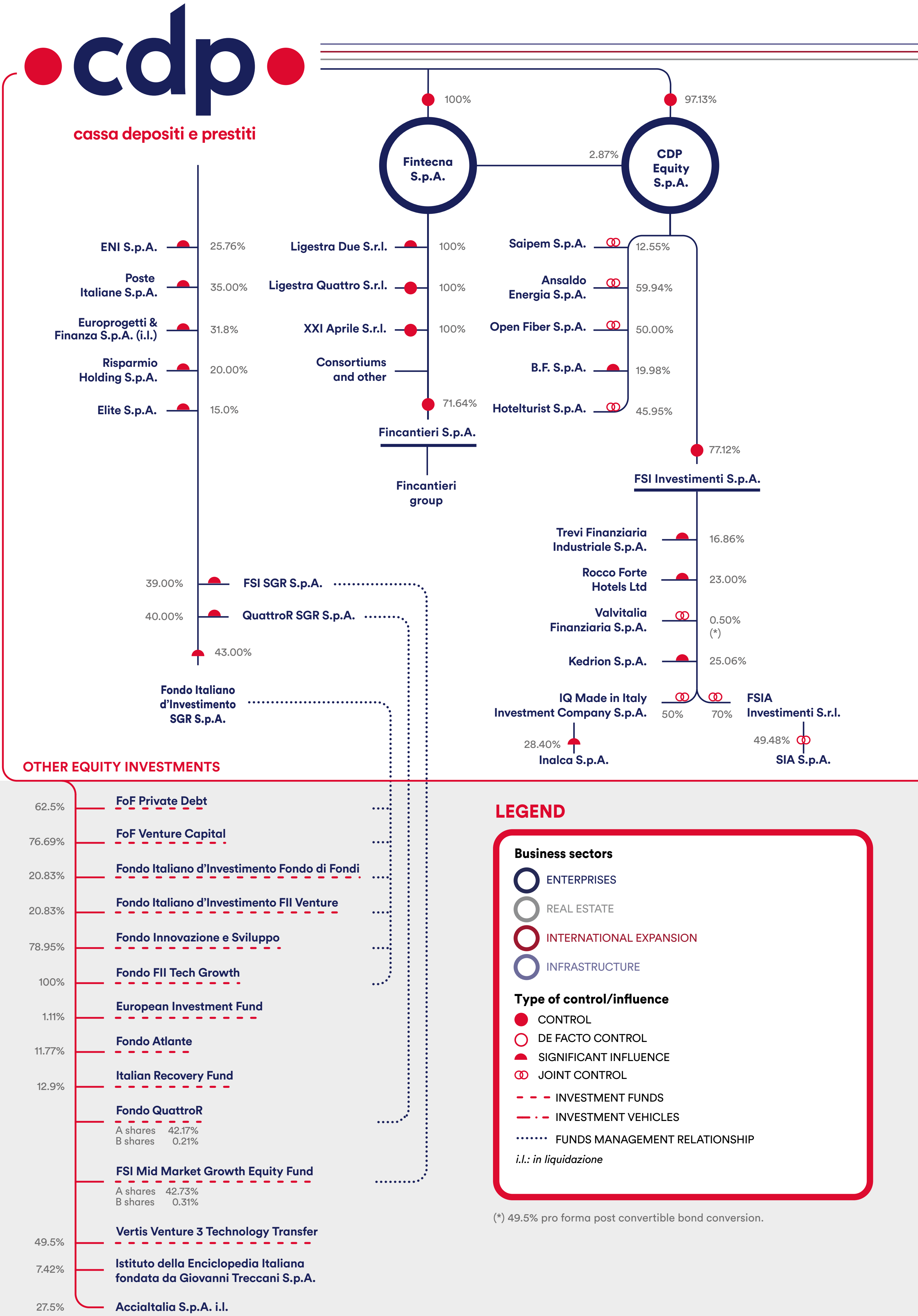
Annual Report

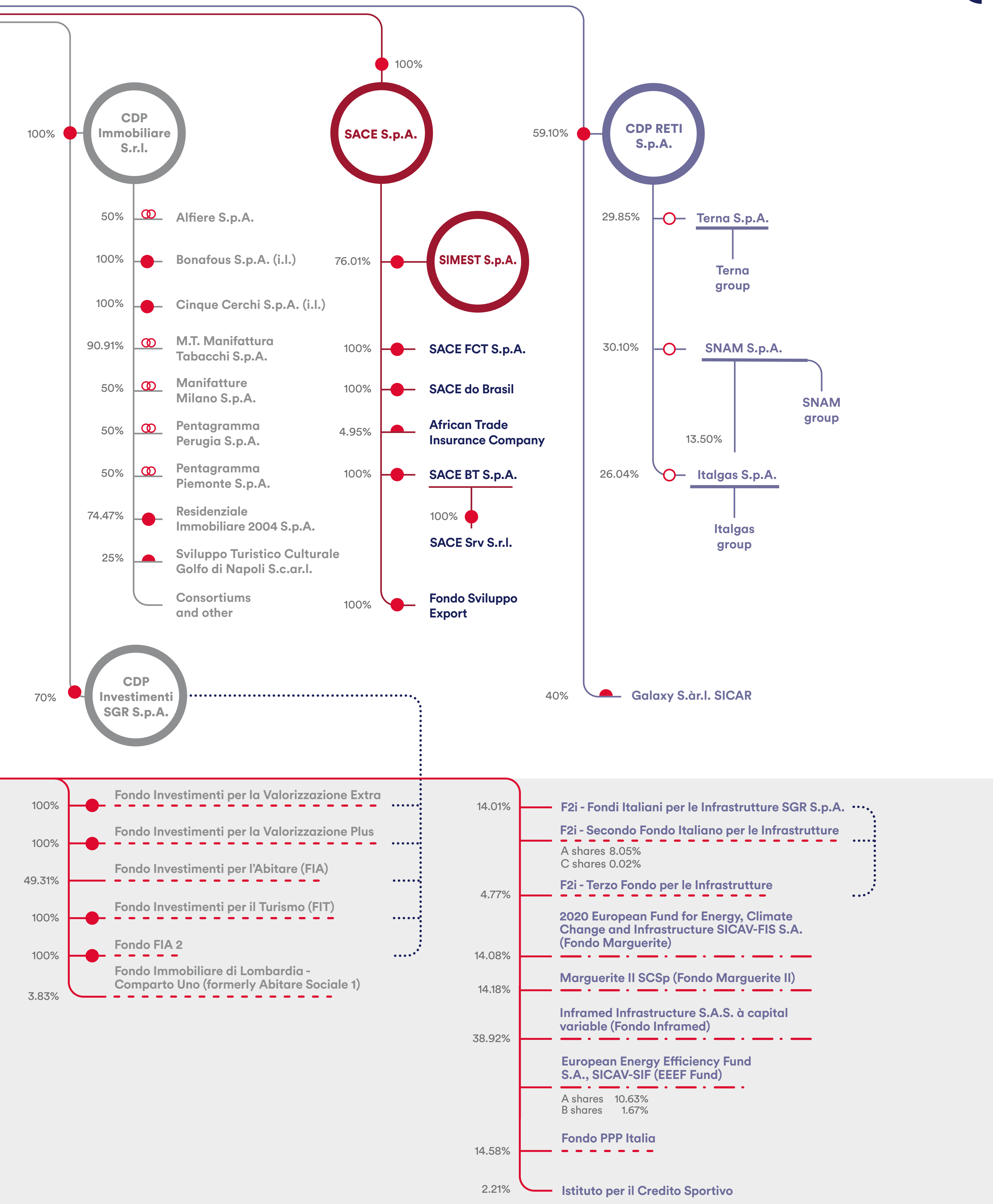
2017

cassa depositi e prestiti

since 1850



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


100%
CDP Immobiliare S.r.l.
50% Alfiere S.p.A.
100% Bonafous S.p.A. (i.l.)
100% Cinque Cerchi S.p.A. (i.l.)
90.91% M.T. Manifattura Tabacchi S.p.A.
50% Manifatture Milano S.p.A.
50% Pentagramma Perugia S.p.A.
50% Pentagramma Piemonte S.p.A.
74.47% Residenziale Immobiliare 2004 S.p.A.
25% Sviluppo Turistico Culturale Golfo di Napoli S.c.ar.l.
Consortiums and other
100%
SACE S.p.A.
76.01% SIMEST S.p.A.
100% SACE FCT S.p.A.
100% SACE do Brasil
4.95% African Trade Insurance Company
100% SