Rate Swaps (IRSs), for an overall value of 1,660 million euro, hedging the entire notional value on three floating-rate bonds totalling 1 billion euro, with maturities in 2020, 2022 and 2024, and on floating-rate bilateral loans totalling 660 million euro, with maturities in 2021, 2023 and 2028.

The IRS derivative contracts are used to convert the floating-rate loans into fixed-rate loans.

In addition, at 31 December 2019, Snam had IRS Forward Starting derivative contracts for an aggregate notional value of 500 million euro, with a medium-/long-term tenor, to cover highly likely prospective financial liabilities that will be assumed until 2021 to cover financial requirements.

50 Value calculated on the basis of the CCI price, i.e. the wholesale price, set quarterly by the ARERA.

Information is provided below on the impacts on equity and net income (loss) for the financial year as at 31 December 2019 of a hypothetical positive and negative change of 10 basis points (bps) in the interest rates applied during the financial year:

	31/12/2019			
	Income (loss) for the period		Equity	
(millions of euro)	Interest +10 bps	Interest -10 bps	Interest +10 bps	Interest -10 bps
Floating-rate loans				
Effect of the change in interest rate	(5)	5		
Floating-rate loans converted into fixed-rate loans through IRS				
Effect of the change in interest rate on the fair value of hedging derivatives pursuant to IAS 39 - effective portion (*)			7	(7)
Effect on the pre-tax result	**(5)**	**5**	**7**	**(7)**
Tax effect	1	(1)	(2)	2
Total	**(4)**	**4**	**5**	**(5)**

(*) The change in interest rate has no impact on the income statement. Therefore, the change in the fair value of hedging derivatives resulting from the inter-est rate decrease affects only equity.

While the Snam group has put in place a proactive risk management policy, the rise in interest rates relating to floating-rate debt not hedged against interest rate risk might have adverse impacts on the Snam group's business and balance sheet and cash flow situation.

Exchange rate risk

Snam's exposure to the exchange rate risk pertains to both transaction risk and translation risk related to exchange rates. Transaction risk arises from the conversion of trade or financial receivables (payables) into currencies other than the functional one and is due to the impact of adverse exchange rate fluctuations in the time interval between entering into and settling the transaction.

Translation risk consists in the fluctuation of the exchange rates of currencies other than the consolidation currency (Euro), which may result in changes in consolidated equity. Snam's Risk Management objective is that of minimising the transaction risk, also through derivative financial instruments. A negative impact on the business, financial position and results of the Snam group caused by significant future changes in exchange rates cannot be ruled out, regardless of the risk hedging policies implemented by Snam to cover exchange rate fluctuations using the financial instruments available on the market.

Snam's equity investment in the associate Interconnector UK is exposed to the EUR/GBP exchange rate risk. However, Snam believes that such risk is limited given the historically low volatility of the EUR/GBP exchange rate, even considering the increased fluctuation following the Brexit referendum. Snam's equity investment in the associate TAP is exposed to a EUR/CHF exchange rate risk on the equity cash calls based on the shareholders' contractual commitments towards the company, but these are limited in amount following the positive conclusion of the Project Financing. Moreover, such risk has been adequately hedged with derivatives (e.g. forward contracts).

Credit risk

Credit risk is the company's exposure to potential losses arising from a counterparty defaulting on its obligations. The non-payment or delayed payment of any amounts due may negatively impact Snam's performance and financial balance. With respect to the risk of counterparty default in commercial agreements, credit management is the responsibility of Snam's business units and of its centralised functions in charge of debt collection and dispute management. Snam provides its business services to approximately 200 gas sector operators. The top 10 operators account for about 70% of the whole market (Eni, Edison and Enel Global Trading hold the top three positions in the ranking). The rules governing the customers' access to the services offered are established by the Authority and are provided for in the Network Codes, which set out, for each type of service, the duties and responsibilities of the parties selling and providing the services, as well as the contractual clauses that significantly reduce the risk of non-compliance by customers. The Codes provide for the issue of guarantees covering the obligations undertaken. In specific cases, the issue of said guarantees can be mitigated when the customer has a credit rating issued by a major international rating agency. The regulatory framework also provides for specific clauses to guarantee the neutrality of the Balancing activity operator, a role held by Snam Rete Gas as a major transmission service operator since 1 December 2011. More specifically, the current balancing rules require that, on a cost-effective basis, Snam focuses primarily on purchases and sales on the GME balancing platform to guarantee the resources needed for safe and efficient transport of gas from the feed points to the draw points, to ensure the constant balance of the network. These rules also call for Snam to meet its residual needs by drawing on Users' stocking resources to cover system imbalances and their economic settlement.

The maximum exposure to credit risk for Snam at 31 December 2019 is the carrying amount of the financial assets.

The receivables past-due and not written down at 31 December 2019 amount to 132 million euro (117 million euro at 31 December 2018) and mainly refer to the storage sector (77 million euro), primarily linked to VAT invoiced to users for the use of strategic gas unduly drawn during 2010 and 2011.

About 39% of trade receivables (55% at 31 December 2018) refers to highly reliable customers, such as Eni, which represents 16% of the total trade receivables (22% at 31 December 2018).

However, it cannot be ruled out that Snam may incur liabilities and/or losses due to the non-fulfilment of payment obligations on the part of its customers, also taking into account the current economic and financial environment, which makes credit collection activity more complex and critical. The maximum exposure to credit risk for Snam at 31 December 2019 is the carrying amount of the financial assets shown in the financial statements.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company may be unable to fulfil its payment commitments, resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk.

Snam's Risk Management goal is to implement, in its financial plan, a financial structure that, in line with business objectives, guarantees an adequate level of liquidity for the Snam group, minimising opportunity cost and maintaining an optimal profile in terms of debt maturity and composition.

As highlighted in the paragraph "Interest rate risk", the Company has accessed a large range of funding sources through the credit system and the capital markets (bilateral contracts, syndicated loans by major national and international banks, loan agreements funded by the European Investment Bank - EIB, bonds and Commercial Papers).

Snam's objective is to maintain a balanced debt structure, in terms of subdivision into bonds and bank loans and in terms of availability of committed bank loan facilities, in line with Snam's business profile and regulatory framework.

As at 31 December 2019, Snam had unused long-term committed credit facilities totalling approximately 3.2 billion euro. Moreover, at the same date Snam had a Euro Medium Term Notes (EMTN) programme for an overall maximum nominal value of 11 billion euro, used for approximately 8.7 billion euro[51], as well as a Euro Commercial Paper (ECP) Programme for an overall maximum nominal value of 2 billion euro, fully used at 31 December 2019.

Cash and cash equivalents of Snam mainly refer to short-term investment of liquidity with a bank of high credit standing, repayable in less than three months, and bank deposits.

Although the Snam group enters into transactions with diversified counterparties of high credit standing based on a risk management policy and the constant monitoring of their credit risk, the default by any counterparty or the difficulty of liquidating assets on the market may have adverse impacts on the Snam group's business and financial position and performance.

51 Note that the convertible bond issued in March 2017 for the amount of 400 million euro is not part of the EMTN programme.

Rating risk

As regards the rating risk, Snam's long-term rating is: (i) Baa2 with stable outlook, confirmed on 27 September 2019 by Moody's Investors Services; (ii) BBB+ with negative outlook, confirmed on 17 January 2020 by Standard & Poor's Global Rating ("S&P"); (iii) BBB+ with stable outlook, confirmed on 19 December 2019 by Fitch Ratings ("Fitch"). Snam's long-term rating by Moody's, S&P's and Fitch is one notch above that of the Italian Republic. Based on the methodology adopted by Moody's and S&P, the downgrade by one notch of the Italian Republic's current rating would trigger a likely equivalent downgrade of Snam's current rating.

Snam's short-term rating - used in the context of its Commercial Paper programme - is P-2 for Moody's, A-2 for S&P and F2 for Fitch.

A downgrade in the Snam group's rating might limit its access to the capital market and raise the cost of funding and/or refinancing of current debt, hence negatively affecting the Snam group's business, financial position and results.

Default risk and debt covenants

The risk of default consists in the possibility that under certain conditions the lender might invoke contractual clauses allowing it to demand early loan repayment, thereby generating a potential liquidity risk.

As at 31 December 2019, Snam had unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions, except for some bank borrowings (amounting to 25.9 million euro) relating to two subsidiaries entering the scope of consolidation in November 2019[52].

Some of these agreements include, *inter alia*, certain commitments commonly applied in international practice, some of which are subject to specific threshold values, such as, for instance (i) negative pledge commitments under which Snam and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change of control clauses; (iii) limitations on certain non-recurring transactions that the Company and its subsidiaries may carry out; and (iv) limitations on subsidiary debt.

As at 31 December 2019, the bonds issued by Snam are subject to covenants typically used in international practice including, *inter alia*, negative pledge and *pari passu* clauses.

Failure to comply with these covenants or the occurrence of other events, e.g. cross-default events, may result in Snam's failure to comply and could trigger the early repayment of the relevant loan.

For EIB loans only, the lender is entitled to request further guarantees if Snam's rating falls below BBB (Standard & Poor's/Fitch) or Baa2 (Moody's) with at least two of the three rating agencies.

Occurrence of one or more of the above scenarios might have adverse impacts on the Snam group's business, financial position and results, generating additional costs and/or liquidity problems. These commitments do not include covenants requiring compliance with economic and/or financial ratios.

Litigation and other proceedings

Snam is a party to civil, administrative and criminal proceedings and is involved in lawsuits linked to the normal conduct of its operations. On the basis of the information presently available and in light of the existing risks, Snam believes that those proceedings and lawsuits will not produce significant adverse impacts.

52 These loans were repaid in January 2020.

Italgas group

The main risks subject to analysis and monitoring by the Italgas group are detailed below.

Financial risks

Interest rate risk

Interest rate fluctuations affect the market value of the company's financial assets and liabilities and the level of net financial charges. The Italgas group has adopted a centralised organisational model. In accordance with this model, Italgas' various departments access the financial markets and use funds to cover financial requirements, in compliance with approved objectives, ensuring that the risk profile is contained within set limits. Any increase in interest rates not included wholly or partly in the regulatory WACC could have negative effects on the business, financial position and results of the Italgas group for the variable component of the outstanding debt and for future loans. Italgas' aim is to maintain a fixed-to-floating rate debt ratio that minimises the risk of a rise in interest rates. At 31 December 2019, 12.2% of the financial debt was carried at a floating rate and 87.8% was carried at a fixed rate.

At the same date, the Italgas group was using external financial resources in the following forms: bond issues subscribed by institutional investors, syndicated loans with banks and other financial institutions, in the form of medium- to long-term loans, and, lastly, bank credit lines indexed to benchmark market rates, in particular the Europe Interbank Offered Rate (Euribor). Fixed-rate financial liabilities were equal to 4,103.6 million euro and included bond issues (3,354.3 million euro) and three EIB loans: the first with 2037 maturity (359.8 million euro), converted to a fixed-rate loan in January 2018 through an interest rate swap, with 2024 maturity; the second with 2032 maturity (299.8 million euro) converted to a fixed-rate loan in July 2019 through an interest rate swap, with 2029 maturity; and the third (89.8 million euro) relating to the EIB loan of Toscana Energia, with a fixed rate of 1.049% and 2031 maturity. Floating-rate liabilities amounted to 567.9 million euro, up by 18.1 million euro due to the greater use of bank credit lines, partly offset by the new derivative on the EIB loan. As at 31 December 2019, Italgas had unused committed credit facilities totalling 500 million euro.

At 31 December 2019 there were no loan agreements containing financial covenants and/or secured by collateral, except for the EIB loan taken out by Toscana Energia which requires compliance with particular financial covenants. Some of these contracts provide, *inter alia*, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; and (iii) limitations on certain non-recurring transactions that the company and its subsidiaries may carry out.

Credit risk

Credit risk is the exposure to potential losses arising from a counterparty defaulting on its obligations. Default or delayed payment of receivables may have a negative impact on the revenue and financial situation of Italgas. The rules governing customers' access to the services offered are established by ARERA and are provided for in Network Codes, i.e. in documents that set out, for each type of service, the rules that govern the rights and obligations of the parties providing the services and specify the contractual clauses that reduce the risk of non-compliance by customers, such as the issue of demand bank or insurance guarantees. As at 31 December 2019, no significant credit risks had been identified. On average, 95% of trade receivables related to gas distribution are paid on time, and over 99% within the following 4 days, confirming the absolute reliability of its customers. The portion of receivables from other activities is not deemed significant for the Company. It cannot be ruled out, however, that Italgas could incur liabilities and/or losses due to its customers' failure to discharge their payment obligations.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company may be unable to fulfil its payment commitments, resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk.

Italgas had signed credit facility agreements in excess of its financing needs at 31 December 2019. These credit facilities (500 million euro) may be used to meet any potential liquidity needs, where required, if the actual financial requirement is higher than estimated. Moreover, at the same date, in addition to and complementing the use of bank credit, the Euro Medium Term Notes (EMTN) programme approved by the Italgas Board of Directors on 23 September 2019 allows the issue of another 1,650 million euro to be placed with institutional investors.

The financial objective of Italgas is to set up a financial structure that, consistently with its business goals, will guarantee an adequate level for the group in terms of duration and composition of the debt. That financial structure will be realised by monitoring certain key indicators, such as the ratio between debt and RAB, the ratio between short-term and medium-/long-term debt, the ratio between fixed-rate and floating-rate debt, and the ratio between firm commitment bank credit and used bank credit.

Rating risk

On 2 August 2019 and 26 September 2019, the rating agencies Fitch and Moody's confirmed their rating assigned to Italgas S.p.A. respectively at BBB+ with stable outlook and Baa2 with stable outlook, for the long-term debt of the company. Based on the methodologies adopted by the rating agencies, a downgrade by one notch of the Italian Republic's current rating could trigger a downgrade in Italgas' current rating.

Default risk and debt covenants

At 31 December 2019 there were no loan agreements containing financial covenants and/or secured by collateral, except for the EIB loan taken out by Toscana Energia which requires compliance with particular financial covenants. Some of these contracts provide, *inter alia*, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; and (iii) limitations on certain non-recurring transactions that the company and its subsidiaries may carry out. At 31 December 2019, these commitments had been met.

The bonds issued by Italgas as at 31 December 2019 as part of the Euro Medium Term Notes programme provided for compliance with covenants that reflect international market practices regarding, *inter alia*, negative pledge and *pari passu* clauses.

The failure to meet the commitments accompanying these loans, and in certain cases only when that default is not remedied by the stipulated deadlines, and the occurrence of other events such as, for example, cross-default events, some of which are subject to specific materiality thresholds, result in defaults by Italgas and could cause the related loan to become immediately due.

As concerns EIB financing, the contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, this must be notified to the EIB, leading to a consultation period after which the EIB may demand early repayment of the loans.

Fincantieri group

Financial risk management

The key financial risks to which the Fincantieri group is exposed are credit risk, liquidity risk and market risk (particularly, exchange rate, interest rate and commodity risk).

The management of the aforementioned risks is co-ordinated by Fincantieri, which assesses the implementation of suitable hedges in liaison with its Operating Units.

Credit risk

The Fincantieri group's receivables consist largely of receivables from private ship operators for work in progress, from the Italian Government for receivable grants and supplies to Italian military units, and from the US Navy and the US Coast Guard for work in progress.

With specific reference to trade receivables from private ship operators, the Fincantieri group constantly monitors the counterparties' credit rating, exposure and payment timeliness. Note that in the cruise sector ships are delivered only against payment of the balance of the price.

The tables below show receivables by risk class and nominal value at 31 December 2019 and 2018, without considering any impairment for estimated losses.

	31/12/2019					
		Past due				
(thousands of euro)	Not yet due	0–1 month	1–4 months	4–12 months	Beyond 1 year	Total
Trade receivables:						
– from public entities	5,300	697	264	1,669	27,090	35,020
– indirectly from public entities (*)	259	11	13,575	263	314	14,422
– from private customers	358,706	23,583	29,271	12,056	69,087	492,703
Total trade receivables	**364,265**	**24,291**	**43,110**	**13,988**	**96,491**	**542,145**
Government grants financed by BIIS	4,762					4,762
Other government grants	3,017	4,492				7,509
Receivables from associates	12,365	4	686			13,055
Receivables from joint ventures	188,226	15	18	1	18	188,278
Receivables from controlling companies	3,006				32	3,038
Receivables from other companies	792					792
Other receivables	232,199	2,354	887		19,872	255,312
Other financial receivables	59,605					59,605
Gross total	**868,237**	**31,156**	**44,701**	**13,989**	**116,413**	**1,074,496**
Provision for impairment of receivables						(47,569)
Net total						**1,026,927**
Advances, prepayment and accrued income						169,215
Total						**1,196,142**

(*) This item includes receivables from customers that manage contracts ordered by Public Entities, which are thus the substantial debtors.

	31/12/2018					
		Past due				
(thousands of euro)	Not yet due	0–1 month	1–4 months	4–12 months	Beyond 1 year	Total
Trade receivables:						
– from public entities	2,504	1,048	4,449	8,416	26,451	42,868
– indirectly from public entities (*)	399	17	527	5,031	13,649	19,623
– from private customers	381,544	88,606	20,294	26,128	64,339	580,911
Total trade receivables	**384,447**	**89,671**	**25,270**	**39,575**	**104,439**	**643,402**
Government grants financed by BIIS	12,513					12,513
Other government grants	6,672	2,149				8,821
Receivables from associates	9,865					9,865
Receivables from joint ventures	146,680			66	517	147,263
Receivables from controlling companies	2,926		32			2,958
Receivables from other companies	2					2
Other receivables	167,304	2,755			23,732	193,791
Other financial receivables	66,545					66,545
Gross total	**796,954**	**94,575**	**25,302**	**39,641**	**128,688**	**1,085,160**
Provision for impairment of receivables						(50,230)
Net total						**1,034,930**
Advances, prepayment and accrued income						152,993
Total						**1,187,923**

(*) This item includes receivables from customers that manage contracts ordered by Public Entities, which are thus the substantial debtors.

Liquidity risk

Liquidity risk refers to Fincantieri group's ability to discharge its obligations in respect of financial liabilities.

As at 31 December 2019, the Fincantieri group showed a loss of 735 million euro (against a loss of 494 million euro as at 31 December 2018). The change is largely influenced by the typical financial dynamics of the cruise ship business, which were characterised during the year by the absorption of financial resources generated by the increase in production volumes and the investments in the period. The table below shows the contractual maturities of trade and financial liabilities, other than derivatives, calculated gross of interest which, according to the loans, may be fixed or floating.

	31/12/2019					
(thousands of euro)	On demand	Within 1 year	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Payables to controlling companies		19,425	30,667		50,092	49,613
Payables to associates	1,470	8,215	3,026	53	12,764	12,764
Payables to joint ventures	2,801	60,173			62,974	62,974
Bank loans and credit facilities	9,889	1,108,470	689,917	42,021	1,850,297	1,804,267
BIIS loans		4,868			4,868	4,762
Payables to suppliers	239,846	1,428,332	40,255	387	1,708,820	1,708,820
Payables to suppliers for reverse factoring		492,404			492,404	492,404
Finance lease obligations		17,909	44,278	46,914	109,101	92,086
Bond and commercial papers		75,000			75,000	75,000
Other financial liabilities		1,599	4,162	874	6,635	6,481
Other liabilities	18,447	231,871	231		250,549	243,007
Total	**272,453**	**3,448,266**	**812,536**	**90,249**	**4,623,504**	**4,552,178**
Advances, prepayment and accrued income						62,933
Total						**4,615,111**

	31/12/2018					
(thousands of euro)	On demand	Within 1 year	Between 1 and 5 years	Beyond 5 years	Contractual cash flows	Carrying amount
Payables to controlling companies	14	58,367	36,954	4,013	99,348	98,574
Payables to associates	2,524	3,272	54		5,850	5,850
Payables to joint ventures	5,214	1,720			6,934	7,088
Bank loans and credit facilities	21,956	860,933	708,767	53,324	1,644,980	1,590,576
BIIS loans		8,146	4,866		13,012	12,513
Payables to suppliers	133,544	1,298,979	32,199	100	1,464,822	1,464,822
Payables to suppliers for reverse factoring	6,704	370,783			377,487	377,487
Finance lease obligations		210	26		236	236
Bond and commercial papers		231,000			231,000	231,000
Other financial liabilities		20,344	4,191	2,041	26,576	26,373
Other liabilities	3,456	190,383	7,537	127	201,503	201,397
Total	**173,412**	**3,044,137**	**794,594**	**59,605**	**4,071,748**	**4,015,916**
Advances, prepayment and accrued income						52,394
Total						**4,068,310**

Market risk

The Fincantieri group's financial risks refer mainly to the risk that the fair value or future cash flows of assets/liabilities may fluctuate due to exchange rate changes affecting its commercial or financial transactions in foreign currency, to changes in market interest rates or to changes in the prices of raw materials.

In pursuing corporate objectives, the group does not intend to take on any financial risks. Where this is not possible, the group takes on such risks only if they are linked to its core business, neutralising their impact (where possible) through the use of hedging instruments.

In order to hedge exchange rate risk, apart from resorting to financial instruments, it may enter into loan agreements in the same currency as that of the sales agreement, or establish cash deposits in the same currency as that used in supply agreements.

Exchange Rate Risk

Exposure to currency risk arises in connection with shipbuilding contracts denominated in foreign currency and, to a lesser extent, with sourcing supplies in currencies other than the functional currency.

Exchange rate risk hedging transactions, for which the group makes use of forward contracts or option structures, are conducted with regard to the expected time horizon of foreign currency flows; whenever possible, receipts and payments in the same currency are netted.

Risk management aims at total coverage of receipts, but only focuses on larger amounts in payments.

In 2019, the Fincantieri group was exposed to exchange rate risk mainly in connection with some contracts in the cruise sector. Such risk was mainly mitigated by using financial hedging instruments.

Interest Rate Risk

Interest rate risk is linked to:
- the uncertainty as to the cash flows relating to the Fincantieri group's assets and liabilities due to interest rate fluctuations; this risk is mitigated through cash flow hedge transactions;
- the variability of the fair value of the Fincantieri group's assets and liabilities linked to the change in the interest rate market value; this risk is mitigated through fair value hedge instruments.

Assets and liabilities exposed to exchange rate variances are subject to the first risk, while fixed-rate assets and liabilities are subject to the second risk.

As at 31 December 2019, there were three interest rate swaps traded in 2018, aiming to hedge the interest rate risk; two derivatives reduce exposure to the interest rate risk relating to short-term loans and the third refers to a medium/long-term floating-rate loan.

Other Market Risks

Production costs are influenced by the price trend for the main raw materials used, such as steel, copper and fuels. Fincantieri mitigates these risks by adopting contractual hedges, where possible, and/or financial cover. In 2019, Fincantieri S.p.A. entered into swap contracts to fix the purchase price of a substantial part of its gasoil and fuel oil supplies to 2022.

Main risks and uncertainties

Business risk management

In the normal course of its business activities, the Fincantieri group is exposed to various financial and non-financial risk factors that, were they to materialise, could have an impact on the Fincantieri group's financial position, results and cash flows.

Risks connected to operational complexity

Description of the risk

Given the operational complexity characterising the shipbuilding industry, geographical and product diversification and the inorganic growth strategy, the Fincantieri group is exposed to the risk of:
- being unable to adequately control project management activities;
- being unable to adequately manage the Fincantieri group's operational, logistic and organisational complexity;

- not correctly disclosing the events and phenomena of operations in the financial reports;
- over-estimating the synergies deriving from acquisitions or suffering the consequences of slow and/or weak integration;
- creating alliances, joint ventures or other relations with counterparties which may negatively affect its ability to compete;
- being unable to adequately manage the complexity arising from its product diversification;
- being unable to distribute workloads efficiently according to production capacity (plants and workforce) or being in a situation of production overcapacity, affecting profitability;
- being unable to meet market demand due to insufficient own or suppliers' production capacity.

Impact

Should the Fincantieri group fail to deploy robust project management, with adequate and effective procedures and actions to ensure the control of the correct completion and efficiency of its shipbuilding processes and their correct disclosure in the financial reports, or should it fail to adequately manage the group synergies, alliances, joint ventures or other relations with counterparties and the complexity of its product range or be unable to distribute workloads efficiently based on the production capacity (plants and workforce) available at the various production sites from time to time, it might incur a drop in revenues and profitability with possible negative effects on its financial position, results and cash flows.

Remediation actions

In order to manage processes of such complexity, the Fincantieri group adopts procedures and activity plans aimed at managing and monitoring the implementation of each project over its entire life cycle. In order to protect the integration processes, constant dialogue channels are established among the group entities, sometimes with the entry of resources of the Parent Company. Moreover, the Fincantieri group has adopted a flexible production structure so as to adapt to the fluctuation in ship demand in its various business areas. This flexible approach enables it to overcome the limitations of each plant's capacity and pursue several contractual opportunities in parallel, guaranteeing compliance with delivery schedules. The Fincantieri group implements actions aiming to improve the production and design processes to strengthen competitiveness and increase productivity.

Risks linked to market structure

Description of the risk

The shipbuilding industry has historically been characterised by cyclical performance, being sensitive to the trends in the industry served. The Fincantieri group's offshore and cruise customers base their investment plans on demand by their own customers. In the case of offshore, the main influence is energy demand and oil price forecasts, which in turn drive investment in exploration and production, while in the cruise market the main influence is performance of the leisure market. In the military business area, the demand for warships is heavily affected by government military spending policies.

Impact

Postponement of fleet renewal programmes or other events affecting the order backlog with the Fincantieri group's principal cruise ship customer could impact capacity utilisation and business profitability. Similarly, a downturn in the offshore market can lead and has in fact led to a reduction in the level of orders in this sector for the subsidiary VARD, exposing it to the risk of cancellation or postponement of current orders. Equally, the availability of resources earmarked by the State for defence spending on fleet modernisation programmes is a variable that could influence the group's financial position, results and cash flows.

Remediation actions

In order to mitigate the impact of the shipbuilding market cycle, the group has pursued a diversification strategy in recent years, expanding its business in terms of products and geographical coverage. Since 2005 the group has expanded into the businesses of offshore, mega yachts, ship systems and components, repairs, refitting and after-sales service. In parallel, the group has expanded its activities, also at international level, through acquisitions or by setting up new companies dedicated to specific businesses, such as the manufacture of steel items and automation systems.

Given the current decline in offshore market volumes, the subsidiary VARD is successfully working to diversify its products and target new market segments such as expedition cruise and ships specialising in fishing, in order to reduce its exposure to the cyclical nature of the offshore Oil&Gas industry.

Risks linked to maintaining competitiveness in core markets

Description of the risk

The production of standard merchant ships is now dominated by Asian shipyards. This means that competitiveness can only be maintained by specialising in high value-added markets. With regard to civilian vessels, Fincantieri has been focusing for several years on the cruise ship segment, a business with a long track record. Following the acquisition of VARD, it has recently extended its focus to the production of offshore support vessels and specific sectors, such as fishing and aquaculture. Additional factors that may affect competitiveness are the risk of not paying sufficient attention to customer needs, or of non-compliance of product quality and safety levels with market requirements and the new applicable standards and regulations. Moreover, aggressive commercial policies, development of new products and technologies, or increases in production capacity by competitors may lead to increased price competition, consequently impacting the required level of competitiveness.

Impact

Inattentive monitoring of the group's markets and slow responses to the challenges posed by competitors and customer needs may lead to a reduction in competitiveness, with an associated impact on production volumes, and/ or less remunerative pricing, resulting in a drop in profit margins.

Remediation actions

The group endeavours to maintain its competitive position in its business areas by delivering high standards of product quality and innovation, and by seeking optimal costing as well as flexible technical and financial solutions, so as to make attractive commercial offers vis-à-vis its competitors. In addition to its commercial initiatives to penetrate new market segments, the subsidiary VARD has developed several new shipbuilding projects, leveraging the engineering and design know-how in the offshore sector and the Fincantieri group's know-how.

Description of the risk

The difficult political and economic context and worsening regulatory environment of countries in which the group operates may adversely impact operations and future cash flows. In addition, the pursuit of business opportunities in emerging markets, particularly in the defence sector, leads to increased exposure to country risk and/or risk of international bribery and corruption.

Impact

Situations involving country risk may have negative effects on the Fincantieri group's financial position, results and cash flows, with the loss of customers, profits and competitive edge, and from the reputational point of view in the case of possible legal actions and sanctions.

Remediation actions

In pursuing business opportunities in emerging markets, the Fincantieri group safeguards itself by favouring commercial prospects that are supported by inter-governmental agreements or other forms of cooperation between States, as well as by establishing, within its own organisation, appropriate safeguards to monitor the processes at risk.

Risks related to contract management

Description of the risk

The shipbuilding contracts managed by the Fincantieri group are mostly multi-year contracts for a fixed consideration and any change in price must be agreed with the customer. At the time the contract is signed, price-setting can only take place through a careful assessment of raw material, machinery, component, tender prices and all costs linked to production (including labour and general expenses), which is more complex for prototype or particularly complex ships.

Impact

Cost overruns not foreseen in the pre-contractual stage and not covered by a parallel increase in price can lead to a reduction in margins on the contracts concerned.

Remediation actions

The Fincantieri group takes into consideration expected increases in the components of contract costs when determining the offer price. In addition, at the time of signing the contract, fixed-price purchase options will already have been defined for some of the vessel's principal components.

Description of the risk

Many factors can influence production schedules, as well as capacity utilisation, and thus impact agreed vessel delivery dates with possible penalties payable by the Fincantieri group. These factors include, *inter alia*, strikes, poor industrial productivity, inadequate logistics and warehouse management, unexpected problems during design, engineering and production, events linked to adverse weather conditions, design changes or problems in procuring key supplies.

Impact

When the causes of late delivery are not recognised by contract, shipbuilding contracts provide for the payment of penalties that generally increase the longer the delay.

Remediation actions

The Fincantieri group manages its contracts through dedicated structures that control all aspects during the contract life cycle (design, procurement, construction, outfitting). In contracts with suppliers, penalties might be set for delays or disruptions attributable to them.

Description of the risk

The operational management of contracts carries the risk that one or more counterparties with which the group is doing business may be unable to meet their commitments. Specifically, customers might default on contractual payments, or suppliers might fail to discharge their obligations for operational or financial reasons. This would also have serious effects on the performance of the operating activities and possibly increase costs, also legal, in the event of non-compliance with contractual commitments. In the offshore sector, characterised by a deeply deteriorated global market situation affecting all operators, a significant number of ship owners are pursuing restructuring processes which tend to increase counterparty risk. In particular, as concerns VARD, the deterioration of the financial situation of many customers in the offshore sector has led to the cancellation or rescheduling of some orders.

Impact

Bankruptcy of one or more counterparties, be they customers or suppliers, can have serious effects on the group's production and cash flows, given the high unit value of shipbuilding orders and the strategic nature of certain supplies for the production process. In particular, the cancellation of orders by customers during the shipbuilding process would expose the Fincantieri group to the risk of having to sell those ships in unfavourable market conditions or, potentially, at prices lower than what would be necessary to recover the construction costs. Moreover, postponement of the delivery dates might seriously worsen borrowing requirements caused by working capital, with a consequent increase in indebtedness and financial expenses.

Remediation actions

When acquiring orders, where deemed necessary, the Fincantieri group performs checks on the financial strength of its counterparties, including by obtaining information from major credit rating agencies. Suppliers are subject to qualification procedures, which include assessment of potential counterparty risks. As regards the financial aspect, the group offers suppliers the opportunity to use instruments that facilitate their access to credit. To face the difficult offshore market situation, the subsidiary VARD worked with customers and financial institutions and managed to ensure the deliveries for most of the offshore ships in the portfolio, and is continuing the initiatives undertaken to provide a commercial solution to the few offshore projects currently remaining in the portfolio. Where possible, VARD is also assessing all the technical and commercial opportunities for converting and repositioning built ships whose orders were cancelled for sale on new markets.

Description of the risk

A significant number of the Fincantieri group's shipbuilding contracts (in general, for merchant vessels such as cruise ships and offshore support vessels) require that customers pay only a part of the contract price during ship construction; the balance of the price is paid upon delivery.

As a result, the Fincantieri group incurs significant upfront costs, assuming the risk of incurring such costs before receiving full payment of the price from its customers and thus having to finance the working capital absorbed by ships during construction.

Impact

Should the Fincantieri group be unable to offer its customers sufficient financial guarantees against the advances received, or to meet the working capital needs of ships during construction, it might not be able to complete contracts or secure new ones, with negative effects on its financial position, results and cash flows.

Moreover, the cancellation or postponement of orders by customers in distress might have significant impacts on the Fincantieri group's financial structure and margins, thus entailing the risk that banks might limit the group's access to credit, denying it necessary forms of working capital financing such as construction loans, or that banks might grant financing at more expensive conditions.

Remediation actions

The Fincantieri group implements a financing strategy aimed at diversifying its technical financing methods and lenders as much as possible with the ultimate objective of maintaining a credit capacity greater than what would be sufficient to guarantee coverage of its working capital requirements generated by the operating business.

Description of the risk

The Fincantieri group's customers often rely on loans to finalise the placement of orders.

Overseas customers may be eligible for export finance schemes structured in accordance with OECD rules.

Under such schemes, overseas buyers of ships can obtain bank credit against receipt of a guarantee by a national export credit agency, which in the case of Italy is SACE S.p.A., while in Norway it is GIEK.

The availability of export finance is therefore a key condition for allowing overseas customers to award contracts to the Fincantieri group, especially for cruise ship construction.

Impact

The lack of available finance for the Fincantieri group's customers or the poor competitiveness of their conditions could have a highly negative impact on the group's ability to obtain new orders as well as on the ability of customers to comply with the contractual terms of payment.

Remediation actions

Fincantieri supports overseas customers during the process of finalising export finance and particularly in managing relations with the agencies and companies involved in structuring such finance (for example, SACE, SIMEST and the banks). Moreover, the loan structuring process is managed in parallel with the process of finalising the commercial contract, the enforceability of which is often subject to the ship owner's receipt of the commitment by SACE and the banks to provide an export credit guarantee. The subsidiary VARD is also working actively with Norway's export credit agency GIEK, especially in a new sector for the Norwegian market such as the expedition cruise sector.

To further protect the Fincantieri group, in the event of customer default on its contractual obligations, Fincantieri reserves the right to terminate the contract. In this case, the group may keep the payments received and the ship under construction. The customer may also be held liable for any costs advanced by the Fincantieri group.

Risks linked to production outsourcing and relations with suppliers and local communities

Description of the risk

The Fincantieri group's decision to outsource some of its business activities is dictated by strategic considerations based on two criteria: a) outsource activities for which it has the skills but insufficient in-house resources; b) outsource activities for which there are no in-house skilled resources and which would be too expensive and inefficient to develop.

Dependence on suppliers for certain business activities may result in the inability to ensure high standards of quality, failure to meet delivery deadlines, the acquisition of excessive contractual power by suppliers, and lack of access to new technologies.

In addition, the significant presence of suppliers in the production process has an impact on local communities, which might require the group to address social, political and legality issues.

Impact

A negative performance by suppliers in terms of quality, timing or costs would cause production costs to rise, and the customer's perception of the quality of the Fincantieri product to deteriorate. With respect to other local counterparties, sub-optimal relationships can reflect on the group's ability to compete.

Remediation actions

The Fincantieri group has specific units in charge of coordinating the assembly of internal ship systems and managing specific areas of outsourced production. In addition, the Fincantieri group carefully selects its key suppliers, who must meet the highest standards of performance. The subsidiary has developed a precise programme of supplier performance evaluation in this regard, ranging from measurement of the services rendered, both in terms of quality of service offered and timeliness of delivery, to the strict observation of safety regulations, in line with the group's "Towards Zero Accidents" plan. In addition, particular attention is paid in general to relations with the local communities that interact with the group's shipyards, through appropriate relations with the authorities and sometimes, where appropriate, by entering into legality and/or transparency agreements with the local authorities. These agreements enabled the promotion of the National Legality Framework Protocol signed in 2017. The subsidiary VARD has paid great attention to the assessment and management process of contracts with the suppliers operating in the new sectors which the Fincantieri group entered following its diversification strategy.

Risks linked to business sustainability aspects

Description of the risk

Due to its characteristics, the shipbuilding industry needs to address some issues relating to the social and environmental sustainability of the business. The Company is committed to disseminating its Governance Model within the Fincantieri group. However, any deficiencies in communicating its commitment to the group could jeopardise the achievement of the objectives that have been defined and reported to stakeholders.

Furthermore, the Company identified specific risks connected to shipbuilding products and processes, including:
- the risk of failing to focus on the development of new environmentally-friendly technologies and products;
- the risk of poor management of environmental issues, such as those concerning climate change (the impact of natural events, increase in the price of materials due to climate-related factors);
- the risk of the supply chain not reflecting the sustainability principles communicated by the Company;
- the risk of the group's human capital being insufficiently valued.

Impact

The Company's objective is to combine business growth with financial soundness in accordance with the principles of social and environmental sustainability. In the long term, failure to achieve this target could compromise the Company's growth in value to the benefit of stakeholders.

Remediation actions

The Company implemented a sustainability governance system that defines roles and responsibilities to manage these processes, in order to ensure they are adequately monitored and supervised. Risks connected to sustainability are identified, assessed and managed as part of the Enterprise Risk Management process and the Company adopted a Sustainability Plan that monitors its application.

Risks related to knowledge management

Description of the risk

The Fincantieri group has developed significant expertise, know-how and business knowledge. With respect to workers, the domestic labour market is not always able to satisfy the need for adequately skilled production workers, either in terms of numbers or expertise. The effective management of the group's business is also linked to its ability to attract highly professional resources for key roles, and the ability to retain such talents within the group. This requires adequate resources and skills management based on a continuous improvement model, achieved by investing in staff training and performance evaluation.

Impact

The skills gap of the domestic labour market, the Fincantieri group's inability to acquire the necessary profiles and the failure to transfer specific knowledge within the group's human resources, particularly in the technical area, might have negative effects on product quality.

Remediation actions

The Human Resources Department constantly monitors the labour market and maintains frequent contacts with universities, vocational schools and training institutes. The Fincantieri group also makes a significant investment in training its staff, not only in technical-specialist and managerial-relational skills, but also regarding safety and quality. Lastly, specific training activities are planned to ensure that key and management positions are covered in the event of staff turnover. The subsidiary VARD has implemented an internal reorganisation programme to favour diversification in the new markets, with a focus on the development of new concepts and changes in production processes. At the same time, actions to find qualified manpower were launched in the Romanian construction sites with the purpose of increasing the technical-quality control to achieve production efficiency, in order to support the production plan of the Parent Company Fincantieri and ensure an improved management of the additional projects in the portfolio.

Risks related to the legislative framework

Description of the risk

The Fincantieri group is subject to laws applicable in the countries where it operates, including environmental protection and occupational health and safety laws and regulations, as well as tax and privacy protection laws. Any violation of these laws may result in civil, tax, administrative and criminal penalties along with an obligation to take actions to achieve compliance, the costs and liability for which could have a negative impact on the group's business and results.

Impact

Any non-compliance with tax regulations, safety or environmental protection standards, changes to the applicable regulatory framework, or the occurrence of unforeseeable or exceptional events could cause the Fincantieri group to incur extraordinary costs relating to tax, the environment or occupational health and safety. Finally, the violation of privacy protection laws would imply the application of the penalties introduced by EU Regulation 2016/679 regarding the protection of personal data.

Remediation actions

The Fincantieri group actively encourages compliance with all regulations to which it is subject, and has adopted and updated preventive control tools to mitigate compliance risk. Accordingly, in order to prevent and manage the risk of occurrence of unlawful acts, Fincantieri has adopted an Organisation, Management and Control Model under Italian Legislative Decree no. 231 of 8 June 2001, which is also binding for suppliers and, in general, for third parties working with Fincantieri. In particular, the subsidiary has implemented the provisions of Italian Legislative Decree no. 81/2008 - "Implementation of Article 1 of Law 123 of 3 August 2007, concerning health and safety at work" ("Consolidated Law on Occupational Health and Safety"). Fincantieri has adopted suitable organisation models for preventing breach of these regulations and ensures that such models are reviewed and updated on an ongoing basis. The commitment to pursuing and promoting environmental sustainability principles has been reaffirmed in Fincantieri's Environmental Policy document, which binds the company to maintain regulatory compliance and to monitor working activities so as to ensure effective observance of the rules and regulations. The subsidiary VARD is also committed to minimising the impact of its activities on the environment, with measures in terms of resources, policies and procedures for the improvement of its environmental performance. Fincantieri and VARD implemented an Environmental Management System at their sites with the goal of becoming certified under the UNI EN ISO 14001:2004 standard and also started updating to the 2015 standard. The group constantly monitors the evolution of existing laws and regulations to mitigate tax risks. Compliance with the privacy protection laws is ensured via a system of internal rules adopted in order to ensure the protection of the personal data collected and processed as part of the operating processes of the corporate business.

Description of the risk

Working in the defence and security sector, the Fincantieri group is exposed to the risk that the current trend in this sector could lead in the near future to restrictions on the currently permitted exceptions to competition law, with consequent limitations on the direct award of business in order to ensure greater competition in this particular market.

Impact

Possible limitations on the direct award of business could prevent the group from being awarded work through negotiated procedures, without the prior publication of a public tender notice.

Remediation actions

The Fincantieri group is monitoring the possible evolution of national and EU legislation that could open up the possibility of competing in the defence and security sector in other countries too.

Risks related to access to information and to operation of the IT system

Description of the risk

The Fincantieri group's activity could be negatively impacted by:
- inadequate management of the group's sensitive data, due to ineffective protection measures, enabling unauthorised third parties to access and use confidential information;
- improper access to information, involving the risk of accidental or intentional data alterations or cancellations by unauthorised persons;
- an IT infrastructure (hardware, networks, software) whose security and reliability are not guaranteed, resulting in possible disruption of the computer system or network or in illegal attempts to gain unauthorised access or breaches of the company's data security system, including coordinated attacks by groups of hackers.

Impact

IT system failures, any data loss or corruption, also as a result of external attacks, IT solutions that do not meet business requirements or updates of some IT solutions not in line with user requirements may compromise the Fincantieri group's operations determining errors in the performance of transactions, inefficiencies and procedural delays or other activity outages, impacting on the group's ability to compete on the market.

Remediation actions

The group believes it has taken all necessary steps to minimise these risks, by drawing on best practice for its governance systems and continuously monitoring the management of its IT infrastructure and applications. Access methods and the ability to operate on the IT system are managed and maintained so as to guarantee correct segregation of roles and responsibilities. Separation of duties has been reinforced by adoption of a new access management procedure using special software, enabling prior identification and management of Segregation of Duties (SoD) risks arising from inappropriate allocation of access credentials.

Risks connected to exchange rate changes

Description of the risk

The Fincantieri group is exposed to exchange rate risks deriving from commercial and financial transactions denominated in currencies other than the functional one (economic and transaction risk). Moreover, the exchange rate risk arises in the preparation of the group's financial statements, due to the translation of the Income Statement and Balance Sheet of consolidated subsidiaries that use a functional currency other than the euro (mainly NOK, USD and BRL) (translation risk).

Impact

The absence of a suitable currency risk management may increase the volatility of the Fincantieri group's financial performance. In particular, a weakening of the currencies in which shipbuilding contracts are denominated may have a negative effect on the group's margins and cash flows.

Remediation actions

The group has adopted a policy for the management of financial (economic and transaction) risks that defines reporting tools, responsibilities and methods, with which the group mitigates the risks deriving from the performance of the foreign exchange market. With reference to the translation risk, the group constantly monitors its main exposures, which are usually not subject to hedging.

In the same way, the subsidiary VARD issued a management policy that is inspired by the fundamental principles defined by Fincantieri, though with some distinctions due to the peculiar needs of the company.

Risks connected to financial debt

Description of the risk

Some loan contracts signed by the Fincantieri group include financial and legal clauses, commitments and obligations (such as the occurrence of default events, including potential ones, cross-default clauses and covenants) for the group or some group companies, which may entail an immediate repayment of the loan in the event of default. Moreover, future interest rate increases may result in greater costs and charges depending on outstanding debt. The Fincantieri group may not be able to access loans to the extent required to finance its activities (for instance in the event of particularly unsatisfactory performance) or may be able to do so only at particularly onerous conditions. As regards the offshore sector, worsening of the financial situation which has led to widespread restructuring among sector operators is leading banks to decrease their lending to those operators; this might impact the access to construction loans by subsidiary VARD, necessary to finance not only offshore projects but also those intended for the new markets.

Impact

Should the ability to access loans be limited, also due to the group's financial performance, or in the event of interest rate increases or early repayment of debts, the Fincantieri group might be forced to delay funding or incur greater financing costs, with negative impacts on its financial position, results and cash flows.

Remediation actions

In order to guarantee access to adequate funding both in terms of amounts and conditions, the Fincantieri group monitors on an ongoing basis both its current and future financial position, results and cash flows and the circumstances that may negatively impact them. In particular, to mitigate liquidity risk and maintain an appropriate level of financial flexibility, the Fincantieri group diversifies its sources of financing in terms of maturities, counterparties and technical form. Furthermore, in order to limit the impact of interest rate fluctuations on the group's medium-/long-term profitability, the group may negotiate derivatives, usually in the form of interest rate swap.

Legal disputes

Foreign Disputes

In regard to the "Iraq" dispute, the lawsuit pending before the Paris Court of Appeal against the arbitration award in favour of Fincantieri was resumed by the Iraqi Government while the operating agreements (Refurbishment Contract and Combat System Contract) were pending pursuant to the Settlement Agreement. The Paris Court of Appeal rejected the opponent's claims on 18 January 2018. On 20 June 2018, the Iraqi Government notified Fincantieri of the appeal before the French Court of Cassation against the decision of the Paris Court of Appeal. With ruling issued on 15 January 2020, the French Court of Cassation finally rejected the Iraqi Government's appeal in full.

As regards the "Serene" dispute, on 7 May 2019 Fincantieri and Serena Equity Limited reached a settlement, as a result of which all proceedings for the enforcement of the English awards have been brought to an end, as have the other proceedings pending in other jurisdictions.

The "Papanikolaou" lawsuit was lodged with the Court of Patras in Greece by Mr Papanikolaou and his wife against the company, Minoan Lines and others after the injury that the claimant suffered in 2007 while on board the Europa Palace, which was built by Fincantieri: (i) in the lawsuit on the alleged loss of income until 2012, the Patras Court of Appeal conformed to the principles of law set out by the Court of Cassation (which had referred the case to the Court of Appeal with regard to a relatively minor point). However, Fincantieri has the option of appealing to the Court of Cassation against this ruling, while (ii) the lawsuit on the alleged loss of income from 2012 to 2052 is currently postponed.

In regard to the "Yuzwa" lawsuit lodged before the District Courts of California and Florida by Mr Yuzwa against Fincantieri, Carnival and others for the injuries suffered by the claimant in consequence of an accident on board the Oosterdam in 2011, the Florida Court of Appeal upheld the motion for the exclusion of Fincantieri due to the lack of jurisdiction, and rejected the request for review and the extraordinary appeal lodged by the opponent. The deadline for a further appeal to the Supreme Court has expired.

The lawsuit for compensation undertaken by the Brazilian subsidiary Vard Promar S.A. against Petrobras Transpetro S.A. consequent to the losses it suffered in connection with eight shipbuilding contracts is still under way. In December 2015, Petrobras Transpetro S.A. requested termination of the contracts for the construction of two vessels and demanded repayment of its previous advance payments. This demand is being disputed before the Court of the State of Rio de Janeiro. VARD did not recognise any receivables for the disputes with Transpetro in the financial statements at 31 December 2019.

Italian legal disputes

Proceedings for collection of receivables from customers

With regard to pending rulings with respect to customers involved in insolvency, bankruptcy or other insolvency procedures with whom disputes have arisen, it should be noted that judicial proceedings initiated against Tirrenia and Siremar in Amministrazione Straordinaria continued.

The receivables claimed by Fincantieri have been appropriately written down in those cases where the likelihood of recovery is lower than the amount of those receivables.

Litigation with suppliers

These are disputes to oppose supplier and contractor claims deemed unfounded by the subsidiary (alleged contractual liability, alleged receivables for non-payable invoices or additional amounts not due), or to recover greater costs and/or damages suffered by the company due to default by suppliers or contractors. In some cases, it has been considered appropriate to bring suit for dismissal of those alleged claims. One such claim concerned an allegedly excessive price discount applied to a relationship qualified by the claimant as a tender contract. Another concerned claims following the termination of orders already placed and the conclusion of a settlement.

A provision for risks and charges has been recognised for those disputes felt likely to end with costs for the group.

Labour disputes

These disputes concern cases brought by employees and former employees of contractors and subcontractors, which involve the company under the “customer co-liability” principle (Article 1676 of the Italian Civil Code and Article 29 of Legislative Decree no. 276/2003).

Litigation relating to asbestos continued to be settled both in and out of court in 2019.

Other litigation

Other litigation includes: i) claims against general government bodies for environmental expenses, including disputes with the City of Ancona and the dispute with the Ministry of the Environment involving the shipyard in Muggiano; ii) appeals against claims by social security authorities, including litigation against INPS (the Italian Social Security Agency) for claims arising from the non-payment of contributions by contractors and subcontractors under the customer co-liability principle; iii) compensation for direct and indirect damages arising from the production process; and iv) civil actions for injury compensation claims.

Whenever the outcome of such litigation is likely to result in charges, suitable provisions for risks and charges have been made.

Criminal proceedings pursuant to Italian Legislative Decree no. 231 of 2001

The group is currently involved in seven criminal cases pursuant to Italian Legislative Decree no. 231 of 2001 before the Court of Gorizia:

- in January 2014, Fincantieri S.p.A. received notice of a request for extension of the deadline for the preliminary investigations, under Article 406 of the Code of Criminal Procedure, into the former manager of the Monfalcone shipyard for the alleged infringement of Article 256(1) (a) and (b) of Legislative Decree no. 152/2006, and investigation into the Company, under Article 25-*undecies* of Legislative Decree no. 231/2001 for the alleged management of hazardous waste sorting and temporary storage areas at the Monfalcone shipyard without the required authorisation, and the alleged dispatch of such waste for disposal with documents not allowing its traceability. As part of these proceedings, in October 2017 the former Managers of the Monfalcone shipyard, the former General Managers of the Company, the former Safety Manager and the former Staff Manager of the Company were notified of the completion of the preliminary investigations for the offence under Article 256(1) (a) and (b) of Legislative Decree no. 152/2006 (“Unauthorised waste management”); in April 2018, also the Company was informed of the completion of the investigations for the offence under Article 25 *undecies* of Legislative Decree no. 231/2001 (“Environmental offences"). In September 2018, all those investigated were directly served with a writ of summons. At the hearing on 6 March 2019, the judge ruled that the former Manager of the Monfalcone shipyard in office until 30 June 2013, the former General Managers of the Company, the former Safety Manager and the former Staff Manager of the Company as well as the Company should not be prosecuted due to the statute of limitations as regards the facts ascertained in May 2013. The case against the former shipyard Manager in office from 1 July 2013 and the Company continues (as regards the facts ascertained in February 2015). The next hearing is set for 19 February 2020 in order to continue the investigation;

- between March and April 2014, 21 individuals were notified of the completion of preliminary investigations into an accident incurred by an employee on 13 December 2010 at the Monfalcone shipyard during the lifting of two bundles of iron pipes. The notified persons (who included the members of the Board of Directors and of the Supervisory Body, and several employees of the Company at the date of the event, some of whom are still in office or employed by the Company), were investigated in different capacities for the offences of "wilful removal or omission of precautions against workplace accidents" and "bodily harm" under Articles 437 and 590 of the Italian Criminal Code and for violation of certain provisions of Legislative Decree no. 81/2008. A notice was also served on the Company under Article 25-*septies*(3) of Legislative Decree no. 231/2001. At the preliminary hearing on 18 December 2014, the Court decided not to prosecute the members of the Board of Directors and the Supervisory Body and the two General Managers, while the other employees of the Company at the date of the incident, as notified above, were formally indicted. Gorizia's Public Prosecutor has challenged the dismissal in the Court of Cassation which, at the end of the hearing held on 20 January 2016, rejected the appeal and upheld the dismissal of the action against the members of the Board of Directors and the Supervisory Body, and the two General Managers. At the hearing held on 14 July 2017, the Company was acquitted; the Public Prosecutor filed an appeal against the judgement. At the hearing of 27 November 2019, the Court of Appeal confirmed the acquittal at first instance;
- in September 2015, notices of conclusion of preliminary investigations into an accident undergone on 24 November 2009 at the Monfalcone shipyard by an employee, resulting in a sprained shoulder that healed after one year, were served on the former Monfalcone shipyard manager and three other employees under investigation for violation of Article 19(f) and Article 71 of Legislative Decree no. 81/2008 (respectively concerning breach of management obligations and failure to provide suitable personal protective equipment) and in general of Article 2087 of the Italian Civil Code (failure to adopt suitable measures to protect workers' health). A notice was also served on the Company, under Article 25-*septies*(1), (2) and (3) of Legislative Decree no. 231/2001;
- in March 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard manager, under investigation for the offence of "bodily harm" under Article 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general Article 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health), but also on the Company under Article 25-*septies*(3) of Legislative Decree no. 231/2001, in connection with an accident on 29 March 2012 at the Monfalcone yard involving an employee who injured the fifth finger of his left hand, which healed in eight months;
- in June and July 2016, notices of conclusion of preliminary investigation were served on the former Monfalcone shipyard manager, under investigation for the offence of "bodily harm" under Article 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general of Article 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health). A notice was also served on the Company under Article 25-*septies*(3) of Legislative Decree no. 231/2001. The investigation concerned an accident which had occurred on 25 August 2010 at the Monfalcone yard involving the employee of a contractor who had suffered a bruise on his left knee, which had healed after more than 40 days;
- in June 2018, notices of conclusion of preliminary investigation were served in relation to waste management and disposal. This involves a host of persons and companies, including the Chief Executive Officer of the Company, the former manager and two employees of the Palermo shipyard for the offence under Article 452 *quaterdecies* of the Italian Criminal Code ("Activity organised for the illegal traffic in waste"), and the Company for the offence under Article 25 *undecies*(2)(f) of Legislative Decree no. 231/2001 ("Environmental Offences"). With order of 23 April 2019, the Judge for Preliminary Investigations, upholding the motion filed by the defence of the Company's Chief Executive Officer, ordered the dismissal of the proceedings against the latter. The proceedings of first instance are under way;
- in September 2019, notices of conclusion of preliminary investigation were served on the Monfalcone hull pre-assembly workshop manager, under investigation for the offence of "bodily harm" under Article 590 of the Italian Criminal Code in relation to the violation of certain provisions of Legislative Decree no. 81/2008 and in general Article 2087 of the Italian Civil Code (failure to take suitable measures to protect workers' health), but also on the Company under Article 25-*septies*(3) of Legislative Decree no. 231/2001, in connection with an accident on 3 February 2016 at the Monfalcone shipyard involving an employee who fractured his arm, which healed in 83 days.

Tax position

National fiscal consolidation

Fincantieri S.p.A., Fincantieri Oil & Gas S.p.A. and Isotta Fraschini Motori S.p.A. participate in the National fiscal consolidation of Cassa Depositi e Prestiti S.p.A.

Audits and assessments

Fincantieri

The tax audit on 2013 was settled in 2019.

In 2019 the Italian Revenue Agency started some preliminary investigations on 2014; one of the notices of assessment that was notified is subject to adversary procedure and further defensive action will be considered, including litigation. Suitable provisions have been made in the financial statements.

Marine Interiors Cabins

With reference to the tax audit conducted by the Italian Revenue Agency of Trieste in 2017 on the 2014 and 2015 tax periods, the notices of assessment sent in 2018 were challenged. In 2020 the Company's partially negative ruling was published, which will be promptly appealed.

The same arguments were used by the Italian Revenue Agency of Pordenone to adjust the value of the deed of transfer of the business unit for the purposes of the registration tax. The proceedings to challenge the deed were closed, in first instance, with a ruling in favour of the subsidiary. In 2020 the Agency appealed this ruling.

In 2020, the Norwegian tax authority disputed the VAT treatment of some contracts with the Vard group. Defensive actions have been initiated and the consultants do not believe that the dispute could have a significant impact on the subsidiary.

Vard Tulcea

The subsidiary was subject to an audit by the Romanian tax authority on the 2012-2016 periods, concluded with a finding. A defensive strategy is being pursued and suitable provisions have been made in the financial statements.

Vard Braila

The subsidiary was informed of the forthcoming start of a tax audit by the Romanian tax authority on the 2014-2018 tax periods.

Fintecna group

Risk monitoring was ensured during 2019 through the operating tools employed by Fintecna, in line with the methods adopted by the CDP Group and with a view to simplifying processes and procedures.

This period saw the settlement of the following extraordinary operations: (i) partial, proportional spin-off of the equity investment held by Fintecna in CDP Equity to the benefit of the Parent Company CDP, effective from 1 August 2019, (ii) partial, proportional spin-off of the equity investment held by Fintecna in Fincantieri to the benefit of CDP Industria, effective from 13 December 2019 and (iii) merger by incorporation into Fintecna of Ligestra Due, effective from 1 January 2020. The investigations of the aforementioned operations included an assessment of the relevant risks and management oversights. Excluding the considerations shown below regarding risks connected with the equity investment in Fincantieri, these operations did not generate any significant changes to Fintecna's risk profile as regards the 2019 financial year.

Fintecna's risk profile for 2019 therefore continues to be mainly connected to operational risks arising from the institutional activities of managing equity investments, including the monitoring of liquidation activities conducted by Ligestra Due as well as the significant dispute concerning the various companies incorporated over the years.

With reference to the existing disputes, considering the complexity and future uncertainty of these situations, the directors — acting on the best available information and on the prudent assessment of the circumstances — periodically update their evaluations of the adequacy of the provisions for liabilities and charges made in the financial statements, which are currently deemed adequate and appropriate to meet the costs that the Company is likely to incur.

In relation to the activities carried out by Ligestra Due, Fintecna has adopted a governance model that provides for monitoring of the operations conducted based on specific regulations, as well as centralised operational management under the terms of a servicing agreement with Ligestra Due.

Financial risks

The types of financial risks to which the company is exposed are described hereunder.

Liquidity risk: according to assessments conducted by the management, the current financial resources are sufficient to meet the payment obligations. Liquidity commitments are in large part linked to the management of the dispute, the coverage of liquidation expenses (represented by the share of Fintecna's overheads) and disbursements connected with environmental issues stemming from companies incorporated over the years. Indeed, cash and cash equivalents represent the ideal asset to offset the "provisions for risks and charges" on the liability side of the balance sheet and failure to make appropriate provisions - with particular reference to the aforementioned areas and the consequent erroneous use of liquidity - constitutes a further risk factor for the company.

Accordingly, as part of their assessments of the provisions for liabilities and charges, the directors also continually update their forecasts on the use of these provisions and take them into account when setting their liquidity management policies. Finally, it is noted that almost all Fintecna's cash and cash equivalents are deposited with CDP and that the parties have made an irregular deposit agreement, which defines the terms and conditions for those deposits. The remaining cash and cash equivalents are deposited on a short-term basis with banks.

Credit and counterparty risk: the credit risk is linked to the risk of impairment of the outstanding trade receivables. These receivables mainly comprise positions dating back years, which are often subject to litigation and have been almost entirely written down. In this area, organisational monitoring measures are in place to ensure the proactive management of the loan portfolio and the mitigation of the related risks.

There is also a limited counterparty risk linked to the investment of residual short-term liquidity held at banks, given that most of the financial resources available to Fintecna are held by CDP. Available liquidity is managed in accordance with the "Guidelines for treasury operations" issued by CDP, which, among other things, set the minimum ratings criteria that banking counterparties must meet.

Other financial risks: in light of the partial, proportional spin-off of the majority stake held by Fintecna in Fincantieri to the benefit of CDP Industria, effective from 13 December 2019, there are no longer any risks connected with changes in the share value of the said stake, the trend of which was, in any event, more or less stable during 2019.

Compliance risk

The main compliance risks applicable to Fintecna are essentially linked to reputational risks that might arise in relation to sensitive areas like environmental protection, occupational health and safety, the execution of specific mandates on behalf of the Public Administration (e.g. the Fintecna Project for Central Italy) and the management of equity investments and litigation.

Important in this respect are developments in external regulations, changes in the scope of the business activity or in the corporate governance structure and changes at organisational or process level.

To protect itself against legal compliance risk, the group has adopted a model to identify the applicable laws and regulations and assess the risk of violating them, and specific second-level controls to prevent the potential reputational risks deriving from relationships with third parties.

The mapping of regulations that apply to the company is an ongoing and constantly updated activity.

Legal disputes

In the financial year just ended, to ensure the optimal development of its activities, the company continued to actively monitor and manage all disputes it is involved in as a consequence of the numerous corporate transactions that originated from companies subsequently merged into Fintecna, or from companies whose disputes were subsequently transferred to the latter. In particular, specific and targeted assessments were conducted on the critical issues underlying the individual disputes so as to prepare the best defence possible for Fintecna.

The number of labour disputes in 2019 was the same as in the previous year, thus substantiating the projection of a fall, compared to previous years, in the number of requests for compensation for biological injury for illnesses arising after a long periods of latency and allegedly attributable to the presence of hazardous substances and the working conditions in the industrial facilities formerly owned by companies now belonging to Fintecna.

The company continues to pursue its primary objective to streamline the litigation case load and limit its negative financial consequences as much as possible, seeking settlements, where possible, in those cases where adequate financial and legal grounds exist.

There may be interesting developments in case law, albeit not uniform and not yet established, which give grounds for optimism in relation to the protracted legal defence positions. However, case law remains essentially confirmed in this respect, often not favourable to the company's arguments, and the growing sensitivity to "environmental sanitation", applied "retroactively" to industrial sites managed by companies that are predecessors of Fintecna, made it necessary to set aside large amounts to cover compensation to be awarded to counterparties, both as a result of out-of-court settlements and, in the event of no agreement being reached, in execution of the rulings, which in some cases heavily penalise the company. However, the results achieved so far can be considered, overall, to be economically satisfactory, particularly if compared with the potential of this type of action to generate substantial costs for the company in the case of negative rulings.

Having regard to the civil/administrative disputes, there has been a fall in the number of pending lawsuits, following the settlement of disputes on conclusion of the related legal proceedings. Resolving the legal proceedings or settlement arrangements is proving to be objectively difficult.

In this regard, disputes with claims made against the company are backed by provisions in consideration of the risks of each case, as well as the specific legal positions.

The situation of the dispute, which involves the company as outlined above, can be summarised in the following table showing the breakdown of the balances:

(number of disputes; %)	31/12/2019	31/12/2018	Change (+/-)	Change %
Civil/administrative/tax disputes	93	101	(8)	-7.9%
Employment disputes	332	431	(99)	-23.0%
Total	**425**	**532**	**(107)**	**-20.1%**

SIMEST

In order to identify the risks to be managed, SIMEST, while not subject to prudential regulation, adheres to current banking regulations or the classification scheme adopted by the Basel Committee, which distinguishes between “pillar 1 risks” and “pillar 2 risks”.

This classification is contained in the risk regulation adopted by SIMEST to ensure that the company, in coordination with SACE, is able to cover the risks it faces with its own resources. Thus, the regulation contains the same risk management principles adopted by the Parent Company, while taking into account the company’s specific nature and size.

Financial risks

Credit risk

With regard to risk monitoring and mitigation, the credit risk is primarily mitigated through the direct commitments of the Italian partners to repurchase SIMEST’s equity investments, partially secured by corporate sureties, collateral and bank or insurance guarantees.

(millions of euro; %)	31/12/2019		31/12/2018	
Direct commitments of Italian partners	472	86%	461	84%
Commitments secured by banks and insurance companies	31	6%	42	8%
Commitments secured by collateral	44	8%	42	8%
Total	**547**		**545**	

Market risk

The risk arising from market transactions in financial instruments, currency and commodities. Price risk and foreign exchange risk are in part mitigated by contractual clauses which as a rule guarantee that the investment will be recovered at the historic price paid in euro for acquisition of the equity investment. The fair value measurement of a portion of the investment portfolio resulting from the adoption of IFRS 9 exposes the portfolio to market risks arising from fluctuations in market factors (interest rates and credit spreads).

Liquidity risk and interest rate risk

Liquidity risk and interest rate risk are monitored constantly through analysis of expected cash flows, especially for equity investments. Furthermore, specific operational limits for risk management and monitoring have been set out in the risk regulation.

Legal disputes

In regard to labour law disputes, two lawsuits are pending in court at 31 December 2019. The total amount of the claims is about 287 thousand euro.

CDP Immobiliare group

The risk management service is managed by the Risk Management function, which reports to the Chief Risk Officer (CRO).

The risks to which the company and its subsidiaries are exposed and the relevant monitoring and minimisation activities are described below.

Financial risks

Market risk

Risks relating to property development

The market risk is the risk of unexpected losses resulting from macroeconomic factors linked to the performance of the property market, which cause property prices to fall.

The market risk has to be assessed in the context of the overall and the specific market, examining the local context and the offering of competitors, taking also into account the underlying right. In measuring and managing the market risk, the value of the property portfolio is monitored by means of six-monthly assessments conducted by independent experts.

The Risk Management service carries out second-level controls to identify any mismatches, requesting clarifications in the most significant cases, and to ensure the accuracy of the calculations and the consistent application of the assessment criteria over time.

In the event of investment or divestment operations, there is an assessment of the consistency of the sales conditions with respect to the latest evaluation by the independent expert, with respect to the carrying value and forecasts indicated in the company's budget (if it has been defined).

In the event of new investments considered significant, the degree of concentration at province/city/non-metropolitan area is verified. The risk categories of properties are monitored on a quarterly basis (see Parent Company "Guidelines for the assumption of incremental risk at group level in the property sphere").

Interest rate risk

The interest rate risk is the risk of losses resulting from unfavourable changes in interest rates. The negative impact is essentially an increase in financial expenses.

Exposure to interest rate risk is mainly linked to the medium and long-term financial liabilities of some investee companies, relating to mortgages and floating-rate loans taken out for business development needs, whose remuneration is influenced by money market trends.

The policy for managing such risks for the CDP Immobiliare group companies is focused on reducing the possible impacts of changes in the reference interest rates on financial performance.

Exchange rate risk

The CDP Immobiliare group operates only in Italy; therefore, it is not exposed to exchange rate risk.

Liquidity risk

The liquidity risk is the risk of not being able to meet short-term cash needs, mainly due to factors such as:
- the illiquidity of the real estate market, or inability to disinvest and liquidate real estate assets at a value close to fair value;
- cash flow mismatches due to loss of revenues, higher costs or, more generally, errors in forecasting receipts and payments;
- the illiquidity of financial markets.

The CDP Immobiliare group made no investments for the management of its liquidity, since such liquidity is of limited amount and is intended to fund short-term needs. Following the review process implemented in previous years in relation to financial counterparties, which aims to reduce risks, the liquidity management policy has remained conservative, also in light of the continual evolution of the Italian banking sector. Therefore, there is no risk linked to the recovery of capital invested in investment instruments or cash deposits.

On the other hand, the liquidity risk linked to the ability to meet commitments arising from financial liabilities is particularly significant within the CDP Immobiliare group on account of its activities and the issues described in the section on market risk.

For joint control companies, liquidity risk is heightened by the critical issues detected in recent years in the structure of many of the partnerships' shareholders, which have experienced difficulties in meeting the companies' financial requirements, and in some cases have expressed the intention of decommitting resources from property investments. However, it must be stated that such companies have been, and some still are, subject to restructuring plans/agreements which have entailed the payment and settlement of debts to financial institutions with financial contributions from CDP Immobiliare and the simultaneous acquisition of members' share capital.

The short and medium-term financial requirements of CDP Immobiliare are periodically brought to the attention of CDP, which makes available to the company, on a case-to-case basis and after verifying the activities to which those requirements relate, the resources necessary to meet the needs indicated. The Parent Company has already approved the financial coverage requested by CDP Immobiliare for the financial year 2020 (50 million euro), in addition to that already resolved between 2017 and 2019 (80 million euro not yet used during the current management) and for specific investment projects of significant sizes to be launched in 2020.

In order to measure and manage liquidity risk, in the event of new investments, the Risk Management service, when the financial reports in support of the investigation are available, conducts a sensitivity analysis where the variables are the exit values, sales times and characteristics of any debt. When deemed relevant, the sensitivity analysis may be accompanied by a scenario analysis, e.g. a recession scenario may be characterised by worse exit conditions, longer sales times and difficulties of refinancing the debt.

The Risk Management service also conducts an assessment of:
- assumptions of commitments pertaining to financial support for the partnership, non-mandatory in accordance with the shareholders' agreements in force or agreements of another kind;
- operations pertaining to investee companies made by CDP Immobiliare in implementation of plans/agreements to restructure the debt of the said companies (i.e. acquisition of bank credits, purchase/sale of share capital, other forms of intervention to support ongoing agreements with creditors);
- recapitalisation of investee companies through waiver/offsetting of receivables due to CDP Immobiliare from such companies.

Credit risk

Credit risk is linked to a counterparty's ability to fulfil the obligations entered into with the CDP Immobiliare group.

In view of its operational business management methods, credit risk for CDP Immobiliare consists essentially in the risks linked to its trade receivables from the partnerships. In any case, these receivables were subject to suitable write-down in the company's financial statements once they became potentially uncollectable.

For each new transaction, the counterparty's financial capacity is analysed also on the basis of information acquired from databases such as Cerved and by conducting searches in the Worldcheck and Orbis databases.

Operational risks

With regard to activities on operational risks, during the first quarter, the Risk Management service conducted a further verification of the state of the art of the project management, property development and remediations sites.

The third and final site shed light on the need to formalise the controls envisaged in response to the activities illustrated in the procedure. The Risk Management service has provided support in determining the controls to formalise and, subsequently, feedback was obtained regarding the integrations made to the procedure, which was issued in accordance with the envisaged time frames, in the month of June 2019.

The Risk Management service also provided its support for the update of the "Property transactions - Reclassifications, new buildings and significant maintenance" procedure, by checking for the presence of mitigants for risks revealed during the risk assessment. This procedure was issued in the month of June 2019.

During the first few months of 2020, staff training sessions were organised, aimed at launching the Loss Data Collection process (i.e. collection of the company's operating loss data), one of the activities envisaged in the methodological framework in effect regarding operational risks.

Legal disputes

The litigation involving the CDP Immobiliare group originates primarily from the contribution of a real estate company unit by Fintecna S.p.A. to Fintecna Immobiliare S.r.l., now CDP Immobiliare S.r.l., and the merger through incorporation of Valcomp Due S.p.A., Patrimonio dello Stato S.p.A. and the G1 consortium.

The disputes mainly concern management of the real estate assets of CDP Immobiliare and its investee companies. More specifically, they consist in repossession actions on illegally occupied property, evictions or lease expiry procedures, actions for verification of title or property rights on real estate, legal actions relating to property purchase and sale agreements, compensation claims for financial damage due to contractual and extra-contractual liability, credit recovery actions for outstanding payments, etc., administrative disputes concerning the cancellation of administrative measures for breach of mandatory requirements and misuse of power and a number of criminal law disputes.

As at 31 December 2019, the situation of the disputes (civil, administrative, criminal) which concern CDP Immobiliare S.r.l. and its investee companies may be summarised in the table shown below:

Disputes involving the CDP Immobiliare group

(number of disputes; %)	31/12/2019	31/12/2018	Change (+/-)	Change %
CDP Immobiliare S.r.l.	44	54	(10)	-19%
Investee companies	16	16		0%
Total	**60**	**70**	**(10)**	**-14%**

Disputes involving CDP Immobiliare S.r.l.

There was a total of 44 disputes pending as at 31/12/2019 which involve CDP Immobiliare. These include:
- 22 disputes as the plaintiff: 10 concern lawsuits for releasing properties occupied without entitlement and to determine ownership and rights in rem (for 3 of these, a counterclaim was filed to determine ownership), 4 are enforcement actions, 2 concern the determining of responsibility for breach of contract (with a counterclaim from the opposing party), 3 concern the annulment of administrative measures for breach of laws or misuse of powers, 2 are tort liability suits and 1 is criminal in nature;
- 22 disputes as the defendant: 5 concern lawsuits for determining ownership, 9 concern the determining of responsibility for breach of contract, 1 for pre-contractual liability, 2 contractual invalidity actions, 3 tort proceedings and 2 for the annulment of administrative measures for breach of laws or misuse of power.

In the reporting period, pending disputes decreased in number compared to the previous year (19%). Indeed, during this period, in response to 15 disputes launched, of which 10 new disputes (7 as defendant and 3 as plaintiff), 4 before higher courts and 1 enforcement action, 25 disputes were resolved, of which 4 with a settlement and 19 with a judgement (15 favourable and 4 unfavourable/partly unfavourable), 2 enforcement measures were concluded successfully.

Disputes involving investee companies

There was a total of 16 pending disputes, as at 31/12/2019, for all investee companies, of which:
- 6 as the plaintiff (4 criminal, 1 for contractual liability, 1 for release of property);
- 10 as the defendant (6 for contractual liability, 1 for tort liability, 1 for contract invalidity, 1 to determine the ownership of a property, 1 for counterfeiting).

During the period ending 31 December 2019, the number of disputes was unchanged considering that 5 new disputes were launched while 5 were resolved (of which 3 with a favourable outcome and 2 with an unfavourable/partly unfavourable outcome).

In addition to the pending disputes, there was the payment request for Residenziale Immobiliare 2004 (still in the out-of-court phase) for a sum of 0.87 million euro as commission for the sale/purchase of the former San Lorenzo Customs property.

In addition to the disputes listed above, CDP Immobiliare is involved in 20 tax disputes handled by the company's Administration, Budget and Tax Unit with the assistance of tax law firms. Of these, 5 relate to State taxes (specifically, registration tax, mortgage tax and cadastral tax) and 15 to local authority claims for municipal property taxes. There were 2 labour disputes, for which, in consideration of the risks of a negative ruling, judged "possible" by the legal advisers who assist the company in legal proceedings, a conservative provision was made into a suitable budgetary risks fund for an amount equal to the remedy sought.

Having regard to pending disputes, the claims of the counterparties and the related risks are assessed with the support of outside legal consultants and, based on the outcome of the analysis conducted, ad hoc risk provisions have been estimated and set aside for those cases felt likely to generate costs for the CDP Immobiliare group.

SIA group

The SIA group intends to counter and minimise its operational, financial, compliance and reputational risks. It acts on customers' business, cybersecurity, fraud management and business continuity processes. It pays attention to suppliers/partners and personal safety.

Following the acquisitions in different geographical areas and the corporate integrations, an integrated risk governance method was defined in order to ensure consistent risk monitoring at group level, defining shared principles and approaches, also taking into account the operating specificities of the individual companies, especially with regard to financial, compliance and customer and supplier risks. This model entails a breakdown into centralised and decentralised functions with appropriate information and reporting flows.

The SIA group pays special attention to the issue of risk culture and has carried out annual interventions over time with different insight levels and different teaching methods (online platform training programme, thematic workshops developed on the basis of priority business risks conducted with different company professionals, in-depth seminar on reputational risk, face-to-face sessions). An American company specialised in staff training, in the context of a world-wide campaign, awarded SIA the "Gold Excellence in learning" award in the "Compliance" category for excellence in employee training for the "ABC of Risk Culture" online course.

Risk management process

The top management of SIA, aware of the type, nature and extent of the risks to which the company is exposed, support the risk management process and define the risk objectives.

This process defines the methods by which to identify, evaluate, contrast, monitor and prevent the risks to which the SIA group is exposed.

The risk management process:
- is set according to the ISO 31000:2018 standard and in 2019 it was updated at SIA group level;
- is aimed at pursuing the objectives and protecting the company's value;
- is an integral part of the organisational systems and business processes, the initiatives being defined and the services provided;
- addresses the conditions of uncertainty and is a component of business decision-making processes;
- is carried out in a systematic, structured, timely and documented manner;
- considers the human, perceptive and cultural factors that facilitate risk reporting and impact assessments;
- is checked on a regular basis to ensure that it meets the business objectives.

From an organisational point of view, SIA has adopted three lines of defence which include:
- the corporate organisational structures - which identify, govern and control the risks of their areas of action (first level);
- the Risk Governance department - which is responsible for second-level risk control and the governance of compliance, business continuity, personal data protection and Health and Safety systems. This structure reports to the Chief Financial Officer within the staff of the CEO;
- the Internal Audit Department - which ensures third-level control over corporate risks, operates independently and reports to the Chairman.

In addition:
- the top management are periodically aligned and intervene in risk assessment decisions;
- a "Risk Team" - consisting of "risk officers" who operate in their areas of competence - is in place to supervise and monitor risk assessment and risk treatment plans.

2019 main activities

The main activities at SIA group level in 2019 were:
- updating the risk policy;
- developing the risk management process at SIA group level;
- preparing the risk analysis of the services/products of SIA and its subsidiaries;
- monitoring the risks associated with the most important business initiatives;
- gradually extending the monitoring of business certifications and approvals to the SIA group;
- monitoring IT, technological and security risks;
- carrying out the actions of the internal GDPR improvement programme extended at SIA group level;
- strengthening the risk culture with appropriate training solutions.

Operational risks for new initiatives

The SIA group is strongly committed to the project development of new initiatives and technological solutions to respond promptly to customer demand and anticipate its evolutionary lines.

The SIA group manages the risks for new initiatives by assessing the impacts of developing new solutions from the early stages (by-design).

Main activities carried out in 2019:
- monitoring the risks for new project initiatives with special checklists to assess the impacts of developing new solutions from the early stages (by-design);
- preparing specific risk analyses of significant initiatives.

Operational risks in the services rendered

The monitoring of the risks associated with the main production services continues.

The risk analysis methodology of the services is consistent with best practices. It involves the use of a checklist that considers the characteristics of the services/products offered and the standards for risk analysis.

The actions intended to standardise the methods for the analysis, assessment and treatment of the services of the SIA group companies continued.

Also worthy of note are SIA's ISO 9001 quality checks, carried out on services and products which are now also risk-oriented.

Technological risks

The continuous monitoring of technological infrastructures and the related risks continues with organisational solutions for centralised oversight of technological infrastructures, systems and networks responsible for providing services.

To reduce the risks in the production environments, specific test environments are organised and a centralised governance of all requests for interventions and changes to the production environments is established.

Furthermore, the analysis of the technological risk profile of the main SIA group sites is being updated.

Operational risks for suppliers and partners

The analysis of the operational risks in products and services also focuses on:
- the impacts that suppliers could have on the services provided to customers in the event of reliance on specific suppliers;
- protection measures for suppliers who also process personal data;
- the business continuity requirements stated and expected by customers.

Actions were launched in 2019 which will be effective from 2020 to integrate the SIA group's procurement solution with a specific module to manage supplier risk. This solution makes it possible to verify the risk level of the supplier during the selection phase, and subsequently to re-evaluate its risk level for the company.

Compliance risks

Compliance risk monitoring is ensured by a specific compliance management system that operates as second-level control. Attention is paid to the main regulatory deadlines and to the new regulations that impact companies and customers.

High attention is paid to the rules regarding critical infrastructures for payment systems and financial markets, the card processing world and the regulations on cyber resilience.

Worthy of note in 2019 were the actions intended to:
- coordinate requests for information, documents and data received by the Central Bank's Supervisory structure pursuant to art. 146 of the Consolidated Law on Banking;
- monitor the evolution of the rules following the PSD2 directive and the recent issues of technical standards by the EBA - European Banking Authority and the ECB - European Central Bank;
- monitor the certifications and authorisations of business card processing (PCI-DSS, PCI-PIN Program and 3DS, of other standards provided for by international circuits and Bancomat certifications) by extending monitoring to the SIA group;
- assist the renewal of PCI-DSS certifications with particular regard to the SIA Greece and SIA-CEE areas;
- identify the risks arising from the major contracts with SIA group customers;
- maintain the Quality, Business Continuity, IT Services and Security systems for ISO certifications (9001 - 22301 - 20000 - 27001). In particular, the group companies hold certifications according to the business requests;
- attain ISO 27017 and ISO 27018 certification for electronic storage and EasyPA services and maintain the AgID certification for electronic storage services;

- coordinate the preparation of Type 2 ISAE 3402 reports;
- maintain the organisational model pursuant to Legislative Decree 231/2001 for Italian group companies that have a Supervisory Body;
- extend the alerting service in relation to newsletters and members' letters of international circuits to group companies.

Risks relating to personal data processing

SIA, in order to fulfil the obligations provided for by privacy regulations and to minimise the risks arising therefrom, makes use of a specific Governance System, which involves all personnel according to their role and responsibilities. Monitoring is guaranteed, at SIA group level, by SIA's DPO (Data Protection Officer), which was also designated for the other companies, and which relies on the collaboration, at local level, of a focal point/privacy officer.

In 2019, activities continued in order to:
- carry out the actions of the internal GDPR improvement programme to ensure effective and efficient responses to requests to exercise data subjects' rights;
- keep the Data Protection policies, procedures and documentation up to date, in line with the evolution of the regulatory scenario and the organisational model;
- update the Record of Processing Activities with particular attention to the processing of personal data in the context of the services provided to customers;
- optimise the handling and management of requests from customers, suppliers and internal structures in the area of Data Protection;
- deliver a training programme in line with the contents of the GDPR and increase awareness with specific campaigns;
- check that the processing of personal data is carried out according to the regulations and in compliance with the contractual agreements in force;
- guarantee periodic reporting to top management.

Operational security and cybersecurity risks

The financial sector is characterised by its reliance on information, IT systems and computer networks and is consequently increasingly exposed to cyber threats due to the relevance of the data processed and the critical nature thereof for the economy. The occurrence of threats on the data processed by the services offered by SIA may have significant impacts on the services themselves and on the customers and, therefore, reflect on the company's financial results and reputation.

SIA intends to respond to the expectations of customers and institutions regarding the safety and protection of critical infrastructures and, therefore, to provide the best response to cybersecurity threat contexts in line with the directives for the Financial Market Infrastructure (FMI) defined to improve resilience in the face of cyber threats.

The continuous monitoring of technological infrastructures and the related risks continued in the period with organisational solutions for centralised oversight of technological infrastructures, systems and networks responsible for providing services also aimed at dealing with the technological risk and ensuring role segregation.

SIA has put in place a complex series of operational controls and security countermeasures at an organisational, logical and physical level the application of which is aligned with the business guidelines and at the same time suitable for risk assessments on the confidentiality, integrity and availability of information.

The initiatives launched are set out along the following guidelines:
- ensure prevention against cyber-attacks according to an "in-depth defence" approach through the distribution of security measures on different layers so as to allow a protection measure to be covered by a subsequent line of defence;
- increase the effectiveness and speed in identifying and responding to security threats, through the analysis and use of information obtained from technical probes and external information sharing sources;
- harmonise coverage to the whole SIA group with the alignment of protection procedures and measures.

The security and cybersecurity risk mitigation initiatives were developed within an ISMS Information Security Management System, according to the ISO/IEC 27001 standard, and certified by a qualified third party.

Business continuity risks

Business continuity risks are inherent in the type of services that SIA provides to its customers.

To counter these risks, SIA has adopted a specific "Business Continuity System".

SIA operates in compliance with national and European banking regulations, as defined in the contracts with customers and in compliance with the ISO 22301 standard.

For its own business continuity and the continuity of the services provided to its customers and to the financial community: "SIA guarantees the restoration of the business services as well as of the support activities relevant to the company in compliance with the Bank of Italy's Guidelines on business continuity, and continuity of contracts with customers taking into account the technological features of the systems".

In 2019, activities continued in order to:
- keep the procedures and documentation of the business continuity management system up to date;
- update the emergency and crisis response teams in the organisational structure;
- test the Business Continuity and Disaster Recovery solutions, with the participation of customers in extreme risk scenarios;
- participate in CODISE tests (structure chaired by the Bank of Italy for the continuity of the financial market);
- ensure constant monitoring and assistance to customer requests regarding business continuity.

Actions were launched in 2019 which will be effective from 2020 to reach the SIA group's business continuity plans.

Financial risks

The qualitative disclosures on the financial risks to which the SIA group is exposed, as well as the quantitative disclosures are set out below, pursuant to art. 2428, paragraph 2, point 6-*bis* of the Italian Civil Code and in accordance with the provisions laid down by IFRS 7.

SIA is exposed to the main financial risks detailed below.

Exchange rate risks

Most of the group companies operate mainly in the euro zone and are therefore not significantly exposed to exchange rate risks. The exchange differences realised by the group companies are recognised in the income statement, and unrealised differences are recognised in equity in the Valuation reserve item.

The subsidiary SIA monitors the strategic plans, the mix of revenues and costs and the customers of the companies that operate with reference currencies other than the euro (in particular Perago FSE and SIA Central Europe) also with reference to the trend in exchange rates, in order to prevent unexpected fluctuations from affecting the results and the carrying values of the investments, which, if they occur, would result in indicators to be considered during the impairment tests.

Credit risks

The SIA group is marginally exposed to credit risk for its own operating activities and for the management of financial and cash resources. Specifically, the SIA group companies operate mainly with well-known and high-standing customers, many of whom belong to the financial world. In view of the acquisition of new customers, in the event that there are any doubts about the counterparty's actual standing, specific checks are carried out on the financial soundness of the potential customer. With reference to debt recovery activities, procedures have been set up for monitoring expected cash flows and for any recovery actions, aimed mainly at facilitating the process of validating invoices at commercial counterparties in order to speed up the collection thereof. In addition, external lawyers are also retained in order to recover non-performing exposures. Looking also at past years, the credit loss phenomenon was in any event negligible.

The quantitative disclosures translate into the breakdown of trade receivables by past-due time bands, in the provisions to the bad debt provision and in the indication of any significant positions with respect to individual counterparties.

Liquidity risks

The business model and the operational management implemented at SIA group level have shown, over the years, that they are able to generate positive cash flows, also during cyclical and structural economic crises. Also in 2019, the SIA group generated significant positive operating cash flows, as shown in the cash flow statement, taking into account the extraordinary growth in the acquisitions of external companies over the past few years and the substantial distribution of dividends to shareholders. The net financial position (understood as the difference between the total financial payables and liquid assets) is positive following the loan obtained by a pool of banks to cope with the strategic acquisitions for inorganic growth concluded in previous years. In light of the periodic analyses of the discrepancies between actual and forecast data and the defined strategic objectives, there are no liquidity risks to date, also taking into account the short-term credit lines negotiated with some banks to deal with any temporary cash imbalances. Most of the liquidity is managed by SIA and P4cards, and extremely prudential criteria are used in terms of the type of investments and their duration.

The medium/long-term loan agreement entered into in July 2018 by SIA S.p.A. with a pool of banks for the acquisition of the equity investments in SIA Greece and SIA Slovakia, with the simultaneous renegotiation of the previous loan entered into for the acquisition in 2017 of the equity investment in P4cards, is subject to two financial covenants in terms of early repayment of the loan and distribution of dividends; these covenants, in line with best market practices, express limits linked to the ratio between EBITDA variables and the SIA group's net financial position. As of 31 December 2019, the covenant limits are complied with.

The quantitative disclosures translate into the indication of the existing liquidity reserves on the reference date, by using the table set out below:

Liquidity reserves

(thousands of euro)	31/12/2019	31/12/2018
Cash equivalents	97,435	94,652
Current financial assets	127	122
Current financial receivables	5,456	1,703
Total	**103,018**	**96,477**

Interest rate risks

The company uses the liquid resources available in current accounts and bank deposits, with fixed returns or at variable rates. Changes in interest rates can influence returns on loans, impacting financial income, albeit not significantly, in relation to the reference amounts. The only significant financial payables recognised by the SIA group, in addition to the medium-long term loan taken out with a pool of banks for the acquisitions of P4cards, SIA Greece and SIA Slovakia, are connected to financial lease agreements, normally defined at variable rates.

As regards the aforementioned bank loan disbursed by a pool of banks in favour of SIA, in order to avoid possible negative effects deriving from future fluctuations in interest rates, in December 2018, a hedging transaction was negotiated with the same lending banks using interest rate swaps (IRS) for an original notional amount of 775 million euro (reduced to 705 million euro at 31 December 2019 due to the repayment of the instalments of the aforementioned related hedged loan), classifiable as a cash flow hedging transaction in accordance with IAS 39, which swaps the variable lending rate (3-month Euribor) with a fixed market rate determined at the signing of the agreement.

The loan agreement provides for covenants, in terms usually provided for this type of transaction, on the basis of profitability indicators (SIA group's EBITDA) and overall financial debt (SIA group's net financial position).

The monitoring of financial risks continues in line with what is stated in the report and the financial statements as at 31 December 2018.

In particular, mitigation activities have been put in place through the application of specific internal practices and procedures to manage treasury and liquidity, as well as the monitoring of trade receivables, the control and management of financial debt.

Lastly, it should be noted that special attention is also paid to monitoring the economic performance of the investee companies to verify the solidity of the book values of consolidated goodwill and the carrying value of equity investments.

Financial assets

	31/12/2019		31/12/2018	
(thousands of euro)	Fixed rate	Variable rate	Fixed rate	Variable rate
Cash		14		15
Current accounts and bank deposits		97,388		94,624
Non-current financial assets (*)				
Current financial receivables		5,456		1,703
Current financial assets (*)		127		122
Total		**102,985**		**96,464**

(*) Amounts pertaining to minority equity investments and equity derivatives are excluded.

Financial liabilities

	31/12/2019		31/12/2018	
(thousands of euro)	Fixed - rate	Variable - rate	Fixed - rate	Variable - rate
Bonds				
Non-current financial liabilities (*)		3,738		3,114
Current financial liabilities (*)		2,587		
Non-current financial liabilities (**)	61,400	617,750	13,318	695,860
Current financial liabilities (**)	28,383	199,424	20,412	85,585
Total	**89,783**	**823,499**	**33,730**	**784,559**

(*) The value concerns the hedging derivatives of the parent Company SIA.
(**) The value concerns the bank loan of the parent Company SIA and the values of the finance leases.

The amounts relating to bank debt mainly refer to the bank loan of SIA and to financial leases, while the amounts relating to non-current financial liabilities refer to the derivative contracts entered into by SIA to hedge against the same bank loan.

Health and safety and environmental risks

SIA carries out regular and systematic prevention and control actions to protect health in the workplace, also in accordance with the provisions laid down by the relevant legislation.

With regard to the risks associated with the occurrence of events that may cause effects on the environment or on the health of the population residing in the areas affected by its activities, the SIA group has not caused any damage to the environment for which it has been found culpable, nor has it been subject to sanctions or penalties for environmental offences or damage.

It should also be noted that the SIA group also pays special attention to the aspect that governs the administrative, safety and environmental responsibilities regarding the risk of committing offences, as defined by Legislative Decree 231/2001.

The second-level control has led to regular and systematic prevention and control actions to protect health in the workplace, also in accordance with the provisions laid down by the relevant legislation.

In particular, in 2019, through the Occupational Health and Safety Management System, the following were updated:
- powers, proxies and appointments relating to health and safety in the workplace;
- the Documento di Valutazione dei Rischi (Risk Assessment Document) (DVR).

The following were also carried out:
- periodic meeting with the employer;
- health surveillance programme;
- development of the training plan;
- refresher course for emergency workers with first aid, defibrillator and fire prevention courses;
- training for new emergency workers;
- update of the emergency plans;
- evacuation drills;
- risk assessment for electromagnetic fields in the Milan offices;
- inspections for safety risk assessment for the new offices in Milan and Rome.

Finally, a corporate dashboard was developed to monitor the application of Health and Safety laws in the various countries where the SIA group has a legal entity.

Reputational risks

Service interruptions or reductions in the quality of the services provided can have an impact on the reputation of the company and of the customers working with SIA.

To this end, the SIA structure in charge of external relations and communications constantly monitors SIA's presence, visibility and image on the main information and communication bodies and channels such as media, press, web, social network agencies.

Monitoring and communication activities have also begun in central and eastern Europe countries where SIA has been present since the last quarter of 2018.

During 2019, some atypical and unusual facts emerged relating to limited suppliers of goods and services, which, in previous years, entertained relations with a non-core function of the company SIA S.p.A.; as soon as they became known, the company promptly managed these facts, including with the support of qualified third-party experts, putting in place every action and adopting every measure deemed necessary and appropriate to protect corporate interests. The company management continues to closely monitor the developments of the events mentioned, with particular reference to the progressive consolidation of the design and effective operation of the company procedures and the related controls, as well as to the evolution of the legal-judicial profiles associated with the aforementioned facts.

Personnel and organisation risks

During the period, the availability of resources and skills were strengthened - particularly in the digital and innovation fields - to support the company's growth and development initiatives.

In particular, the following actions were implemented in 2019, with the aim of mitigating some of the risks in the personnel and organisation area:
- periodic "know the rules" communications (mailing and intranet) to all SIA group companies regarding updates and innovations in terms of processes and procedures;
- ongoing training and development on cybersecurity issues, with the extension of training content to new hires and employees of the SIA group's foreign companies and the "Cybersecurity and SIA, between technologies and challenges" course;
- new training methods for awareness initiatives on issues such as GDPR and Risk, with the consequent launch of dedicated innovative e-learning projects.

Risk reporting

During the period, a liaison was ensured with SIA group companies on risk management, the ongoing liaison between risk management, business, operational technological and staff structures continued, with in-depth meetings, specific risk teams and risk committees.

The discussion with Internal Audit on the subject of corporate risks (third-level control) also continued with information flows and meetings. This monitoring was also carried out for the purposes of sustainability requirements and reporting.

Ansaldo Energia group

The Ansaldo Energia group is exposed to a series of business and financial risks associated with its operations.

The main business risks can be identified as follows:
- economic crisis: the continuation of the economic crisis could squeeze the Ansaldo Energia group's profitability and its ability to generate cash, including in the relevant sectors. In the face of this risk, the group pursues the objective of increasing its industrial efficiency and improving its ability to execute contracts, while reducing structural costs;
- long-term contracts at a predetermined price: the Ansaldo Energia group's response to this risk is expressed by following the procedures in place in the process of preparing and authorising the main commercial offers from the early stages by checking the main economic and financial parameters, including the Economic Value Added (EVA), which is one of the reference aggregates for the evaluation. In addition, it regularly conducts a review of the estimated costs of the contracts, at least on a quarterly basis. Risks and uncertainties related to the execution of contracts are identified, monitored and assessed through the "Contract Management" directive and two "Lifecycle Management" and "Risk Assessment" procedures, aimed at reducing the probability of occurrence or the negative consequences of the identified risks and promptly implementing the identified mitigation actions. These analyses involve top management, program managers and the quality, production and finance functions (so-called "phase review");
- responsibility vis-à-vis customers: the Ansaldo Energia group is exposed to liability risks vis-à-vis customers or third parties connected to the correct execution of contracts, to which it responds with the stipulation of insurance policies available on the market to cover any damage caused. It cannot be ruled out, however, that damage not covered by insurance policies, which exceeds the insured ceilings or an increase in insurance premiums may occur in the future, which management nevertheless monitors on an ongoing basis;
- compliance with country regulations: the Ansaldo Energia group monitors, through specific structures, the constant updating with the reference legislation, subjecting the launch of commercial actions to checks into compliance with the limitations and obtainment of the necessary authorisations.

Financial risks can be described as follows:
- liquidity risks, represented by the risk that the available financial resources are not sufficient to meet the obligations within the agreed terms and deadlines;

- market risks, relating to exposure to positions that generate interest (interest rate risks) and to operations in currency areas other than that of the denomination (exchange rate risks);
- credit risks, deriving from normal business transactions or from financing activities.

The Ansaldo Energia group specifically monitors each of the aforementioned financial risks, intervening with the aim of promptly minimising them including, for example, through the use of derivative hedging instruments.

The following paragraphs analyse, including through sensitivity analyses, the potential impact on the final results deriving from hypothetical fluctuations of the reference parameters. These analyses are based, as required by IFRS 7, on simplified scenarios applied to the final data of the periods taken as reference and, by their very nature, cannot be considered indicators of the real effects of future changes in the reference parameters against a different capital and financial structure and different market conditions, nor can they reflect the interrelationships and the complexity of the reference markets.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds or to liquidate assets on the market, the Ansaldo Energia group may be unable to fulfil its payment commitments, resulting in a negative impact on income if it is forced to sustain additional costs to meet such commitments or a condition of insolvency.

The Ansaldo Energia group's goal is to implement a financial structure that, in line with business objectives and the limits defined, i) guarantees an adequate level of liquidity, minimising the related opportunity cost and (ii) maintains an optimal profile in terms of debt maturity and composition.

The table below shows an analysis of maturities, based on contractual repayment obligations, relating to the capitalised values of the bond loan, trade payables and other liabilities outstanding at 31 December 2019 and 2018. The first column represents the year-end balance, while the subsequent ones represent the disbursements expected at the indicated maturities, inclusive of interest.

(thousands of euro)	Balance at 31/12/2019	Within 1 year	From 1 year to 5 years	More than 5 years	Total
Bond loan	619,213	277,970	388,500		666,470
Other current and non-current financial liabilities	891,863	253,333	893,222	24,406	1,170,961
Trade payables	417,576	417,576			417,576
Other current and non-current liabilities	296,168	282,064	14,104	450	296,618

(thousands of euro)	Balance at 31/12/2018	Within 1 year	From 1 year to 5 years	More than 5 years	Total
Bond loan	618,387	17,171	302,563	353,191	672,925
Other current and non-current financial liabilities	542,302	369,910	134,830	23,008	527,748
Trade payables	423,697	423,697			423,697
Other current and non-current liabilities	324,944	147,143	180,303	450	327,896

Interest rate risk

The Ansaldo Energia group is exposed to interest rate fluctuations as regards the use of its liquidity. Interest rate risks were measured through sensitivity analyses, as required by IFRS 7, on the portion exposed to the risk of interest rate variability not covered by derivative instruments. If the reference rates were 50 basis points higher/lower, the effects on equity as at 31 December 2019 and on the income (loss) for the year ended on that date would have been negligible.

Exchange rate risk

The Ansaldo Energia group's procedures provide for the hedging, at the moment of the contract acquisition, of the foreign currency gains exposed to the exchange rate risk. As regards costs, the Ansaldo Energia group implements the policy of stipulating supply contracts mainly in euro. The share of purchases to be made in local currency is normally covered by a corresponding revenue value in the same currency.

At 31 December 2019, the total notional value in euro of the items hedged by derivative instruments for sale is equal to 129,592 thousand euro and the value of those for purchase is equal to 1,370 thousand euro.

Given the above, and in particular net of the effect deriving from the hedging policy of transactions in currencies other than the euro, the sensitivity analysis on exchange rate changes appears to be negligible.

Credit risk

The Ansaldo Energia group is exposed to credit risk both in relation to the counterparties to its own business transactions, and for financing and investment activities, as well as for the guarantees provided on third-party debts or commitments.

In order to eliminate or minimise the credit risk deriving from business transactions in particular with foreign countries, the Ansaldo Energia group adopts an accurate risk hedging policy from the outset of the business transaction by carrying out a careful examination of the conditions and means of payment to be proposed in commercial offers which can subsequently be incorporated into sales contracts.

In particular, depending on the contractual amount, the type of customer and the importing country, the necessary precautions are taken to limit credit risk both in terms of payment and in the financial means envisaged such as stand-by letter or irrevocable and confirmed letter of credit or, in cases where this is not possible and if the country/customer is particularly at risk, the opportunity to request adequate insurance coverage is assessed through the dedicated export credit agencies such as SACE or through the intervention of international banks for contracts where financing of the supply is required.

The following table provides a breakdown of trade receivables, grouped by past due and by geographical area, net of the bad debt provision:

	Other customers			
(thousands of euro)	Europe Area	US Area	Others	Total at 31/12/2019
Retentions			203	203
Receivables not past due	57,838	1,093	62,605	121,535
Receivables less than six months past due	15,559	3,577	81,326	100,462
Receivables less than 1 year past due	15,829	4,818	58,321	78,968
Receivables 1 to 5 years past due	7,807	(2,135)	29,099	34,771
Receivables more than 5 years past due	9,961	5,285	3,194	18,440
Total	**106,993**	**12,638**	**234,749**	**354,380**

Credit concentration risks are not considered significant, either by geographical area, by sector, or by customer type.

Part F - Consolidated shareholders’ equity

Section 1 - Consolidated shareholders’ equity

Qualitative disclosures

As indicated in the introduction, CDP is subject to “informational” supervision only.

Therefore, it is not required to indicate own funds, capital adequacy ratios and the related information for the Group.

Part G - Business combinations

Section 1 - Business combinations completed during the year

1.1 Business combinations

(thousands of euro) Company name	Date of transaction	(1)	(2)	(3)	(4)
Luxury Interiors Factory S.r.l.	19/03/2019	381	100%	2,454	(519)
Aquamet business unit	30/04/2019	22,606	100%	1	1
Isgas Energit Multiutilities business unit	30/04/2019	7,269	100%	1	1
Mediterranea S.r.l.	30/04/2019	2,293	100%	241	51
Alfiere S.p.A.	24/06/2019	8,734	100%		(4,723)
INSIS S.p.A.	04/07/2019	39,000	60%	51,803	1,920
Sienergas business unit	25/09/2019	140	100%	217	14
Quadrifoglio Modena S.p.A.	26/09/2019	9,164	100%		8,762
Toscana Energia group	01/10/2019	480,855	2%	34,700	6,250
Ansaldo Energia S.p.A.	04/12/2019	326,805	60%	984,065	(255,699)
SIA S.p.A.	04/11/2019	2,490,031	83%	736,554	95,281
Fondo Italiano di Investimenti SGR	05/12/2019	17,800	68%	13,987	1,853
FSIA Investimenti S.r.l.	04/11/2019	1,318,433	70%	29,676	124,839

(1) Cost of transaction.
(2) Percentage of voting rights in the Ordinary Shareholder's Meeting.
(3) Total Group revenues.
(4) Group net Profit (Loss).

Acquisition of Luxury Interiors Factory S.r.l.

On 19 March 2019, the subsidiary Marine Interiors S.p.A. acquired the entire equity investment held in Luxury Interiors Factory S.r.l., a company engaged in research, development, sale and installation of hygiene facilities in the marine sector. The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

ASSETS	Book value	Adjustment	Fair value
10. Cash and cash equivalents	136		136
40. Financial assets measured at amortised cost	25		25
90. Property, plant and equipment	15		15
110. Tax assets	608		608
130. Other assets	23		23
Total acquired assets	**807**		**807**
LIABILITIES			
10. Financial liabilities at amortised cost	785		785
60. Tax liabilities	13		13
80. Other liabilities	22		22
Total liabilities assumed	**820**		**820**
Net acquired assets	**(13)**		**(13)**
Goodwill	394		394
Cost of business combination	**381**		**381**

Acquisition of INSIS

On 4 July 2019, Fincantieri S.p.A. completed the acquisition of a 60% stake in the INSIS group, a solution provider in the field of integrated physical and logical security and operating on domestic and foreign markets both directly and as a technology partner of large industrial groups. The purchase price for the equity investment was 23 million euro. The agreement also gives Fincantieri the right to exercise a call option on the remaining 40%, and the third-party non-controlling shareholder the right to exercise a put option on that stake. The consideration paid for 60% of the INSIS group amounts to 23.4 million euro which equates to a valuation of 39 million euro for 100% of the group compared to equity at the acquisition date of 20.1 million euro.

The difference between the value of 100% of the INSIS group and equity at the acquisition date of 18.9 million euro was allocated to intangible assets Order Backlog and Commercial Relations, with the remainder being allocated to goodwill.

The value of the order backlog, valued using an income method, was estimated at 2.6 million euro to be amortised over 3 years. The value of the commercial relationships, valued using the Multiperiod excess earnings method, was estimated at 16.3 million euro to be amortised over 10 years. The residual goodwill after recognition of deferred tax liabilities (5.3 million euro) amounts to 5.3 million euro. The goodwill recognized in these financial statements amounts to 3.2 million euro which represents 60% of its determined value.

ASSETS	Book value	Adjustment	Fair value
10. Cash and cash equivalents	10,222		10,222
20. Financial assets measured at fair value through profit or loss	82		82
40. Financial assets measured at amortised cost	85		85
90. Property, plant and equipment	4,678		4,678
100. Intangible assets	9,923	17,572	27,495
110. Tax assets	307		307
130. Other assets	41,091		41,091
Total acquired assets	**66,388**	**17,572**	**83,960**

LIABILITIES			
10. Financial liabilities at amortised cost	12,020		12,020
60. Tax liabilities	1,057	5,272	6,329
80. Other liabilities	29,746		29,746
90. Staff severance pay	1,456		1,456
100. Provisions for risks and charges	65		65
190. Non-controlling interests (+/-)	662		662
Total liabilities assumed	**45,006**	**5,272**	**50,278**

Net acquired assets	**21,382**	**12,300**	**33,682**
Goodwill	5,318		5,318
Cost of business combination	**26,700**	**12,300**	**39,000**

Acquisition of the Aquamet business unit

On 30 April 2019, the acquisition was completed from the Conscoop group of the Aquamet S.p.A. business unit, which holds, among others, 9 natural gas distribution concessions in several municipalities of Lazio, Campania, Basilicata and Calabria, serving a total of 23,800 users.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

ASSETS	Book value	Adjustment	Fair value
100. Intangible assets	24,364		24,364
130. Other assets	1		1
Total acquired assets	**24,365**		**24,365**
LIABILITIES			
80. Other liabilities	1,417		1,417
90. Staff severance pay	342		342
Total liabilities assumed	**1,759**		**1,759**
Net acquired assets	**22,606**		**22,606**
Cost of business combination	**22,606**		**22,606**

Acquisition of the Isgas Energit Multiutilities business unit

On 30 April 2019, the acquisition was completed from the Conscoop group of the business unit of Isgas Energit Multiutilities S.p.A., which holds the propane air distribution concessions in the Cagliari, Nuoro and Oristano municipalities (Sardinia), currently serving a total of 22,300 users with LPG.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

ASSETS	Book value	Adjustment	Fair value
90. Property, plant and equipment	83		83
100. Intangible assets	31,478		31,478
130. Other assets	12,446		12,446
Total acquired assets	**44,007**		**44,007**
LIABILITIES			
10. Financial liabilities measured at amortised cost	19,901		19,901
80. Other liabilities	15,955		15,955
90. Staff severance pay	882		882
Total liabilities assumed	**36,738**		**36,738**
Net acquired assets	**7,269**		**7,269**
Cost of business combination	**7,269**		**7,269**

Acquisition of Mediterranea S.r.l.

On 30 April 2019, the acquisition of 100% of Mediterranea S.r.l. from Conscoop group was finalised. Mediterranea S.r.l. holds 6 concessions for the distribution of natural gas in the province of Salerno and serves approximately 3,600 users.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

ASSETS	Book value	Adjustment	Fair value
10. Cash and cash equivalents	395		395
90. Property, plant and equipment	118		118
100. Intangible assets	13,166		13,166
110. Tax assets	292		292
130. Other assets	650		650
Total acquired assets	**14,621**		**14,621**
LIABILITIES			
10. Financial liabilities measured at amortised cost	10,559		10,559
60. Tax liabilities	684		684
80. Other liabilities	974		974
90. Staff severance pay	1		1
100. Provisions for risks and charges	110		110
Total liabilities assumed	**12,328**		**12,328**
Net acquired assets	**2,293**		**2,293**
Cost of business combination	**2,293**		**2,293**

Acquisition of Alfiere S.p.A.

On 24 June 2019, CDP Immobiliare acquired the 50% equity investment in Alfiere held by Telecom Italia S.p.A. (TIM). As a result, from that date CDP Immobiliare has held 100% of the share capital of Alfiere. Under this transaction, CDP Immobiliare took over the obligations undertaken by TIM on behalf of Alfiere with the lending banks, and in particular the financial support commitments (for a total maximum remaining amount of around 11.4 million euro).

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

ASSETS	Book value	Adjustment	Fair value
40. Financial assets measured at amortised cost	994		994
90. Property, plant and equipment	135,000		135,000
130. Other assets	631		631
Total acquired assets	**136,625**		**136,625**
LIABILITIES			
10. Financial liabilities measured at amortised cost	123,566		123,566
80. Other liabilities	3,802		3,802
100. Provisions for risks and charges	430		430
Total liabilities assumed	**127,798**		**127,798**
Net acquired assets	**8,827**		**8,827**
Badwill		93	93
Cost of business combination	**8,827**	**(93)**	**8,734**

Acquisition of Quadrifoglio Modena in liquidazione

On 26 September 2019, CDP Immobiliare acquired the 50% equity investment held by La Ciminiera S.p.A. in Quadrifoglio Modena S.p.A. in liquidazione through a unilateral capital increase.

The table below provides a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

ASSETS	Book value	Adjustment	Fair value
40. Financial assets measured at amortised cost	1,788		1,788
90. Property, plant and equipment	29,340		29,340
110. Tax assets	15		15
130. Other assets	906		906
Total acquired assets	**32,049**		**32,049**
LIABILITIES			
10. Financial liabilities at amortised cost	23,005		23,005
60. Tax liabilities	11		11
80. Other liabilities	358		358
Total liabilities assumed	**23,374**		**23,374**
Net acquired assets	**8,675**		**8,675**
Goodwill		489	489
Cost of business combination	**8,675**	**489**	**9,164**

Acquisition of Ansaldo Energia

Ansaldo Energia, 59.94% owned through CDP Equity, became a subsidiary following the expiration and non-renewal of the shareholders' agreements and investment agreements with the 40% shareholder, Shanghai Electric Company ("SEC"). These events resulted in a change in the status of the equity investment, pursuant to IFRS 11, from an interest with joint control to an interest controlled by a sole shareholder. Since there was no transfer price for the equity investment, as required by IFRS 3, the fair value of the investee at the acquisition date (31 December 2019) was used to determine the amount of goodwill recognised in the consolidated financial statements.

Goodwill is the result of the provisional allocation of the excess value of the equity investment (since there was no price paid on the date control was acquired, because control was the result of the expiration of shareholders' agreements with the shareholder SEC which gave the CDP Group joint control over the investee) over the value of the share of equity acquired. This allocation represents the best possible allocation based on the information available at the reporting date of the consolidated financial statements.

The table below provides a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

ASSETS	Book value	Adjustment	Fair value
40. Financial assets measured at amortised cost	311,845		311,845
70. Equity investments	21,419		21,419
90. Property, plant and equipment	290,541		290,541
100. Intangible assets	1,376,160	(797,778)	578,382
110. Tax assets	78,840		78,840
120. Non-current assets and disposal groups held for sale	324,338		324,338
130. Other assets	1,155,632		1,155,632
Total acquired assets	**3,558,775**	**(797,778)**	**2,760,997**
LIABILITIES			
10. Financial liabilities at amortised cost	1,484,575		1,484,575
40. Hedging derivatives	12,996		12,996
60. Tax liabilities	91,673		91,673
70. Liabilities associated with non-current assets and disposal groups held for sale	165,706		165,706
80. Other liabilities	1,426,134		1,426,134
90. Staff severance pay	14,344		14,344
100. Provisions for risks and charges	170,340		170,340
190. Non-controlling interests (+/-)	(171)		(171)
Total liabilities assumed	**3,365,597**		**3,365,597**
Net acquired assets	**193,178**	**(797,778)**	**(604,600)**
Goodwill		931,405	931,405
Cost of business combination	**193,178**	**133,627**	**326,805**

Acquisition of FSIA Investimenti

FSIA is owned by CDP through FSI Investimenti, which holds an equity interest of 70%. In 2019, even though there were no changes in the percentage ownership in FSIA or in the existing agreements with Poste Italiane, which holds the remaining 30%, given that CDP's control over SIA had been established following acquisition of additional shares in the investee company's share capital and according to SIA's governance rules, control has also been established over FSIA, whose sole asset at 31 December 2019 was the 57.41% stake in SIA.

The table below provides a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

ASSETS	Book value	Adjustment	Fair value
40. Financial assets measured at amortised cost	4,367		4,367
70. Equity investments	509,236	877,812	1,387,048
110. Tax assets	4		4
Total acquired assets	**513,607**	**877,812**	**1,391,419**
LIABILITIES			
10. Financial liabilities at amortised cost	43,784		43,784
60. Tax liabilities	46		46
80. Other liabilities	29,156		29,156
Total liabilities assumed	**72,986**		**72,986**
Net acquired assets	**440,621**	**877,812**	**1,318,433**
Cost of business combination	**440,621**	**877,812**	**1,318,433**

Acquisition of SIA

In November 2019, when the conditions precedent to which the transaction was subject were no longer present, FSIA and CDP Equity S.p.A., respectively, completed acquisitions of 7.934% (which was previously held by UniCredit and Intesa Sanpaolo) and a further 25.69% (previously held by Orizzonte HAT SGR and F2I SGR through funds managed by them) of the share capital of SIA. These transactions brought the total equity interest in SIA to 83.1%, thus establishing a controlling interest in a leading company, both in Italy and in Europe, in the electronic money sector.

The goodwill referring to SIA in the following table is the result of the provisional allocation of the higher price paid to acquire the control of the company with respect to the share of net equity acquired. This provisional allocation represents the most reasonable allocation based on the information available at the reporting date of the consolidated financial statements.

The table below shows the consideration paid to acquire the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

ASSETS	Book value	Adjustment	Fair value
10. Cash and cash equivalents	47		47
30. Financial assets at fair value through other comprehensive income	12		12
40. Financial assets measured at amortised cost	102,971		102,971
70. Equity investments	725		725
90. Property, plant and equipment	150,762		150,762
100. Intangible assets	894,511	(569,139)	325,372
110. Tax assets	100,231		100,231
130. Other assets	258,276		258,276
Total acquired assets	**1,507,535**	**(569,139)**	**938,396**
LIABILITIES			
10. Financial liabilities at amortised cost	906,957		906,957
30. Financial liabilities designated at fair value	2,117		2,117
40. Hedging derivatives	6,325		6,325
60. Tax liabilities	66,579		66,579
80. Other liabilities	179,517		179,517
90. Staff severance pay	25,866		25,866
100. Provisions for risks and charges	3,041		3,041
Total liabilities assumed	**1,190,402**		**1,190,402**
Net acquired assets	**317,133**	**(569,139)**	**(252,006)**
Goodwill		2,742,037	2,742,037
Cost of business combination	**317,133**	**2,172,898**	**2,490,031**

Acquisition of Fondo Italiano di Investimento SGR

At the beginning of December 2019, CDP completed the 4.5 million euro acquisition of 25% of the share capital of Fondo Italiano di Investimento, a management company involved in private equity and Tech Growth investments aimed at supporting small and medium-sized high-tech enterprises looking enter the scale up stage, and investments in funds whose investment strategies are aimed at supporting the development stages of start-ups and small and medium-sized enterprises in Italy.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

ASSETS	Book value	Adjustment	Fair value
10. Cash and cash equivalents	1		1
40. Financial assets measured at amortised cost	19,200		19,200
90. Property, plant and equipment	7,488		7,488
100. Intangible assets	1		1
110. Tax assets	1,871		1,871
130. Other assets	794		794
Total acquired assets	**29,355**		**29,355**
LIABILITIES			
10. Financial liabilities at amortised cost	7,546		7,546
80. Other liabilities	3,020		3,020
90. Staff severance pay	595		595
100. Provisions for risks and charges	269		269
Total liabilities assumed	**11,430**		**11,430**
Net acquired assets	**17,925**		**17,925**
Badwill		(125)	(125)
Cost of business combination	**17,925**	**(125)**	**17,800**

Acquisition of the Sienergas business unit

On 25 September 2019, the purchase was completed from Sienergas Distribuzione S.r.l. of the natural gas distribution business unit in the municipality of Cannara (Perugia), with infrastructure extending over 35 kilometres and serving 1,500 users.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

ASSETS	Book value	Adjustment	Fair value
100. Intangible assets	210		210
Total acquired assets	**210**		**210**
LIABILITIES			
70. Liabilities associated with non-current assets and disposal groups held for sale			
Total liabilities assumed	**70**		**70**
Net acquired assets	**140**		**140**
Cost of business combination	**140**		**140**

Acquisition of the Toscana Energia Group

On 1 October 2019, the transfer to Italgas S.p.A. of 2,897,778 shares of Toscana Energia S.p.A., corresponding to 1.98% of the share capital, was completed. Following the acquisition of control over Toscana Energia by Italgas, the new articles of association came into force, drawn up following the agreement between Italgas and the public shareholders and already approved by the extraordinary shareholders' meeting on 28 June 2018.

The table below shows the consideration paid for the acquisition of the company, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro):

ASSETS	Book value	Adjustment	Fair value
10. Cash and cash equivalents	16,715		16,715
70. Equity investments	25,130		25,130
90. Property, plant and equipment	44,510		44,510
100. Intangible assets	891,250		891,250
110. Tax assets	51,390		51,390
130. Other assets	49,143		49,143
Total acquired assets	**1,078,138**		**1,078,138**
LIABILITIES			
10. Financial liabilities measured at amortised cost	431,152		431,152
60. Tax liabilities	69,397		69,397
80. Other liabilities	129,512		129,512
90. Staff severance pay	8,635		8,635
100. Provisions for risks and charges	14,077		14,077
Total liabilities assumed	**652,773**		**652,773**
Net acquired assets	**425,365**		**425,365**
Goodwill		55,490	55,490
Cost of business combination	**425,365**	**55,490**	**480,855**

Section 2 - Business combinations completed after the end of the year

2.1 Business combinations

No business combination transactions were completed after the end of the 2019 financial year.

Section 3 - Retrospective adjustments

No adjustments were made in the current financial year in relation to the business combinations completed in previous financial years.

Part H - Transactions with related parties

1. Information on the remuneration of key management personnel

The following table shows the remuneration paid in 2019 to members of the management and control bodies and key management personnel of the Parent Company and of wholly-owned subsidiaries.

Directors' and Statutory Auditors' remuneration

(thousands of euro)	Directors	Board of Auditors	Key management personnel
a) Short-term benefits	12,523	2,852	20,584
b) Post-employment benefits	331		867
c) Other long-term benefits	2,141		3,782
d) Severance benefits			
e) Share-based payments	2,999		4,829
Total	**17,994**	**2,852**	**30,062**

2. Information on transactions with related parties

Certain transactions among the CDP Group and related parties, notably those with the Ministry of the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative provisions.

In any event, it should be noted that the CDP Group did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the Company. All transactions with related parties were carried out on an arm's length basis and form part of the Group's ordinary operations.

The following table shows assets, liabilities, revenues and costs in respect of the CDP Group's transactions in 2019 with:
- companies subject to significant influence or joint control;
- the Ministry of the Economy and Finance;
- the subsidiaries and direct and indirect affiliates of the Ministry of the Economy and Finance;
- others counterparties (mainly post-employment benefit plans for employees of the CDP Group).

(thousands of euro) Items/Related parties	Ministry of Economy and Finance (MEF)	Associates and joint operations of the CDP Group	Direct and indirect MEF subsidiaries and associates	Others	Total transactions with related parties
Assets					
Financial assets measured at fair value through profit and loss		146,858	1	1	146,860
Financial assets measured at fair value through other comprehensive income	8,787,184		416,263		9,203,447
Financial assets measured at amortised cost					
– *loans to banks*			*2,297,498*		*2,297,498*
– *loans to customers*	*238,929,902*	*947,849*	*2,981,916*		*242,859,667*
Other assets	1,221,832	632,564	772,970	758	2,628,124
Liabilities					
Financial liabilities measured at amortised cost:					
– *due to banks*			*1*		*1*
– *due to customers*	*13,450,805*	*3,827,605*	*24,736*		*17,303,146*
Other liabilities	31,757	628,409	119,781	7,733	787,680
Off-balance sheet	**3,220,599**	**5,527,959**	**1,332,777**		**10,081,335**
Income statements					
Interest income and similar income	4,981,654	25,268	78,257		5,085,179
Interest expense and similar expense	(2,344)	(173)			(2,517)
Commission income	312,984	3,028	1,681		317,693
Commission expense	(4,848)	(1,471,454)			(1,476,302)
Profits (losses) on trading activities		7,965			7,965
Gains (losses) on disposal or repurchase	(50)		1,366		1,316
Administrative expenses		(54,786)	(52,556)	(3,506)	(110,848)
Other operating income (costs)	50,495	2,145,637	2,016,437	143	4,212,712

With regard to financial liabilities measured at amortised cost, and in particular securities issued, it should be noted that only securities issued by the Parent Company CDP and held by associates or companies jointly controlled by the CDP group are reported under amounts due to customers. In particular, amounts due to customers include bonds issued by CDP and guaranteed by the Italian government, subscribed by Poste Italiane S.p.A. for a total nominal value of 3.75 billion euro.

Part I - Share-based payments

Medium/long-term incentive plan of Fincantieri

2016-2018 Performance Share Plan

On 19 May 2017, the Shareholders' Meeting of Fincantieri S.p.A. approved the medium-/long-term management share-based incentive plan called 2016-2018 Performance Share Plan (the "Plan"), as well as the related Regulation. The related project was approved by the Board of Directors on 10 November 2016.

The Plan is divided into three cycles, each having a duration of three years, and provides for the free assignment of shares to the beneficiaries identified by the Board of Directors, up to a maximum number of 50,000,000 Fincantieri S.p.A. ordinary shares with no par value, provided that the foregoing beneficiaries meet the specific performance targets established in relation to 2016-2018 (first cycle), 2017-2019 (second cycle) and 2018-2020 (third cycle). The targets identified for all three cycles are Total Shareholder Return ("TSR") and EBITDA, which provide objective criteria for measuring value creation by the Company over the long term.

The vesting period for all beneficiaries will be three years, from the date the rights are granted to the date the shares are assigned to the beneficiaries. Therefore, on meeting the performance targets and satisfying the other conditions set out in the Plan Regulation, the shares accrued in relation to the first cycle has been vested and assigned to the beneficiaries within 31 July 2019, while those accrued in relation to the second and third cycles will be vested and assigned respectively within the 31 July 2020 and 31 July 2021.

The Plan also contemplates a lock-up period in relation to a portion of the shares assigned to the Company's board members or key management personnel.

In the first cycle of the Plan, 9,101,544 Fincantieri S.p.A. ordinary shares were assigned to the beneficiaries identified by the Board of Directors on 15 December 2016; in the second cycle of the Plan, 4,170,706 Fincantieri S.p.A. shares were assigned to the beneficiaries identified by the Board of Directors on 25 July 2017; and, in the third and last cycle of the Plan, 3,604,691 shares of the Parent Company were assigned to the beneficiaries identified by the Board of Directors on 22 June 2018.

The business and financial performance targets consist of two components:
a) a "market based" component (equal to 30% of the total rights assigned) linked to Fincantieri's performance in terms of the TSR associated with the FTSE ITALY ALL SHARE Index and the Peer group identified by the Company;
b) a "non-market based" component (equal to 70% of the total rights assigned) linked to the achievement of Group EBITDA targets measured against pre-established targets.

The "market based" component was calculated according to the Monte Carlo method, under which appropriate assumptions can be applied to define a significant number of alternative scenarios within a given time period. Unlike the "market based" performance target, the "non-market based" component (EBITDA) is immaterial in terms of the fair value estimate but is updated quarterly to take into account expectations in terms of the number of rights accruable based on EBITDA performance measured against the targets established in the Plan. To estimate the number of rights accrued as at the date of the financial statements, it has been assumed that the target will be met.

The table below shows the amount, for each cycle of the Plan, of the fair value determined at the grant date of the rights to the beneficiaries.

	Grant date	No. of shares assigned	Fair value (euro)
First cycle of the Plan	19/05/2017	9,101,544	6,866,205
Second cycle of the Plan	25/07/2017	4,170,706	3,672,432
Third cycle of the Plan	22/06/2018	3,604,691	3,963,754

With reference to the 2016-2018 Performance Share Plan, please note that the BoD meeting on 27 June 2019 resolved on the closure of the 1st cycle of the "2016-2018 Performance Share Plan", assigning, free of charge to the beneficiaries, 10,104,787 ordinary shares of Fincantieri through the use of 2,572,497 treasury shares in the portfolio and issuing 7,532,290 new shares, always without nominal value. The issue and delivery of the shares took place on 30 July 2019.

The features of the Plan, as described above, are described in further detail in the information document prepared by the Company pursuant to Article 84-*bis* of Regulation 11971 issued by Consob on 14 May 1999. The information document has been published on the website “www.fincantieri.it” in the section “Ethics and Governance - Shareholders’ Meetings - Shareholders’ Meeting 2017”.

2019-2021 Performance Share Plan

On 11 May 2018, the Shareholders’ Meeting of Fincantieri S.p.A. approved the new 2019-2021 Performance Share Plan (the “Plan”) for management and the related Regulation, the structure of which was defined by the Board of Directors at the meeting held on 27 March 2018.

The Plan is divided into three cycles, each having a duration of three years, and provides for the free assignment of shares to the beneficiaries identified by the Board of Directors, up to a maximum number of 25,000,000 Fincantieri S.p.A. ordinary shares with no par value, provided that the foregoing beneficiaries meet the specific performance targets established in relation to 2019-2021 (first cycle), 2020-2022 (second cycle) and 2021-2023 (third cycle).

The vesting period for all beneficiaries will be three years, from the date the rights are granted to the date the shares are assigned to the beneficiaries. Therefore, on meeting the performance targets and satisfying the other conditions set out in the Plan Regulation, the shares accrued in relation to the first cycle will be vested and assigned to the beneficiaries within 31 July 2022, while those accrued in relation to the second and third cycles will be vested and assigned respectively within the 31 July 2023 and 31 July 2024.

The Plan also contemplates a lock-up period in relation to a portion of the shares assigned to the Company’s board members or key management personnel. The free assignment of the number of rights is delegated to the Board of Directors, which also has the power to identify the number and names of the beneficiaries.

In the first cycle of the Plan, 6,842,940 Fincantieri S.p.A. ordinary shares were assigned to the beneficiaries identified by the Board of Directors on 24 July 2019.

In addition to the EBITDA and TSR parameters, already included in the 2016-2018 Performance Share Plan, the Group has also introduced a further parameter, the Sustainability Index, among the Plan’s targets, which measures the achievement of the sustainability targets the Group has set itself to align it with European best practices and the growing expectations of the financial community regarding sustainable development.

The references for testing the achievement of the sustainability target consist of market parameters such as the Carbon Disclosure Project (CDP) and a second rating by an additional agency that assesses the entire basket of sustainability aspects.

The table below shows the amount, for each cycle of the Plan, of the fair value determined at the grant date of the rights to the beneficiaries.

	Grant date	No. of shares assigned	Fair value (euro)
First cycle of the Plan	24/07/2019	6,842,940	6,668,616

The features of the Plan, as described above, are described in further detail in the information document prepared by the Parent Company Fincantieri pursuant to Article 84-*bis* of Regulation 11971 issued by Consob on 14 May 1999. The information document has been published on the website “www.fincantieri.it” in the section “Ethics and Governance - Shareholders’ Meetings - Shareholders’ Meeting 2018”.

Incentive plans for executives based on Snam shares

2017-2019 long-term performance share plan

On 11 April 2017 the Shareholders’ Meeting approved the 2017-2019 long-term performance share plan, giving the powers necessary to implement the Plan to the Board of Directors.

The Plan applies to the Chief Executive Officer and to Snam executives who hold offices that have the greatest impact on the company’s financial performance or who are strategically important in terms of achieving Snam’s multi-year objectives. The Plan provides for three cycles of annual assignment of three-yearly targets (so-called Rolling Plan) for the years 2017, 2018 and 2019.

At the end of the three-year performance period, beneficiaries will be entitled to the free assignment of company shares if the conditions underlying the Plan are satisfied.

The maximum number of shares backing the plan is 3,500,000 shares for each year of the Plan. The Plan will end in 2022, that is, on expiry of the three-year vesting period linked to the last assignment of shares (2019).

The number of shares vested is subject to meeting the performance targets, which are measured as the average yearly performance against the parameters established for the three-year vesting period, with impact on EBITDA, adjusted net income and sustainability.

2017 award	Vesting period and performance			2020 free share award
	2017	2018	2019	

2018 award	Vesting period and performance			2021 free share award
	2018	2019	2020	

2019 award	Vesting period and performance			2022 free share award
	2019	2020	2021	

At the end of the Plan's vesting period, the beneficiaries will also receive a Dividend Equivalent, consisting in a number of additional shares equivalent to the ordinary and extraordinary dividends distributed by Snam in the vesting period, which would have accrued on the number of shares effectively assigned to the beneficiaries on the basis of their performance and in accordance with the terms and conditions set out in the Plan.

The Chief Executive Officer and the other eligible executives will be subject to a lock-up period of two years on 20% of the shares assigned, as recommended in the Corporate Governance Code.

A total of 5,385,372 shares have been assigned under the Plan, of which 1,368,397 shares in relation to 2017, 2,324,413 shares in relation to 2018 and 1,692,562 shares in relation to 2019. The unit fair value of the shares, which equates to the price of the Snam shares at the grant date, was 3.8548, 3.5463 and 4.3522 euro for the shares granted respectively in 2017, 2018 and 2019. The cost of the Long-Term Incentive Plan, amounting to 7 million euro (3 million euro in 2018), is recognised as a labour cost with a balancing entry in equity reserves.

Part L - Consolidated information on operating segments

Operating segments

This section of the Notes to the consolidated financial statements has been drafted in compliance with IFRS 8 - Operating Segments.

Operating segment disclosures are presented by showing separately the contribution given by four sectors to the consolidated Group's results:

- Support for the economy: represented by the Parent Company's financial data;
- International expansion: represented by the SACE group's financial data;
- Other sectors: represented by the financial data of the Companies subject to management and coordination, except for those included in the previous sector, and without their equity investments, which are reported under the heading "Companies not subject to management and coordination". The segment therefore includes CDP Reti, Fintecna, CDP Equity, FSI Investimenti, CDP Investimenti SGR, CDP Industria, FSIA Investimenti, the funds FIV Plus, FIV Extra, FIT, FT1 and FIA2, CDP Immobiliare and its subsidiaries[53];
- Companies not subject to management and coordination: represented by the financial data of the companies consolidated line by line (Snam, Terna, Italgas, Fincantieri, SIA, Ansaldo Energia, Fondo Italiano di Investimento SGR and FoF Private debt) and by the financial data deriving from consolidation with the equity method of Eni, Poste Italiane, Saipem, OpenFiber, Kedrion, IQ Made in Italy, Valvitalia Finanziaria, Trevi Finanziaria Industriale, Rocco Forte Hotels, BF, Hotelturist, and the other associates or companies subject to joint control.

The reported financial data were prepared considering the contribution of the four segments already net of the effects of consolidation entries, but without the elimination of dividends, which has instead been performed in the column aggregating the three segments "Support for the economy", "International expansion" and "Other sectors".

Thus, the contribution of the three segments taken together, for which profit before tax amounts to 2.1 billion euro, is represented by the Parent Company and the companies subject to management and coordination.

This aggregate figure is impacted significantly by the weight of the financial data of the "Support for the economy" segment in terms of Net interest income.

The segment "Companies not subject to management and coordination" reports a profit before tax of 2.8 billion euro. In regard to gross income, there was a decrease in net interest income due to borrowing charges and a significant contribution, even if lower with respect to last year, from the measurement of investee companies with the equity method. This item comprises the positive results of Poste Italiane and the equity investments held by Snam, FSIA of the restatement at fair value of the equity investments in SIA; while the contribution from Eni, Ansaldo Energia and OpenFiber was negative.

Profit before tax benefits from a significant contribution from the core earnings of the industrial companies recorded under Other net operating income, which offset administrative expenses of 7.5 billion euro and amortisation/depreciation charges for the period of 2.2 billion euro, related to technical investments and to the effects of the purchase price allocations on those assets.

Balance sheet figures too show the significant weight of the "Support for the economy" segment, in particular under property, plant and equipment and in funding for Companies not subject to management and coordination.

The reclassified income statement figures and the main reclassified balance sheet figures, for 2019 and for the comparison year, shown below, are attributable to the group as a whole. For further details, see also Annex 2.1 "Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP Group".

53 The segment includes the equity investments of CDP Immobiliare and Fintecna, since they are representative of the company's business.

Reclassified consolidated balance sheet - 2019

(thousands of euro)	Companies subject to management and coordination: Support for the economy	International expansion	Other segments	Total	Companies not subject to management and coordination	Total
Loans and cash and cash equivalents	267,613,704	2,512,478	965,066	271,091,248	5,506,807	276,598,055
Equity investments		8,699	58,094	66,793	18,885,330	18,952,123
Debt and equity securities and units in collective investment undertakings	79,568,053	4,211,027	167,346	83,946,426	772,235	84,718,661
Property, plant and equipment/technical investments	347,062	93,852	1,582,926	2,023,840	37,330,659	39,354,499
Other assets (including Inventories)	277,852	130,303	119,336	527,491	10,191,744	10,719,235
Funding	349,625,099	1,322,419	1,417,781	352,365,299	33,353,420	385,718,719
– *of which: bonds*	*19,962,542*	*531,584*	*416,607*	*20,910,733*	*20,954,275*	*41,865,008*

Reclassified consolidated balance sheet - 2018

(thousands of euro)	Companies subject to management and coordination: Support for the economy	International expansion	Other segments	Total	Companies not subject to management and coordination	Total
Loans and cash and cash equivalents	267,406,920	2,463,277	1,040,453	270,910,650	4,349,244	275,259,894
Equity investments		8,361	70,563	78,924	20,316,737	20,395,661
Debt and equity securities and units in collective investment undertakings	66,173,940	3,323,773	657,407	70,155,120	447,561	70,602,681
Property, plant and equipment/technical investments	322,661	74,274	1,426,018	1,822,953	35,837,172	37,660,125
Other assets (including Inventories)	257,673	149,830	105,196	512,699	8,418,807	8,931,506
Funding	336,600,554	1,050,565	1,245,246	338,896,365	28,329,735	367,226,100
– *of which: bonds*	*17,708,840*	*531,564*	*416,443*	*18,656,847*	*18,875,200*	*37,532,047*

Reclassified consolidated income statement - 2019

(thousands of euro)	Support for the economy	International expansion	Other segments	Total (*)	Companies not subject to management and coordination	Total
	Companies subject to management and coordination					
Net interest income	**1,377,267**	**137,659**	**13,328**	**1,528,254**	**(320,106)**	**1,208,148**
Dividends	1,423,995	2,769	449,988	14,054	2,443	16,497
Gains (losses) on equity investments		460	1,211	1,671	428,818	430,489
Net commission income (expense)	77,301	50,284	5,284	132,869	(37,567)	95,302
Other net revenues (costs)	725,870	(1,174)	30,331	755,027	(109,002)	646,025
Gross income	**3,604,433**	**189,998**	**500,142**	**2,431,875**	**(35,414)**	**2,396,461**
Profit (loss) on insurance business		164,337		164,337		164,337
Profit (loss) on banking and insurance operations	**3,604,433**	**354,335**	**500,142**	**2,596,212**	**(35,414)**	**2,560,798**
Net recoveries (impairment)	72,102	(39,458)	(8,568)	24,076	(7,454)	16,622
Administrative expenses	(181,326)	(163,864)	(95,336)	(440,526)	(7,469,249)	(7,909,775)
Other net operating income (costs)	7,377	6,716	12,450	26,543	12,654,306	12,680,849
Operating income	**3,502,586**	**157,729**	**408,688**	**2,206,305**	**5,142,189**	**7,348,494**
Net Provisions for risks and charges	(50,213)	3,266	26,641	(20,306)	(93,367)	(113,673)
Net adjustment to property, plant and equipment and intangible assets	(14,566)	(9,489)	(33,722)	(57,777)	(2,188,007)	(2,245,784)
Other	(43)		5,190	5,147	(18,006)	(12,859)
Income (loss) for the year before tax	**3,437,764**	**151,506**	**406,797**	**2,133,369**	**2,842,809**	**4,976,178**
Income taxes						(1,565,476)
Net income for the year						**3,410,702**

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

Reclassified consolidated income statement - 2018

(thousands of euro)	Support for the economy	International expansion	Other segments	Total (*)	Companies not subject to management and coordination	Total
	Companies subject to management and coordination					
Net interest income	**2,373,390**	**221,978**	**(5,671)**	**2,589,697**	**(331,667)**	**2,258,030**
Dividends	1,362,387	7,739	481,732	9,671	2,161	11,832
Gains (losses) on equity investments		351	(9,587)	(9,236)	1,117,490	1,108,254
Net commission income (expense)	84,124	52,419	4,268	140,811	(40,047)	100,764
Other net revenues (costs)	445	1,792	(28,811)	(26,574)	(86,125)	(112,699)
Gross income	**3,820,346**	**284,279**	**441,931**	**2,704,369**	**661,812**	**3,366,181**
Profit (loss) on insurance business		72,521		72,521		72,521
Profit (loss) on banking and insurance operations	**3,820,346**	**356,800**	**441,931**	**2,776,890**	**661,812**	**3,438,702**
Net recoveries (impairment)	(75,693)	(46,214)	(3,625)	(125,532)	(57)	(125,589)
Administrative expenses	(219,351)	(149,479)	(98,942)	(467,772)	(6,943,916)	(7,411,688)
Other net operating income (costs)	2,539	2,624	19,148	24,311	11,895,235	11,919,546
Operating income	**3,527,841**	**163,731**	**358,512**	**2,207,897**	**5,613,074**	**7,820,971**
Net Provisions for risks and charges	(33,780)	12,629	92,654	71,503	(76,335)	(4,832)
Net adjustment to property, plant and equipment and intangible assets	(7,550)	(4,799)	(32,879)	(45,228)	(1,996,810)	(2,042,038)
Other	(4)	3,228	11,876	15,100	3,667	18,767
Income (loss) for the year before tax	**3,486,507**	**174,789**	**430,163**	**2,249,272**	**3,543,596**	**5,792,868**
Income taxes						(1,459,412)
Net income for the year						**4,333,456**

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

Part M - Disclosure of leases

The main new developments and impacts relating to the adoption of the new IFRS 16 are illustrated in a specific section in Part A - Accounting policies, Section 5 - Other issues.

This section contains some information indicated by the new IFRS 16 standard.

Section 1 - Lessee

Qualitative disclosures

The lease agreements included in the scope of application of IFRS 16 are mainly given by the contracts for the rental of the properties used by the Group in addition to the lease agreements for machinery (other assets e.g. printers, scanners etc.) and vehicles.

The CDP Group calculated the duration of the lease for each individual contract, considering the “non-cancellable” period during which it has the right to use the underlying asset by measuring all the contractual aspects that may change this duration, among which, in particular, is the possible presence of:
- any period covered by an option to extend the lease, if it is reasonably certain that the option will be exercised;
- any period covered by an option to terminate the lease, if it is reasonably certain that the option will not be exercised.

In accordance with the rules of the principle according to which “the underlying asset can be of low value only if:
- *the lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the lessee; and*
- *the underlying asset is not highly dependent on, or highly interrelated with, other assets”,*

the CDP Group applies the exemption for lease contracts when the value of the asset on the purchase date is lower than 5,000 euro (e.g. car parks, printers, scanners).

The Standard also specifies that “a contract containing the purchase option cannot be considered a short-term lease”.

The CDP Group considers a lease to be “short-term” when it has a maximum lease duration of 12 months and does not include any option to extend (and to purchase) that may be exercised at the discretion of the lessee.

For these contracts, the related payments are recorded in the income statement on a straight line basis for the corresponding duration.

Quantitative disclosures

Reported below is the information required by IFRS 16 with regard to contracts where the CDP Group acts as a lessee, contained in these notes in the following sections:
- Part B - Assets, Section 9 — for information on the rights of use acquired under a lease;
- Part B - Liabilities, Section 1, table 1.6 “Lease liabilities” — for information on lease liabilities;
- Part C - Section 1, table 1.3 “Interest expense and similar expense: breakdown” — for information on interest expense on the lease liabilities;
- Part C - Section 14, table 14.1 “Net adjustments to property, plant and equipment: breakdown” — for information on the depreciation of the rights of use acquired under a lease.

Short-term leases and leases of a low value are accounted for in accordance with paragraph 6 of IFRS 16. The costs are reported in Part C, section 12, table 12.5 “Other administrative expenses: breakdown”.

Section 2 - Lessor

Qualitative disclosures

The CDP Group has leases in place as a lessor, which include both finance and operating leases.

Finance leases require the recognition of a credit corresponding to the net value of the investment in the lease. The net value is the sum of the minimum payments and the unguaranteed residual value, discounted at the interest rate implicit in the lease.

Subsequently, financial income is recognised in the income statement for the term of the contract to make the periodic rate of return on the residual net investment constant.

The estimate of the unguaranteed residual value is periodically reviewed for any impairment losses.

Whereas, lease payments relating to lease contracts that qualify as operating leases are recognised in the income statement on a straight-line basis over the term of the contract.

Quantitative disclosures

1. Disclosures on the balance sheets and income statements

2. Finance leases

2.1 Classification by time band of the payments to be received and reconciliation with loans for leases recognised under assets

At the reporting date, there were no loans for leases recognised under assets.

2.2 Other information

There is no additional information to report.

3. Operating leases

3.1 Classification by time band of the payments to be received

(thousands of euro) Time bands	Total 31/12/2019 Lease payments to be received
Up to 1 year	18,324
Between 1 and 2 years	12,413
Between 2 and 3 years	12,413
Between 3 and 4 years	12,259
Between 4 and 5 years	11,800
Over 5 years	289,100
Total	**356,309**

3.2 Other information

There is no additional information to report.

Annexes

1. Annexes to the consolidated financial statements

1.1 Scope of consolidation

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Article 1 paragraphs 125-129

2. Annexes to the report on operations

2.1 Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP Group

1. Annexes to the consolidated financial statements

1.1 Scope of consolidation

Company name	Registered office	Investor	% holding	Consolidation method
Parent company				
Cassa Depositi e Prestiti S.p.A.	Rome			
Consolidated companies				
AC Boilers	Milan	Ansaldo Energia S.p.A.	10.00%	At cost
ACE Marine LLC	Green Bay - WI	Fincantieri Marine Group LLC	100.00%	Line-by-line
African Trade Insurance Company	Nairobi	SACE S.p.A.	4.23%	Equity
Albanian Gas Service Company Sh.a.	Tirana	Snam S.p.A.	25.00%	At cost
Alfiere S.p.A.	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Alivieri Power Units Maintenance SA	Athens	Ansaldo Energia Switzerland AG	100.00%	Line-by-line
Ansaldo Algérie S.àr.l.	Algier-Centre	Ansaldo Energia S.p.A.	49.00%	Equity
Ansaldo Energia Holding USA Co	Wilmington	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Ansaldo Energia IP UK Ltd	London	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Ansaldo Energia Iranian LLC	Tehrean	Ansaldo Energia S.p.A.	70.00%	Line-by-line
		Ansaldo Russia LLC	30.00%	Line-by-line
Ansaldo Energia Korea YH	Seoul	Ansaldo Energia Switzerland AG	95.00%	Line-by-line
		Ansaldo Energia S.p.A.	5.00%	Line-by-line
Ansaldo Energia Messico S. de R.L. de C.V.	Mexico City (CTI)	Ansaldo Energia Switzerland AG	95.00%	Line-by-line
		Ansaldo Energia S.p.A.	5.00%	Line-by-line
Ansaldo Energia Muscat LLC	Muscat	Ansaldo Energia S.p.A.	50.00%	Line-by-line
		Ansaldo Energia Switzerland AG	50.00%	Line-by-line
Ansaldo Energia S.p.A.	Genoa	CDP Equity S.p.A.	59.94%	Line-by-line
Ansaldo Energia Spain S.L.	Saragozza	Ansaldo Energia Switzerland AG	100.00%	Line-by-line
Ansaldo Energia Switzerland AG	Baden	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Ansaldo Gas Turbine Technology Co. LTD (JVA)	Shanghai	Ansaldo Energia S.p.A.	60.00%	Equity
Ansaldo Nigeria Limited	Lagos	Ansaldo Energia S.p.A.	70.00%	Line-by-line
		Ansaldo Russia LLC	30.00%	Line-by-line
Ansaldo Nucleare S.p.A.	Genoa	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Ansaldo Russia LLC	Moscow	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Ansaldo Servicos de Energia Brasil Ltda	Saint Paul	Ansaldo Energia Switzerland AG	95.00%	Line-by-line
		Ansaldo Energia S.p.A.	5.00%	Line-by-line
Ansaldo Thomassen B.V.	Rheden	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Ansaldo Thomassen Gulf	Abu Dhabi	Ansaldo Thomassen B.V.	100.00%	Line-by-line
Arsenal S.r.l.	Trieste	Fincantieri Oil & Gas S.p.A.	24.00%	Equity
AS Dameco	Skien	Vard Offshore Brevik AS	34.00%	Equity
AS Gasinfrastruktur Beteiligung GmbH	Vienna	Snam S.p.A.	40.00%	Equity
Asia Power Project Private Ltd	Chennai	Ansaldo Energia S.p.A.	100.00%	Line-by-line
Asset Company 2 S.r.l.	San Donato Milanese	Snam S.p.A.	100.00%	Line-by-line
Asset Company 4 S.r.l.	San Donato Milanese	Snam S.p.A.	100.00%	Line-by-line
Asset Company 7 B.V.	Amsterdam	Snam S.p.A.	100.00%	At cost
ATS S.p.A.	Milan	SIA S.p.A.	30.00%	Equity
A-U Finance Holdings Bv	Amsterdam	Ansaldo Energia S.p.A.	40.00%	Equity

Company name	Registered office	Investor	% holding	Consolidation method
Avvenia The Energy Innovator S.r.l.	Rome	Terna Energy Solutions S.r.l.	70.00%	Line-by-line
B.F. S.p.A.	Milan	CDP Equity S.p.A.	20.05%	Equity
Bacini di Palermo S.p.A.	Palermo	Fincantieri S.p.A.	100.00%	Line-by-line
Bonafous S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
BOP6 S.c.ar.l.	Trieste	Fincantieri SI S.p.A.	95.00%	Line-by-line
		Fincantieri S.p.A.	5.00%	Line-by-line
Brevik Technology AS	Brevik	Vard Group AS	34.00%	Equity
Busbar4F S.c.ar.l.	Trieste	Fincantieri SI S.p.A.	50.00%	Equity
		Fincantieri S.p.A.	10.00%	Equity
C.S.I. S.r.l.	Milan	INSIS S.p.A.	75.65%	Line-by-line
Cagliari 89 S.c.ar.l. in liquidazione	Monastir (CA)	Fintecna S.p.A.	51.00%	At cost
Castor Drilling Solution AS	Kristiansand S	Seaonics AS	34.13%	Equity
CDP Equity S.p.A.	Milan	CDP S.p.A.	100.00%	Line-by-line
CDP Immobiliare S.r.l.	Rome	CDP S.p.A.	100.00%	Line-by-line
CDP Industria S.p.A.	Rome	CDP S.p.A.	100.00%	Line-by-line
CDP Investimenti SGR S.p.A.	Rome	CDP S.p.A.	70.00%	Line-by-line
CDP Reti S.p.A.	Rome	CDP S.p.A.	59.10%	Line-by-line
CDP Technologies AS	Alesund	Seaonics AS	100.00%	Line-by-line
CDP Technologies Estonia OÜ	Tallinn	CDP Technologies AS	100.00%	Line-by-line
CDP Venture Capital SGR S.p.A. (formerly Invitalia Ventures SGR)	Rome	CDP Equity S.p.A.	70.00%	At cost
Centro per gli Studi di Tecnica Navale - Cetena S.p.A.	Genoa	Fincantieri S.p.A.	71.10%	Line-by-line
		Seaf S.p.A.	15.00%	Line-by-line
Centro Servizi Navali S.p.A.	San Giorgio di Nogaro (UD)	Fincantieri S.p.A.	10.93%	Equity
CESI S.p.A.	Milan	Terna S.p.A.	42.70%	Equity
CGES A.D.	Podgorica	Terna S.p.A.	22.09%	Equity
Cinque Cerchi S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Cogenerazione Rosignano	Naples	Ansaldo Energia S.p.A.	33.00%	At cost
Consorzio CISA	Rome	Ansaldo Energia S.p.A.	66.00%	At cost
Consorzio Codelsa in liquidazione	Rome	Fintecna S.p.A.	100.00%	At cost
Consorzio Condif in liquidazione	Rome	CDP Immobiliare S.r.l.	33.33%	At cost
Consorzio Coriba	Rome	Ansaldo Energia S.p.A.	5.00%	At cost
Consorzio Create	Naples	Ansaldo Energia S.p.A.	20.00%	At cost
Consorzio Edinca in liquidazione	Naples	Fintecna S.p.A.	47.32%	At cost
Consorzio Edinsud in liquidazione	Naples	Fintecna S.p.A.	58.82%	At cost
Consorzio F.S.B.	Marghera (VE)	Fincantieri S.p.A.	58.36%	Equity
Consorzio IMAFID in liquidazione	Naples	Fintecna S.p.A.	56.85%	At cost
Consorzio INCOMIR in liquidazione	Mercogliano (AV)	Fintecna S.p.A.	45.46%	At cost
Consorzio MED.IN. in liquidazione	Rome	Fintecna S.p.A.	85.00%	At cost
Consorzio QuenIT in liquidazione	Verona	SIA S.p.A.	55.00%	At cost
Consorzio Sire	Savona	Ansaldo Energia S.p.A.	29.00%	At cost
Consorzio Stabile Ansaldo Newclear	Genoa	Ansaldo Nucleare S.pA.	72.73%	Line-by-line
		Ansaldo Energia S.p.A.	18.18%	Line-by-line
Copower S.r.l.	Rome	Tep Energy Solution S.r.l.	51.00%	At cost
CORESO S.A.	Brussels	Terna S.p.A.	15.84%	Equity
CSS Design Limited	Virgin Islands (GB)	Vard Marine Inc.	31.00%	Equity

Company name	Registered office	Investor	% holding	Consolidation method
CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	Fincantieri S.p.A.	40.00%	Equity
CSSC Fincantieri (Shanghai) Cruise Design Limited	Shanghai	CSSC - Fincantieri Cruise Industry Development Ltd.	100.00%	Equity
Cubogas S.r.l.	San Donato Milanese (MI)	Snam 4 Mobility S.p.A.	100.00%	Line-by-line
Decomar S.p.A.	Massa (MS)	Fincantieri S.p.A.	20.00%	Equity
Difebal S.A.	Montevideo	Terna S.p.A.	100.00%	Line-by-line
DMAN in liquidazione	Athens	SIA S.p.A.	100.00%	At cost
DOF Iceman AS	Storebø	Vard Group AS	50.00%	Equity
Dynamic	Saint-Paul-lès-Durance	Ansaldo Nucleare S.pA.	15.00%	At cost
		Ansaldo Energia S.p.A.	10.00%	At cost
Ecoprogetto Milano S.r.l.	Bolzano	Renerwaste Lodi S.r.l.	55.00%	Line-by-line
		Renerwaste S.r.l.	45.00%	Line-by-line
Ecoprogetto Tortona S.r.l.	Bolzano	Renerwaste S.r.l.	100.00%	Line-by-line
Elite S.p.A.	Milan	CDP S.p.A.	15.00%	Equity
Elmed Etudes S.ar.l.	Tunis	Terna S.p.A.	50.00%	Equity
Emmecom S.r.l.	Turin	SIA S.p.A.	100.00%	Line-by-line
Energy Investment Solution S.r.l.	Brescia	Tea Servizi S.r.l.	40.00%	At cost
Enerpaper S.r.l.	Turin	Seaside S.r.l.	10.00%	Equity
Enersi Sicilia S.r.l.	San Donato Milanese (MI)	Snam 4 Mobility S.p.A.	100.00%	Line-by-line
Eni S.p.A.	Rome	CDP S.p.A.	25.76%	Equity
Enura S.p.A.	San Donato Milanese (MI)	Snam S.p.A.	55.00%	Line-by-line
ESSETI sistemi e tercnologie S.r.l.	Terni	INSIS S.p.A.	51.00%	Line-by-line
Estaleiro Quissamã Ltda	Rio de Janeiro	Vard Group AS	50.50%	Line-by-line
Etihad Ship Building LLC	Abu Dhabi	Fincantieri S.p.A.	35.00%	Equity
Euroimpresa Legnano	Legnano (MI)	Ansaldo Energia S.p.A.	10.00%	At cost
Europrogetti & Finanza S.r.l. in liquidazione	Rome	CDP S.p.A.	31.80%	Equity
FIA 2	Rome	CDP S.p.A.	100.00%	Line-by-line
Fincantieri (Shanghai) Trading Co. Ltd	Shanghai	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Australia Pty Ltd	Sydney	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Clea Buildings S.c.ar.l.	Verona	Fincantieri Infrastructure S.p.A.	51.00%	Equity
Fincantieri Do Brasil Partecipacoes S.A.	Rio de Janeiro	Fincantieri S.p.A.	80.00%	Line-by-line
		Fincantieri Holding B.V.	20.00%	Line-by-line
Fincantieri Dragaggi Ecologici S .p.A.	Rome	Fincantieri S.p.A.	55.00%	Line-by-line
Fincantieri Europe S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Holding B.V.	Amsterdam	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri India Private Limited	New Delhi	Fincantieri Holding B.V.	99.00%	Line-by-line
		Fincantieri S.p.A.	1.00%	Line-by-line
Fincantieri Infrastructure Opere Marittime S.p.A.	Trieste	Fincantieri Infrastructure S.p.A.	100.00%	Line-by-line
Fincantieri Infrastructure S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Marine Group Holdings Inc.	Green Bay - WI	Fincantieri USA Inc.	87.44%	Line-by-line
Fincantieri Marine Group LLC	Washington, DC	Fincantieri Marine Group Holdings Inc.	100.00%	Line-by-line
Fincantieri Marine Systems North America Inc.	Chesapeake - VI	Fincantieri Holding B.V.	100.00%	Line-by-line
Fincantieri Oil & Gas S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri S.p.A.	Trieste	CDP Industria S.p.A.	71.32%	Line-by-line
Fincantieri Services Middle East LLC	Doha	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri Services USA LLC	Miami	Fincantieri USA Inc.	100.00%	Line-by-line
Fincantieri SI S.p.A.	Trieste	Seaf S.p.A.	100.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Fincantieri Sweden AB	Stockholm	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri USA Inc.	Washington, DC	Fincantieri S.p.A.	100.00%	Line-by-line
Fintecna S.p.A.	Rome	CDP S.p.A.	100.00%	Line-by-line
FIT - Fondo Investimenti per il Turismo	Rome	CDP S.p.A.	100.00%	Line-by-line
FT1 - Fondo Turismo 1	Rome	FIT Fondo Investimenti per il Turismo	100.00%	Line-by-line
FIV extra	Rome	CDP S.p.A.	100.00%	Line-by-line
FIV PLUS	Rome	CDP S.p.A.	100.00%	Line-by-line
FMSNA YK	Nagasaki	Fincantieri Marine Systems North America Inc.	100.00%	Line-by-line
FOF Private Debt	Milan	CDP S.p.A.	62.50%	Line-by-line
Fondo Italiano di Investimento SGR S.p.A.	Milan	CDP Equity S.p.A.	68.00%	Line-by-line
Fondo Sviluppo Export	Milan	SACE S.p.A.	100.00%	Line-by-line
FSI Investimenti S.p.A.	Milan	CDP Equity S.p.A.	77.12%	Line-by-line
FSI SGR S.p.A.	Milan	CDP Equity S.p.A.	39.00%	Equity
FSIA Investimenti S.r.l.	Milan	FSI Investimenti S.p.A.	70.00%	Line-by-line
Gannouch Maintenance Sarl	Tunis	SPVTCCC BV	99.00%	Line-by-line
		Ansaldo Energia Switzerland AG	1.00%	Line-by-line
Gasrule Insurance D.A.C.	Dublin	Snam S.p.A.	100.00%	Line-by-line
Gaxa S.p.A.	Milan	Italgas S.p.A.	51.85%	Line-by-line
Gesam Reti S.p.A.	Lucca	Toscana Energia S.p.A.	42.96%	Equity
Gestione Bacini La Spezia S.p.A.	La Spezia	Fincantieri S.p.A.	99.89%	Line-by-line
GNL Italia S.p.A.	San Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Gruppo PSC S.p.A.	Maratea (PZ)	Fincantieri S.p.A.	10.00%	Equity
HMS IT S.p.A.	Rome	INSIS S.p.A.	60.00%	Line-by-line
Hotelturist S.p.A.	Padoa	CDP Equity S.p.A.	45.90%	Equity
IES Biogas S.r.l.	Pordenone	Snam 4 Mobility S.p.A.	100.00%	Line-by-line
IES Biogas S.r.l.	Buenos Aires	IES Biogas S.r.l.	100.00%	At cost
Infrastrutture Trasporto Gas S.p.A.	San Donato Milanese (MI)	Asset Company 2 S.r.l.	100.00%	Line-by-line
INSIS S.p.A.	Milan	Fincantieri S.p.A.	55.50%	Line-by-line
Interconnector (UK) Ltd	London	Snam International B.V.	23.68%	Equity
Interconnector Zeebrugge Terminal S.C./C.V. S.c.r.l.	Brussels	Snam International B.V.	25.00%	Equity
IQ Made in Italy Investment Company S.p.A.	Milan	FSI Investimenti S.p.A.	50.00%	Equity
Island Diligence AS	Stålhaugen	Vard Group AS	39.38%	Equity
Isotta Fraschini Motori S.p.A.	Bari	Fincantieri S.p.A.	100.00%	Line-by-line
Issel Middle East Information Technology Consultancy LLC	Abu Dhabi	Issel Nord S.r.l.	49.00%	Equity
Issel Nord S.r.l.	Follo	Fincantieri S.p.A.	100.00%	Line-by-line
Italgas Acqua S.p.A.	Milan	Italgas S.p.A.	100.00%	Line-by-line
Italgas Reti S.p.A.	Turin	Italgas S.p.A.	100.00%	Line-by-line
Italgas S.p.A.	Milan	CDP Reti S.p.A.	26.04%	Line-by-line
		Snam S.p.A.	13.50%	Line-by-line
Kedrion S.p.A.	Castelvecchio Pascoli (LU)	FSI Investimenti S.p.A.	25.06%	Equity
Latina Biometano S.r.l.	Rome	IES Biogas S.r.l.	32.50%	At cost
Leonardo Sistemi Integrati S.r.l.	Genoa	INSIS S.p.A.	14.58%	Equity
Ligestra Due S.r.l.	Rome	Fintecna S.p.A.	100.00%	Equity
Luxury Interiors Factory S.r.l.	Naples	Marine Interiors S.p.A.	100.00%	Line-by-line
M.T. Manifattura Tabacchi S.p.A.	Rome	CDP Immobiliare S.r.l.	40.00%	Equity

Company name	Registered office	Investor	% holding	Consolidation method
Manifatture Milano S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Marina Bay S.A.	Luxemburg	INSIS S.p.A.	100.00%	Line-by-line
Marine Interiors Cabins S.p.A.	Trieste	Seaf S.p.A.	100.00%	Line-by-line
Marine Interiors S.p.A.	Trieste	Marine Interiors S.p.A.	100.00%	Line-by-line
Marinette Marine Corporation	Marinette - WI	Fincantieri Marine Group LLC	100.00%	Line-by-line
Mc4com - Mission Critical For Communications S.c.ar.l.	Milan	HMS IT S.p.A.	50.00%	Equity
Medea S.p.A.	Sassari	Italgas Reti S.p.A.	51.85%	Line-by-line
Metano S. Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	Italgas S.p.A.	50.00%	Equity
MI S.p.A.	Trieste	Seaf S.p.A.	100.00%	Line-by-line
Møkster Supply AS	Stavanger	Vard Group AS	40.00%	Equity
Møkster Supply KS	Stavanger	Vard Group AS	36.00%	Equity
New SIA Greece S.A.	Athens	SIA S.p.A.	100.00%	Line-by-line
Niehlgas GmbH	Oberursel	Ansaldo Energia Switzerland AG	100.00%	Line-by-line
Nuclear Enginnering Group Limited	Wolverhampton	Ansaldo Nucleare S.p.A.	100.00%	Line-by-line
Olympic Challenger KS	Fosnavåg	Vard Group AS	35.00%	Equity
Olympic Green Energy KS	Fosnavåg	Vard Group AS	29.50%	Equity
OpenFiber S.p.A.	Milan	CDP Equity S.p.A.	50.00%	Equity
Orizzonte Sistemi Navali S.p.A.	Genoa	Fincantieri S.p.A.	51.00%	Equity
P4cards S.r.l.	Verona	SIA S.p.A.	100.00%	Line-by-line
Pentagramma Perugia S.p.A.	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Pentagramma Piemonte S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Pentagramma Romagna S.p.A. in liquidazione unipersonale	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Perago Financial System Enablers Ltd	Centurion	SIA S.p.A.	100.00%	Line-by-line
Pergenova S.c.p.A.	Genoa	Fincantieri Infrastructure S.p.A.	50.00%	Equity
PforCards GmbH	Vienna	SIA S.p.A.	100.00%	Line-by-line
PI.SA. 2 S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
Polaris Anserv S.r.l.	Bucarest	Ansaldo Nucleare S.pA.	20.00%	Equity
Poste Italiane S.p.A.	Rome	CDP S.p.A.	35.00%	Equity
Power System M Japan	Tokyo	Power System MSG LLC	100.00%	Line-by-line
Power System MSG LLC	Jupiter (USA)	Ansaldo Energia Holding USA Co	100.00%	Line-by-line
Prelios Solutions & Technologies S.r.l.	Milan	INSIS S.p.A.	49.00%	Equity
Quadrifoglio Brescia S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Genova S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Modena S.p.A in liquidazione unipersonale	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Quadrifoglio Piacenza S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Verona S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quattror SGR S.p.A.	Milan	CDP Equity S.p.A.	40.00%	Equity
Reicom S.r.l.	Milan	INSIS S.p.A.	100.00%	Line-by-line
Rem Supply AS	Fosnavåg	Vard Group AS	26.66%	Equity
Renerwaste Lodi S.r.l.	Bolzano	Renerwaste S.r.l.	100.00%	Line-by-line
Renerwaste S.r.l.	Bolzano	Asset Company 6 S.r.l.	100.00%	Line-by-line
Resia Interconnector S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
Residenziale Immobiliare 2004 S.p.A.	Rome	CDP Immobiliare S.r.l.	82.62%	Line-by-line
Rete S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
Rete Verde 17 S.r.l.	Rome	Terna Energy Solutions S.r.l.	100.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Rete Verde 18 S.r.l.	Rome	Terna Energy Solutions S.r.l.	100.00%	Line-by-line
Rete Verde 19 S.r.l.	Rome	Terna Energy Solutions S.r.l.	100.00%	Line-by-line
Rete Verde 20 S.r.l.	Rome	Terna Energy Solutions S.r.l.	100.00%	Line-by-line
Rocco Forte Hotels Limited	London	FSI Investimenti S.p.A.	23.00%	Equity
SACE BT	Rome	SACE S.p.A.	100.00%	Line-by-line
SACE do Brasil	Saint Paul	SACE S.p.A.	100.00%	Line-by-line
SACE FCT	Rome	SACE S.p.A.	100.00%	Line-by-line
SACE Servizi	Rome	SACE BT	100.00%	Line-by-line
SACE S.p.A.	Rome	CDP S.p.A.	100.00%	Line-by-line
Saipem S.p.A.	San Donato Milanese (MI)	CDP Industria S.p.A.	12.55%	Equity
Salini Impregilo S.p.A.	Milan	CDP Equity S.p.A.	18.68%	Equity
Santa Radegonda	Brescia	Ansaldo Energia S.p.A.	19.00%	At cost
Seanergy a Marine Interiors Company S.r.l.	Pordenone	Marine Interiors S.p.A.	85.00%	Line-by-line
Seaonics AS	Alesund	Vard Group AS	56.40%	Line-by-line
Seaonics Polska Sp.Zo.o.	Gdańsk	Seaonics AS	100.00%	Line-by-line
Seaside S.r.l.	Bologna	Italgas S.p.A.	100.00%	Line-by-line
Seastema S.p.A.	Genoa	Fincantieri S.p.A.	100.00%	Line-by-line
Securité des Environnements Complexes S.r.l.	Milan	INSIS S.p.A.	100.00%	Line-by-line
Senfluga energy infrastructure holdings S.A.	Athens	Snam S.p.A.	60.00%	Equity
Shanghai Electric Gas Turbine Co. LTD (JVS)	Shanghai	Ansaldo Energia S.p.A.	40.00%	Equity
SIA Central Europe Zrt.	Budapest	SIA S.p.A.	100.00%	Line-by-line
SIA Croatia d.o.o.	Zagabria	SIA S.p.A.	100.00%	Line-by-line
SIA Czech Republic. S.r.o.	Praga	SIA S.p.A.	100.00%	Line-by-line
SIA Hungary Ltd.	Budapest	SIA S.p.A.	100.00%	Line-by-line
SIA Romania Payment Technologies S.r.l.	Bucarest	SIA S.p.A.	100.00%	Line-by-line
SIA RS d.o.o. Beograd	Belgrade	SIA S.p.A.	100.00%	Line-by-line
SIA S.p.A.	Milan	FSIA Investimenti S.r.l.	57.42%	Line-by-line
		CDP Equity S.p.A.	25.69%	Line-by-line
SIA Slovakia a.s.	Bratislava	SIA S.p.A.	100.00%	Line-by-line
SIAadvisor S.r.l.	Rome	SIA S.p.A.	100.00%	Line-by-line
SIApay S.r.l.	Milan	SIA S.p.A.	100.00%	Line-by-line
SIET	Piacenza	Ansaldo Energia S.p.A.	2.00%	At cost
SIIT Distretto Tecnologico Ligure	Genoa	Ansaldo Energia S.p.A.	2.00%	At cost
SIMEST S.p.A.	Rome	SACE S.p.A.	76.01%	Line-by-line
Snam 4 Environment	San Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Snam 4 Mobility S.p.A.	San Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Snam Gas & Energy Services (Beijing) Co. Ltd.	n.a.	Snam International B.V.	100.00%	Line-by-line
Snam International B.V.	Amsterdam	Snam S.p.A.	100.00%	Line-by-line
Snam Rete Gas S.p.A.	San Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Snam S.p.A.	San Donato Milanese (MI)	CDP Reti S.p.A.	31.04%	Line-by-line
Snam4Efficiency S.r.l.	San Donato Milanese (MI)	Snam S.p.A.	100.00%	At cost
Seaf S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Spe Santa Lucia Transmissora de Energia S.A.	Rio de Janeiro	Terna Plus S.r.l.	99.99%	Line-by-line
		Terna Chile S.p.A.	0.01%	Line-by-line
Spe Santa Maria Transmissora de Energia S.A.	Rio de Janeiro	Terna Plus S.r.l.	99.99%	Line-by-line
		Terna Chile S.p.A.	0.01%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Spe Transmissora se Energia Linha Verde II S.A.	Belo Horizonte	Terna Plus S.r.l.	75.00%	Line-by-line
SPVTCCC BV	Breda	Ansaldo Energia S.p.A.	100.00%	At cost
Stogit S.p.A.	San Donato Milanese (MI)	Snam S.p.A.	100.00%	Line-by-line
Sviluppo Turistico culturale Golfo di Napoli S.c.ar.l.	Naples	CDP Immobiliare S.r.l.	25.00%	At cost
Taklift AS	Skien	Vard Group AS	25.47%	Equity
Tamini Transformers USA L.L.C.	Sewickley	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Trasformatori India Private Limited	Magarpatta City, Pune	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Trasformatori S.r.l.	Legnano (MI)	Terna Energy Solutions S.r.l.	70.00%	Line-by-line
Tea Innovazione Due S.r.l.	Brescia	Tea Servizi S.r.l.	100.00%	At cost
Tea Servizi S.r.l.	Brescia	Asset Company 4 S.r.l.	100.00%	Line-by-line
Tep Energy Solution Nordest S.r.l.	Udine	Asset Company 4 S.r.l.	50.00%	At cost
		Tep Energy Solution S.r.l.	50.00%	At cost
Tep Energy Solution S.r.l.	Rome	Asset Company 4 S.r.l.	100.00%	Line-by-line
Terega Holding S.a.s.	Pau	Snam S.p.A.	40.50%	Equity
Terna 4 Chacas S.A.C.	Lima	Terna Plus S.r.l.	99.99%	Line-by-line
		Terna Chile S.p.A.	0.01%	Line-by-line
Terna Chile S.p.A.	Santiago del Cile	Terna Plus S.r.l.	100.00%	Line-by-line
Terna Crna Gora d.o.o.	Podgorica	Terna S.p.A.	100.00%	Line-by-line
Terna Energy Solutions S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
Terna Interconnector S.r.l.	Rome	Terna S.p.A.	65.00%	Line-by-line
		Terna Rete Italia S.p.A.	5.00%	Line-by-line
Terna Peru S.A.C.	Lima	Terna Plus S.r.l.	99.99%	Line-by-line
		Terna Chile S.p.A.	0.01%	Line-by-line
Terna Plus S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
Terna Rete Italia S.p.A.	Rome	Terna S.p.A.	100.00%	Line-by-line
Terna S.p.A.	Rome	CDP Reti S.p.A.	29.85%	Line-by-line
Toscana Energia Green S.p.A.	Pistoia	Toscana Energia S.p.A.	100.00%	Line-by-line
Toscana Energia S.p.A.	Florence	Italgas S.p.A.	50.66%	Line-by-line
Trans Adriatic Pipeline AG	Baar	Snam S.p.A.	20.00%	Equity
Trans Austria Gasleitung GmbH	Vienna	Snam S.p.A.	84.47%	Equity
Trevi Finanziaria Industriale S.p.A.	Cesena	FSI Investimenti S.p.A.	16.86%	Equity
Umbria Distribuzione Gas S.p.A.	Terni	Italgas S.p.A.	45.00%	Equity
Unifer Navale S.r.l.	Finale Emilia (MO)	Seaf S.p.A.	20.00%	Equity
Valdarno S.r.l.	Pisa	Toscana Energia S.p.A.	30.04%	Equity
Valvitalia Finanziaria S.p.A.	Milan	FSI Investimenti S.p.A.	0.50%	Equity
Vard Accommodation AS	Tennfjord	Vard Group AS	100.00%	Line-by-line
Vard Accommodation Tulcea S.r.l.	Tulcea	Vard Accommodation AS	99.77%	Line-by-line
		Vard Tulcea SA	0.23%	Line-by-line
Vard Aqua Chile SA	Puerto Montt	Vard Aqua Sunndal AS	95.00%	Line-by-line
Vard Aqua Scotland Ltd	Lochgilphead	Vard Aqua Sunndal AS	100.00%	Line-by-line
Vard Aqua Sunndal AS	Sunndalsøra	Vard Group AS	100.00%	Line-by-line
Vard Braila SA	Braila	Vard RO Holding S.r.l.	94.12%	Line-by-line
		Vard Group AS	5.88%	Line-by-line
Vard Contracting AS	Vatne	Vard Group AS	100.00%	Line-by-line
Vard Design AS	Alesund	Vard Group AS	100.00%	Line-by-line
Vard Design Liburna Ltd.	Rijeka	Vard Design AS	51.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Vard Electrical Installation and Engineering (India) Private Limited	New Delhi	Vard Electro AS	99.50%	Line-by-line
		Vard Electro Tulcea S.r.l.	0.50%	Line-by-line
Vard Electro AS	Sovik	Vard Group AS	100.00%	Line-by-line
Vard Electro Braila S.r.l.	Braila	Vard Electro AS	100.00%	Line-by-line
Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niteroi	Vard Electro AS	99.00%	Line-by-line
		Vard Group AS	1.00%	Line-by-line
Vard Electro Canada Inc.	Vancouver	Vard Electro AS	100.00%	Line-by-line
Vard Electro Italy S.r.l.	Genoa	Vard Electro AS	100.00%	Line-by-line
Vard Electro Tulcea S.r.l.	Tulcea	Vard Electro AS	99.96%	Line-by-line
Vard Engineering Brevik AS	Brevik	Vard Group AS	100.00%	Line-by-line
Vard Engineering Constanta S.r.l.	Costanza	Vard RO Holding S.r.l.	70.00%	Line-by-line
		Vard Braila SA	30.00%	Line-by-line
Vard Engineering Gdansk Sp.Zo.o.	Gdansk	Vard Engineering Brevik AS	100.00%	Line-by-line
Vard Group AS	Alesund	Vard Holdings Limited	100.00%	Line-by-line
Vard Holdings Limited	Singapore	Fincantieri Oil & Gas S.p.A.	98.22%	Line-by-line
Vard Infraestrutura Ltda	Recife	Vard Promar SA	99.99%	Line-by-line
		Vard Group AS	0.01%	Line-by-line
Vard Marine Inc.	Vancouver	Vard Group AS	100.00%	Line-by-line
Vard Marine US Inc.	Houston	Vard Marine Inc.	100.00%	Line-by-line
Vard Niterói Ltda	Rio de Janeiro	Vard Group AS	99.99%	Line-by-line
		Vard Electro Brazil (Instalaçoes Eletricas) Ltda	0.01%	Line-by-line
Vard Offshore Brevik AS	Porsgrunn	Vard Group AS	100.00%	Line-by-line
Vard Piping AS	Tennfjord	Vard Group AS	100.00%	Line-by-line
Vard Promar SA	Recife	Vard Group AS	100.00%	Line-by-line
Vard RO Holding S.r.l.	Tulcea	Vard Group AS	100.00%	Line-by-line
Vard Seaonics Holding AS	Alesund	Vard Group AS	100.00%	Line-by-line
Vard Shipholding Singapore Pte Ltd	Singapore	Vard Holdings Limited	100.00%	Line-by-line
Vard Singapore Pte. Ltd.	Singapore	Vard Group AS	100.00%	Line-by-line
Vard Tulcea SA	Tulcea	Vard RO Holding S.r.l.	99.996%	Line-by-line
		Vard Group AS	0.004%	Line-by-line
Vard Vung Tau Ltd	Vung Tau	Vard Singapore Pte. Ltd.	100.00%	Line-by-line
VBD1 AS	Norvegia	Vard Group AS	100.00%	Line-by-line
VBD2 AS	Alesund	Vard Group AS	100.00%	Line-by-line
XXI Aprile S.r.l. in liquidazione	Rome	Fintecna S.p.A.	100.00%	At cost
Yeni Aen Insaat Anonim Sirketi	Istanbul	Ansaldo Energia S.p.A.	100.00%	Line-by-line

1.2 Disclosure pursuant to Law 124 of 4 August 2017, Article 1 paragraphs 125-129

This section is dedicated to the fulfilment of the disclosure obligations introduced, starting from 2018, by Law 124 of 4 August 2017, whose rules have been reformulated by Article 35 of Decree Law no. 34 of 30 April 2019, relating to the disclosure obligations connected to public funds.

The reformulation of the original regulatory provisions clarified some significant interpretation issues raised by the previous formulation, confirming the interpretation guidance shared during the first application of the disclosure obligations, and contained in Assonime circular no. 5 of 22 February 2019 regarding "Transparency in the system of public funding: analysis of the rules and interpretation guidance".

According to the contents of Article 35 of decree no. 34/2019:

- companies publish in the notes to the separate financial statements and to the consolidated financial statements, if any, the amounts and information relating to subsidies, subventions, benefits, contributions or aid, paid in cash or in kind, not of a general nature and with no consideration, remuneration or compensation, effectively granted to them by government agencies and from companies controlled, directly or indirectly, on a legal or de facto basis, by government agencies, including listed companies and their subsidiaries;
- the publication obligations established for government agencies by Article 26 of Legislative Decree no. 33 of 2013 apply also to entities and companies controlled, directly or indirectly, on a legal or de facto basis by government agencies, with the publication in the notes to their annual accounting reports.

The disclosure obligations established by Law 124 of 2017, in continuity with what was represented during the first application, are thus limited to transactions that provide the beneficiary a direct or indirect economic benefit through the provision of incentives or concessions that have the effect of providing relief, savings or the acquisition of resources, and that are in the nature of gifts or donations.

The disbursements, unless otherwise specified, are recognised on a cash basis. With reference to any disbursements not in cash, the cash criterion is understood in a substantial sense, allocating the economic benefit to the financial year in which it is received.

In accordance with the guidance provided by the Assonime circular no. 5/2019, the information provided in application of Law 124/2017 is provided in table form, indicating:

- the identification details of the granting entity and the beneficiary;
- the amount of the economic benefit awarded or received;
- a brief description of the type of benefit (reason for payment).

The tables below show the public funding received and disbursed in 2019 by the subsidiaries of the CDP Group, consolidated on a line-by-line basis, that fall within the subjective scope of application of the law in question, as presented in the respective separate or sub-consolidated financial statements.

Public funding received pursuant to Art. 1, par. 125, Law No. 124/2017

(thousands of euro) Beneficiary	Grantor	Motive	Amount
Snam S.p.A.	Regione Lombardia	Operating grant	25
Terna S.p.A.	Ministero dello Sviluppo Economico	State aid	7,343
Fincantieri S.p.A.	MIT	Non-repayable grant	740
Fincantieri S.p.A.	MIT	Non-repayable grant	596
Fincantieri S.p.A.	MIT	Non-repayable grant	484
Fincantieri S.p.A.	MIT	Non-repayable grant	484
Fincantieri S.p.A.	MIT	Non-repayable grant	626
Fincantieri S.p.A.	MISE	Non-repayable grant	267
Fincantieri S.p.A.	GSE S.p.A.	Conto capitale	48
Fincantieri S.p.A.	MISE	Non-repayable grant	151
Fincantieri S.p.A.	MIT	Non-repayable grant	745
Fincantieri S.p.A.	MIT	Non-repayable grant	748
Fincantieri S.p.A.	MIUR	Non-repayable grant	41
Fincantieri S.p.A.	MIUR	Grants for installations	87
Centro per gli Studi di Tecnica Navale - Cetena S.p.A.	Fondimpresa	Non-repayable grant	21
Centro per gli Studi di Tecnica Navale - Cetena S.p.A.	Inea	Non-repayable grant	202
Centro per gli Studi di Tecnica Navale - Cetena S.p.A.	Regione FVG	Non-repayable grant	27
Centro per gli Studi di Tecnica Navale - Cetena S.p.A.	Regione FVG	Non-repayable grant	116
Centro per gli Studi di Tecnica Navale - Cetena S.p.A.	Regione Liguria	Non-repayable grant	64
Fincantieri Oil & Gas S.p.A.	Regione FVG	Non-repayable grant	87
Isotta Fraschini Motori S.p.A.	MIUR	Non-repayable grant	20
Italgas Reti S.p.A.	Catanzaro	Grants for installations “Legge 784/80”	134
Italgas Reti S.p.A.	Taverna	Grants for installations “Legge 784/80”	180
Italgas Reti S.p.A.	Serrastretta	Grants for installations “Legge 784/80”	268
Italgas Reti S.p.A.	Sellia	Grants for installations “Legge 784/80”	90
Italgas Reti S.p.A.	Scafa	Grants for installations “L.R. 3 aprile 1995. n. 25 e - Legge Regionale 27.12.2001. n. 84”	3
Italgas Reti S.p.A.	Pineto	Grants for installations “L.R. 3 aprile 1995. n. 25 e - Legge Regionale 27.12.2001. n. 84”	2
Italgas Reti S.p.A.	Popoli	Grants for installations “L.R. 3 aprile 1995. n. 25 e - Legge Regionale 27.12.2001. n. 84”	1
Italgas Reti S.p.A.	Catignano	Grants for installations “L.R. 3 aprile 1995. n. 25 e - Legge Regionale 27.12.2001. n. 84”	22
Italgas Reti S.p.A.	Morro D’oro	Grants for installations “Legge 784/80”	14
Italgas Reti S.p.A.	Bucchianico	Grants for installations “L.R. 3 aprile 1995. n. 25 e - Legge Regionale 27.12.2001. n. 84”	29
Italgas Reti S.p.A.	Avezzano	Grants for installations “L.R. 3 aprile 1995. n. 25 e - Legge Regionale 27.12.2001. n. 84”	10
Italgas Reti S.p.A.	Turrivalignani	Grants for installations “L.R. 3 aprile 1995. n. 25 e - legge regionale 27.12.2001. n. 84”	1
Italgas Reti S.p.A.	Elice	Grants for installations “L.R. 3 aprile 1995. n. 25 e - Legge Regionale 27.12.2001. n. 84”	13
Medea S.p.A.	Comune di Lanusei	Grants for installations “Deliberazione 54/28 del 22.11.2005 della Regione Autonoma Sardegna art. 5”	566
INSIS S.p.A.	MIUR	Grants for installations	66
INSIS S.p.A.	MIUR	Grants for installations	102
INSIS S.p.A.	MISE	Grants for installations	957
INSIS S.p.A.	MISE	Non-repayable grant	239
INSIS S.p.A.	MIUR	Non-repayable grant	99
INSIS S.p.A.	Regione Valle d’Aosta	Non-repayable grant	17
INSIS S.p.A.	MIUR	Non-repayable grant	66
CDP	Fintecna S.p.A.	Spaces granted on free loan	120

Public funding granted pursuant to Art. 1, par. 126, Law No. 124/2017

(thousands of euro) Grantor	Beneficiary	Motive	Amount
Terna S.p.A.	Consorzio Irriguo di Chiomonte	Liberal contribution	20
Terna S.p.A.	Fondazione Cortile dei Gentili	Liberal contribution	24
Terna S.p.A.	Fondazione Costruiamo il Futuro	Liberal contribution	20
Terna S.p.A.	IRCCS - Istituto Giannina Gaslini	Liberal contribution	20
Terna S.p.A.	Fondazione Palazzo Strozzi	Liberal contribution	30
Terna Rete Italia S.p.A.	Vivere con Dignita onlus	Liberal contribution	10
Fintecna S.p.A.	Commissario Straordinario del Governo per l'attuazione dell'Agenda Digitale	Spaces granted on free loan - see footnote (3)	111
Fintecna S.p.A.	CDP	Spaces granted on free loan - see footnote (3)	120
Fincantieri Marine Group LLC	Democratic Governors Assn	Donation	27
Fincantieri S.p.A.	Croce Rossa Italiana Comitato Locale di Genova	Donation	28
Fincantieri S.p.A.	Atlantic Council	Liberal contribution	26
Fincantieri S.p.A.	Associazione fino a prova contraria	Liberal contribution	10
Fincantieri S.p.A.	Comune di Monfalcone / Manifestazione Geografie	Liberal contribution	15
Fincantieri S.p.A.	Helpcode Onlus	Donation	25
Fincantieri S.p.A.	Fondazione Fincantieri Onlus	Liberal contribution	100
Fincantieri S.p.A.	Associazione Amici del Cuore	Liberal contribution	20
Fincantieri S.p.A.	Fondazione Residenza Universitaria delle Peschiere (GE) della Fondazione Rui	Liberal contribution	10
Fincantieri S.p.A.	Comune di Monfalcone / scuola	Donation	50
Vard Group AS	Norges Tekniske Naturvitenskapelige Universit	Donation	10
FIV Comparto Extra	Ass, Culturale Riaperture	Spaces granted on free loan	See footnote (1)
FIV Comparto Extra	Human Foundation	Spaces granted on free loan	See footnote (1)
FIV Comparto Extra	Videocittà S.r.l.	Spaces granted on free loan	See footnote (1)
FIV Comparto Extra	PRS Impresa Sociale	Spaces granted on free loan	See footnote (1)
FIV Comparto Extra	Associazione DiDe – Distretto del Design	Spaces granted on free loan	See footnote (1)
FIV Comparto Extra	Comune di Diano Castello	Spaces granted on free loan	See footnote (1)
FIV Comparto Plus	Comune di Milano	Spaces granted on free loan	See footnote (1)
FIV Comparto Plus	Comune di Macerata	Spaces granted on free loan	See footnote (1)
CDP S.p.A.	Comune di Genova	Loan instalment deferral "Collapse of Genoa viaduct 2018" - see footnote (2)	33,804
CDP S.p.A.	Comune di Bagnolo di Po	Loan instalment deferral "Earthquake 2012" - see footnote (2)	166
CDP S.p.A.	Comune di Bastiglia	Loan instalment deferral "Earthquake 2012" - see footnote (2)	57
CDP S.p.A.	Comune di Bergantino	Loan instalment deferral "Earthquake 2012" - see footnote (2)	349
CDP S.p.A.	Comune di Borgo Mantovano	Loan instalment deferral "Earthquake 2012" - see footnote (2)	22
CDP S.p.A.	Comune di Calto	Loan instalment deferral "Earthquake 2012" - see footnote (2)	47
CDP S.p.A.	Comune di Camposanto	Loan instalment deferral "Earthquake 2012" - see footnote (2)	96
CDP S.p.A.	Comune di Canaro	Loan instalment deferral "Earthquake 2012" - see footnote (2)	215
CDP S.p.A.	Comune di Casalmaggiore	Loan instalment deferral "Earthquake 2012" - see footnote (2)	20
CDP S.p.A.	Comune di Castelmassa	Loan instalment deferral "Earthquake 2012" - see footnote (2)	343

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Comune di Castelnovo Bariano	Loan instalment deferral “Earthquake 2012” - see footnote (2)	55
CDP S.p.A.	Comune di Ceneselli	Loan instalment deferral “Earthquake 2012” - see footnote (2)	70
CDP S.p.A.	Comune di Cento	Loan instalment deferral “Earthquake 2012” - see footnote (2)	1,968
CDP S.p.A.	Comune di Crevalcore	Loan instalment deferral “Earthquake 2012” - see footnote (2)	247
CDP S.p.A.	Comune di Ficarolo	Loan instalment deferral “Earthquake 2012” - see footnote (2)	6
CDP S.p.A.	Comune di Fiesso Umbertiano	Loan instalment deferral “Earthquake 2012” - see footnote (2)	189
CDP S.p.A.	Comune di Finale Emilia	Loan instalment deferral “Earthquake 2012” - see footnote (2)	639
CDP S.p.A.	Comune di Gaiba	Loan instalment deferral “Earthquake 2012” - see footnote (2)	67
CDP S.p.A.	Comune di Galliera	Loan instalment deferral “Earthquake 2012” - see footnote (2)	60
CDP S.p.A.	Comune di Gavello	Loan instalment deferral “Earthquake 2012” - see footnote (2)	75
CDP S.p.A.	Comune di Giacciano con Baruchella	Loan instalment deferral “Earthquake 2012” - see footnote (2)	101
CDP S.p.A.	Comune di Gonzaga	Loan instalment deferral “Earthquake 2012” - see footnote (2)	242
CDP S.p.A.	Comune di Guastalla	Loan instalment deferral “Earthquake 2012” - see footnote (2)	205
CDP S.p.A.	Comune di Luzzara	Loan instalment deferral “Earthquake 2012” - see footnote (2)	124
CDP S.p.A.	Comune di Melara	Loan instalment deferral “Earthquake 2012” - see footnote (2)	87
CDP S.p.A.	Comune di Motteggiana	Loan instalment deferral “Earthquake 2012” - see footnote (2)	69
CDP S.p.A.	Comune di Occhiobello	Loan instalment deferral “Earthquake 2012” - see footnote (2)	1,235
CDP S.p.A.	Comune di Pieve di Cento	Loan instalment deferral “Earthquake 2012” - see footnote (2)	333
CDP S.p.A.	Comune di Poggio Rusco	Loan instalment deferral “Earthquake 2012” - see footnote (2)	226
CDP S.p.A.	Comune di Pomponesco	Loan instalment deferral “Earthquake 2012” - see footnote (2)	47
CDP S.p.A.	Comune di Quingentole	Loan instalment deferral “Earthquake 2012” - see footnote (2)	27
CDP S.p.A.	Comune di Ravarino	Loan instalment deferral “Earthquake 2012” - see footnote (2)	105
CDP S.p.A.	Comune di Reggiolo	Loan instalment deferral “Earthquake 2012” - see footnote (2)	155
CDP S.p.A.	Comune di Rodigo	Loan instalment deferral “Earthquake 2012” - see footnote (2)	343
CDP S.p.A.	Comune di Roncoferraro	Loan instalment deferral “Earthquake 2012” - see footnote (2)	188
CDP S.p.A.	Comune di Salara	Loan instalment deferral “Earthquake 2012” - see footnote (2)	46
CDP S.p.A.	Comune di San Daniele Po	Loan instalment deferral “Earthquake 2012” - see footnote (2)	115
CDP S.p.A.	Comune di San Felice Sul Panaro	Loan instalment deferral “Earthquake 2012” - see footnote (2)	655
CDP S.p.A.	Comune di San Giacomo delle Segnate	Loan instalment deferral “Earthquake 2012” - see footnote (2)	99
CDP S.p.A.	Comune di San Giovanni del Dosso	Loan instalment deferral “Earthquake 2012” - see footnote (2)	75
CDP S.p.A.	Comune di San Prospero	Loan instalment deferral “Earthquake 2012” - see footnote (2)	174
CDP S.p.A.	Comune di Schivenoglia	Loan instalment deferral “Earthquake 2012” - see footnote (2)	70
CDP S.p.A.	Comune di Stienta	Loan instalment deferral “Earthquake 2012” - see footnote (2)	292
CDP S.p.A.	Comune di Sustinente	Loan instalment deferral “Earthquake 2012” - see footnote (2)	72
CDP S.p.A.	Comune di Trecenta	Loan instalment deferral “Earthquake 2012” - see footnote (2)	387
CDP S.p.A.	Comune di Viadana	Loan instalment deferral “Earthquake 2012” - see footnote (2)	702
CDP S.p.A.	Comune di Vigarano Mainarda	Loan instalment deferral “Earthquake 2012” - see footnote (2)	507
CDP S.p.A.	Comune di Accumoli	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	97
CDP S.p.A.	Comune di Acquasanta Terme	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	179
CDP S.p.A.	Comune di Amandola	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	127
CDP S.p.A.	Comune di Amatrice	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	102
CDP S.p.A.	Comune di Antrodoco	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	132
CDP S.p.A.	Comune di Apiro	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	226

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Comune di Appignano del Tronto	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	65
CDP S.p.A.	Comune di Arquata del Tronto	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	60
CDP S.p.A.	Comune di Arrone	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	203
CDP S.p.A.	Comune di Ascoli Piceno	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	1,086
CDP S.p.A.	Comune di Belforte del Chienti	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	102
CDP S.p.A.	Comune di Belmonte Piceno	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	39
CDP S.p.A.	Comune di Bolognola	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	23
CDP S.p.A.	Comune di Borbona	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	42
CDP S.p.A.	Comune di Cagnano Amiterno	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	10
CDP S.p.A.	Comune di Caldarola	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	98
CDP S.p.A.	Comune di Camerino	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	675
CDP S.p.A.	Comune di Campli	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	216
CDP S.p.A.	Comune di Camporotondo di Fiastrone	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	23
CDP S.p.A.	Comune di Campotosto	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	50
CDP S.p.A.	Comune di Cantalice	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	140
CDP S.p.A.	Comune di Capitignano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	13
CDP S.p.A.	Comune di Cascia	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	151
CDP S.p.A.	Comune di Castel Castagna	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	27
CDP S.p.A.	Comune di Castel di Lama	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	372
CDP S.p.A.	Comune di Castel Sant’angelo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	24
CDP S.p.A.	Comune di Castelli	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	132
CDP S.p.A.	Comune di Castelraimondo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	620
CDP S.p.A.	Comune di Castelsantangelo sul Nera	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	114
CDP S.p.A.	Comune di Castignano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	13
CDP S.p.A.	Comune di Castorano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	95
CDP S.p.A.	Comune di Cerreto d’Esi	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	530
CDP S.p.A.	Comune di Cerreto di Spoleto	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	90
CDP S.p.A.	Comune di Cessapalombo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	45
CDP S.p.A.	Comune di Cingoli	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	958
CDP S.p.A.	Comune di Cittaducale	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	586
CDP S.p.A.	Comune di Cittareale	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	27
CDP S.p.A.	Comune di Civitella del Tronto	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	272
CDP S.p.A.	Comune di Colledara	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	151
CDP S.p.A.	Comune di Colli del Tronto	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	124
CDP S.p.A.	Comune di Colmurano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	98
CDP S.p.A.	Comune di Comunanza	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	256
CDP S.p.A.	Comune di Corridonia	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	389
CDP S.p.A.	Comune di Cortino	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	125
CDP S.p.A.	Comune di Cossignano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	25
CDP S.p.A.	Comune di Crognaleto	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	223
CDP S.p.A.	Comune di Esanatoglia	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	282
CDP S.p.A.	Comune di Fabriano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	2,010
CDP S.p.A.	Comune di Falerone	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	142

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Comune di Fano Adriano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	39
CDP S.p.A.	Comune di Farindola	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	47
CDP S.p.A.	Comune di Fiastra	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	77
CDP S.p.A.	Comune di Fiuminata	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	158
CDP S.p.A.	Comune di Foligno	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	488
CDP S.p.A.	Comune di Force	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	90
CDP S.p.A.	Comune di Gagliole	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	70
CDP S.p.A.	Comune di Gualdo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	96
CDP S.p.A.	Comune di Isola del Gran Sasso d’Italia	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	143
CDP S.p.A.	Comune di Leonessa	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	92
CDP S.p.A.	Comune di Loro Piceno	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	202
CDP S.p.A.	Comune di Macerata	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	2,185
CDP S.p.A.	Comune di Maltignano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	5
CDP S.p.A.	Comune di Massa Fermana	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	71
CDP S.p.A.	Comune di Matelica	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	881
CDP S.p.A.	Comune di Micigliano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	26
CDP S.p.A.	Comune di Mogliano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	336
CDP S.p.A.	Comune di Monsampietro Morico	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	52
CDP S.p.A.	Comune di Montalto delle Marche	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	78
CDP S.p.A.	Comune di Montappone	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	156
CDP S.p.A.	Comune di Monte Cavallo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	43
CDP S.p.A.	Comune di Monte Rinaldo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	26
CDP S.p.A.	Comune di Monte San Martino	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	56
CDP S.p.A.	Comune di Monte Vidon Corrado	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	43
CDP S.p.A.	Comune di Montefalcone Appennino	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	25
CDP S.p.A.	Comune di Montefortino	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	32
CDP S.p.A.	Comune di Montefranco	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	30
CDP S.p.A.	Comune di Montegallo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	61
CDP S.p.A.	Comune di Montegiorgio	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	346
CDP S.p.A.	Comune di Monteleone di Fermo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	29
CDP S.p.A.	Comune di Monteleone di Spoleto	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	13
CDP S.p.A.	Comune di Montelparo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	84
CDP S.p.A.	Comune di Montereale	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	86
CDP S.p.A.	Comune di Montorio Al Vomano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	293
CDP S.p.A.	Comune di Muccia	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	39
CDP S.p.A.	Comune di Norcia	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	321
CDP S.p.A.	Comune di Offida	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	200
CDP S.p.A.	Comune di Ortezzano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	35
CDP S.p.A.	Comune di Palmiano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	2
CDP S.p.A.	Comune di Penna San Giovanni	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	151
CDP S.p.A.	Comune di Petriolo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	87
CDP S.p.A.	Comune di Pietracamela	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	57
CDP S.p.A.	Comune di Pieve Torina	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	392

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Comune di Pioraco	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	104
CDP S.p.A.	Comune di Pizzoli	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	154
CDP S.p.A.	Comune di Poggio Bustone	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	34
CDP S.p.A.	Comune di Poggiodomo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	29
CDP S.p.A.	Comune di Polino	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	65
CDP S.p.A.	Comune di Pollenza	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	308
CDP S.p.A.	Comune di Posta	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	7
CDP S.p.A.	Comune di Preci	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	32
CDP S.p.A.	Comune di Rieti	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	1,970
CDP S.p.A.	Comune di Ripe San Ginesio	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	42
CDP S.p.A.	Comune di Rivodutri	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	42
CDP S.p.A.	Comune di Rocca Santa Maria	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	87
CDP S.p.A.	Comune di Roccafluvione	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	55
CDP S.p.A.	Comune di San Ginesio	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	297
CDP S.p.A.	Comune di San Severino Marche	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	435
CDP S.p.A.	Comune di Santa Vittoria in Matenano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	30
CDP S.p.A.	Comune di Sant’Anatolia di Narco	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	45
CDP S.p.A.	Comune di Sant’Angelo in Pontano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	109
CDP S.p.A.	Comune di Sarnano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	400
CDP S.p.A.	Comune di Scheggino	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	46
CDP S.p.A.	Comune di Sefro	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	61
CDP S.p.A.	Comune di Serrapetrona	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	13
CDP S.p.A.	Comune di Serravalle di Chienti	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	97
CDP S.p.A.	Comune di Servigliano	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	71
CDP S.p.A.	Comune di Smerillo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	32
CDP S.p.A.	Comune di Spoleto	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	1,401
CDP S.p.A.	Comune di Teramo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	1,771
CDP S.p.A.	Comune di Tolentino	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	1,581
CDP S.p.A.	Comune di Torricella Sicura	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	49
CDP S.p.A.	Comune di Tossicia	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	58
CDP S.p.A.	Comune di Treia	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	331
CDP S.p.A.	Comune di Urbisaglia	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	244
CDP S.p.A.	Comune di Ussita	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	745
CDP S.p.A.	Comune di Valfornace	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	189
CDP S.p.A.	Comune di Valle Castellana	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	113
CDP S.p.A.	Comune di Vallo di Nera	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	7
CDP S.p.A.	Comune di Venarotta	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	96
CDP S.p.A.	Comune di Visso	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	177
CDP S.p.A.	Provincia di Ancona	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	1,593
CDP S.p.A.	Provincia di Ascoli Piceno	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	1,201
CDP S.p.A.	Provincia di Fermo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	1,469
CDP S.p.A.	Provincia di Macerata	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	1,270
CDP S.p.A.	Provincia di Perugia	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	4,893

(thousands of euro) Grantor	Beneficiary	Motive	Amount
CDP S.p.A.	Provincia di Pescara	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	2,709
CDP S.p.A.	Provincia di Rieti	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	988
CDP S.p.A.	Provincia di Teramo	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	1,008
CDP S.p.A.	Provincia di Terni	Loan instalment deferral “Central Italy Earthquake” - see footnote (2)	1,168
CDP S.p.A.	Comune di Casamicciola Terme	Loan instalment deferral “Ischia Earthquake” - see footnote (2)	619
CDP S.p.A.	Comune di Lacco Ameno	Loan instalment deferral “Ischia Earthquake” - see footnote (2)	612
CDP S.p.A.	Agenda per l’Italia Digitale	Spaces granted on free loan - see footnote (3)	96

(1) For both segments of the Investment Fund for Development (FIV Extra and FIV Plus) the spaces granted on free loan are former barracks characterized by the presence of multiple buildings often without systems and in conditions of abandonment. This building and town planning situation makes it impossible to identify benchmarks, in the real estate markets of reference, for the determination of a reasonable economic consideration. In particular, in the case of the Plus segment, the spaces have been granted on loan for free use for the purpose of building public utility services such as schools and public transport.

(2) In relation to emergencies caused by earthquakes or other calamitous events, CDP has suspended the loan instalments in favour of local authorities, as a result of which debtors have been offered the possibility of deferring payment of the instalments, in terms of principal and interest, at a future date. The benefits shown in the table are therefore represented by the amounts of the instalments due in 2019, in terms of principal and interest, the collection of which has been deferred to the future date.

(3) The valuation is obtained by considering both the portion relating to the concession in use of the spaces and the portion relating to general services (maintenance, cleaning, utilities) attributable to the same.

2. Annexes to the report on operations

2.1 Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP Group

In order to ensure consistency between the consolidated financial statements, prepared on an accounting basis and the aggregates presented on an operational basis, the balance sheet and income statement reconciliation statements are shown below.

These reclassifications mainly concerned: the allocation of interest-bearing amounts and non-interest-bearing amounts to specific and distinct items; the revision of portfolios for IFRS purposes with their reclassification into uniform aggregates in relation to both products and business lines.

Reclassified consolidated balance sheet - Assets

(millions of euro) ASSETS - items	31/12/2019	Cash and cash equivalents and other treasury investments	Loans	Debt securities and units in collective investment undertakings	Equity investments	Trading and hedging derivatives	Property, plant and equipment and intangible assets	Reinsurers' share of technical reserves	Other assets
10. Cash and cash equivalents	1	1							
20. Financial assets measured at fair value through profit or loss:	4,818								
a) financial assets held for trading	1,474			1,406		68			
b) financial assets designated at fair value									
c) other financial assets mandatorily measured at fair value	3,344		501	2,843					
30. Financial assets measured at fair value through other comprehensive income	12,360			12,360					
40. Financial assets measured at amortised cost:	344,206								
a) loans to banks	32,685	19,121	12,004	1,560					
b) loans to customers	311,521	151,812	93,159	66,550					
50. Hedging derivatives	431					431			
60. Fair value change of financial assets in hedged portfolios (+/-)	1,467								1,467
70. Equity investments	18,952				18,952				
80. Reinsurers' share of technical reserves	1,002							1,002	
90. Property, plant and equipment	39,355						39,355		
100. Intangible assets	13,192						13,192		
110. Tax assets	1,879								1,879
120. Non-current assets and disposal groups held for sale	342								342
130. Other assets	10,719								10,719
Total assets	**448,724**	**170,934**	**105,664**	**84,719**	**18,952**	**499**	**52,547**	**1,002**	**14,407**

Reclassified consolidated balance sheet - Liabilities and equity

(millions of euro) LIABILITIES AND EQUITY - items	31/12/2019	Funding					Liabilities held for trading and hedging derivatives	Technical reserves	Other liabilities	Provisions for contin-gencies, taxes and staff severance pay	Total equity
		Funding	Postal funding	Funding from banks	Funding from customers	Bond funding					
10. Financial liabilities measured at amortised cost:	385,658										
a) due to banks	41,840	41,840	1,364	40,476							
b) due to customers	302,012	302,012	263,703	19,606	18,703						
c) securities issued	41,806	41,806				41,806					
20. Financial liabilities held for trading	90						90				
30. Financial liabilities designated at fair value	61	61			2	59					
40. Hedging derivatives	3,055						3,055				
50. Fair value change of financial liabilities in hedged portfolios (+/-)	18								18		
60. Tax liabilities	3,651									3,651	
70. Liabilities associated with non-current assets and disposal groups held for sale	165								165		
80. Other liabilities	13,408								13,408		
90. Staff severance pay	253									253	
100. Provisions for risks and charges	3,443									3,443	
110. Technical reserves	2,812							2,812			
120. Valuation reserves	1,147										1,147
150. Reserves	14,678										14,678
160. Share premium reserve	2,379										2,379
170. Share capital	4,051										4,051
180. Treasury shares (-)	(489)										(489)
190. Non-controlling interests (+/-)	12,560										12,560
200. Net income (loss) for the year	1,784										1,784
Total liabilities and equity	**448,724**	**385,719**	**265,067**	**60,082**	**18,705**	**41,865**	**3,145**	**2,812**	**13,591**	**7,347**	**36,110**

Reclassified Consolidated income statement

(millions of euro) INCOME STATEMENT - items	31/12/2019	Net interest income	Gain (losses) on equity investments	Net commission income (expense)	Other net revenues (costs)	Gross income	Profit (loss) on insurance business
10. Interest income and similar income	7,201	7,201				7,201	
20. Interest expense and similar expense	(4,821)	(4,821)				(4,821)	
40. Commission income	447	300		147		447	
50. Commission expense	(1,524)	(1,472)		(52)		(1,524)	
70. Dividends and similar revenues	16		16			16	
80. Profits (losses) on trading activities	31				31	31	
90. Fair value adjustments in hedge accounting	(111)				(111)	(111)	
100. Gains (losses) on disposal or repurchase	743				743	743	
110. Profits (losses) on financial assets and liabilities designated at fair value through profit or loss	(17)				(17)	(17)	
130. Net adjustments/recoveries for credit risk	26						
140. Gain/losses from changes in contracts without derecognition							
160. Net premium income	308						308
170. Net other income (expense) from insurance operations	(144)						(144)
190. Administrative expenses	(7,910)						
200. Net accruals to the provisions for risks and charges	(122)						
210. Net adjustments to/recoveries on property, plant and equipment	(1,628)						
220. Net adjustments to/recoveries on intangible assets	(618)						
230. Other operating income (costs)	12,681						
250. Gains (losses) on equity investments	431		431			431	
270. Net adjustment on goodwill							
280. Gains (losses) on disposal of investments	15						
300. Income tax for the year on continuing operations	(1,565)						
320. Income (loss) after tax on discontinued operations	(28)						
330. Net income (loss) for the year	**3,411**	**1,208**	**447**	**95**	**646**	**2,396**	**164**
340. Net income (loss) for the year pertaining to non-controlling interests	1,627						
350. Net income (loss) for the year pertaining to shareholders of the Parent Company	**1,784**						

Profit (loss) on banking and insurance operations	Net recoveries (impairment)	Administrative expenses	Other net operating income (costs)	Operating income	Net provision for risk and charges	Net adjustments on PPE and intangible assets	Other	Income taxes	Net income (loss) for the year
7,201				7,201					7,201
(4,821)				(4,821)					(4,821)
447				447					447
(1,524)				(1,524)					(1,524)
16				16					16
31				31					31
(111)				(111)					(111)
743				743					743
(17)				(17)					(17)
	26			26					26
308				308					308
(144)				(144)					(144)
		(7,910)		(7,910)					(7,910)
	(9)			(9)	(113)				(122)
						(1,628)			(1,628)
						(618)			(618)
			12,681	12,681					12,681
431				431					431
							15		15
								(1,565)	(1,565)
							(28)		(28)
2,560	**17**	**(7,910)**	**12,681**	**7,348**	**(113)**	**(2,246)**	**(13)**	**(1,565)**	**3,411**
									1,627
									1,784

Independent Auditor's report

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Cassa depositi e prestiti SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cassa depositi e prestiti Group (the "Group"), which comprise the balance sheet as of 31 December 2019, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Cassa depositi e prestiti SpA (the "Company") pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*

Valuation of equity investments in the consolidated financial statements

Notes to the consolidated financial statements
Part A: Accounting policies – Part A.2 The main financial statement items
Part B: Information on the consolidated Balance Sheet – Section 7 of assets: Equity investments
Part C: Information on the consolidated Income Statement – Section 17: Gains (Losses) on Equity investments.

The item Equity investments at 31 December 2019 showed a balance of Euro 18,952 million equal to about 4 per cent of total consolidated assets.

The equity investment portfolio of the Cassa depositi e prestiti Group includes investments in jointly controlled subsidiaries and associates directly or indirectly held by the parent company Cassa depositi e prestiti SpA.

If there are indicators that lead to believe that an investment has suffered an impairment loss (impairment indicators), management is required to verify the investment's impairment loss, if any, comparing the book value of the investment with its estimated recoverable amount (impairment test) in accordance with IAS 36.

The valuation of the recoverable amount of equity investments is a complex activity requiring management to make significant estimates mainly regarding the determination of the assumptions and parameters behind the models used in order to estimate the current value of the expected cash flows (value in use) or, alternatively, the fair value less costs to sell.

In carrying out our auditing activities, we paid particular attention to the estimate of the recoverable amount of the equity investments which were considered more significant and showed impairment indicators within the context of the financial statements.

Specifically, we performed the following audit procedures, also with the support of the PwC network experts:

- understanding and analysis of accounting policies and procedures for carrying out the impairment tests;

- understanding and valuation of the controls carried out by the Company management in the context of the monitoring of the value of the equity investments, with a specific focus on the controls put in place in the elaboration phase of the impairment tests at the balance sheet date, and test of the operational effectiveness of these controls;

- collection, analysis and understanding of the set of information used by management to support their valuation, including the information reported to the corporate governance bodies;

- understanding and evaluation of the valuation models used by management;

- check of the consistency and adequacy of the models used, in order to determine the recoverable amount of the most significant equity investments, considering the specific context, the provisions of the applicable accounting standards, as well as the valuation practices;

- verification of the reasonableness of the financial parameters adopted for the purpose of the application of the evaluation method chosen;

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- verification of the mathematical accuracy of the calculations performed and of the formulae used by management within the impairment testing;
- independent analyses such as:
  a re-calculation of the valuation parameters and analysis of the reasonableness of the results,
  b monitoring of the performance of the stock price, if applicable,
  c collection of additional information and data available in the public domain, which were considered useful in the case;
- check of the adequacy and exhaustiveness of the disclosures in the notes to the consolidated financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Cassa depositi e prestiti SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 25 May 2011, the shareholders of Cassa depositi e prestiti SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2011 to 31 December 2019.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The directors of Cassa depositi e prestiti SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Cassa depositi e prestiti Group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the consolidated financial statements of the Cassa depositi e prestiti Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Cassa depositi e prestiti SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Cassa depositi e prestiti SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Rome, 20 April 2020

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

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Certification of the consolidated financial statements

pursuant to Art. 154-*bis* of Legislative Decree no. 58/1998

1. The undersigned Fabrizio Palermo, in his capacity as Chief Executive Officer, and Paolo Calcagnini, in his capacity as Manager in charge with preparing the company's financial reports of Cassa Depositi e Prestiti S.p.A., hereby certify, taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of legislative decree no. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company; and
   - the actual application of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2019.

2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the consolidated financial statements at 31 December 2019 was based on a process developed by Cassa Depositi e Prestiti S.p.A in line with the CoSO model and CoBIT model (for the IT component), which make up the generally-accepted internal control framework at international level.

3. In addition, it is hereby certified that:
   3.1 the consolidated financial statements at 31 December 2019:
      a) have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) correspond to the information in the books and other accounting records;
      c) give a true and fair view of the performance and financial position of the issuer and of the companies included in the scope of consolidation.

   3.2 The report on operations contains a reliable analysis of operations and performance, as well as the situation of the issuer and of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 20 April 2020

The Chief Executive Officer

Fabrizio Palermo

The Manager in charge with preparing the company's financial reports

Paolo Calcagnini

04

Shareholders’ resolution

Shareholders' resolution

After hearing the Chairman's brief, approving the proposed allocation of profit formulated by the Ministry for the Economy and Finance, the Shareholder's Meeting, unanimously and by show of hands

resolves

to approve the following allocation of the profit for the year, equal to €2,736,284,081:
- euro 44,855,574, as an unavailable earnings reserve pursuant to Article 6 of Legislative Decree 38/2005;
- euro 2,152,931,020.24, as a dividend for shareholders, payable by within 30 days of the date of the Shareholders' Meeting;
- euro 538,497,486.76 as retained earnings.

Summary report

Below is the summary table of the allocation of net income for the year:

(euro)	
Profit for the year	2,736,284,081
Distributable profit*	2,691,428,507
Dividend	2,152,931,020.24
Retained earnings	538,497,486.76
Dividend per share**	6,37

* Income, net of the amount of 44,855,574 euro allocated to unavailable earnings reserve.
** Excluding treasury shares.

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Cover photo

- **Supporting the construction of the railway network between Afghanistan and Iran.**
  Cassa Depositi e Prestiti, by way of development cooperation activities, promotes sustainable growth in developing countries and emerging economies.
- **Harvesting barley in the fields of Bonifiche Ferraresi. Santa Caterina (Arezzo).**
  The company has been an investee of Cassa Depositi e Prestiti since 2017.
- **Gas imports from Russia, managed by Snam. Tarvisio (Udine).**
  The company has been an investee of Cassa Depositi e Prestiti since 2012.
- **Steam turbine rotor processing. Genoa.**
  Ansaldo Energia has been an investee of Cassa Depositi e Prestiti since 2013.
- **Goliat Platform. Barents Sea - Norway.**
  Eni has been an investee of Cassa Depositi e Prestiti since 2003.
- **Gasometer Ostiense district. Rome**
  Italgas has been an investee of Cassa Depositi e Prestiti since 2016.
- **Truncated pyramid pylons. Rome.**
  Terna has been an investee of Cassa Depositi e Prestiti since 2005.

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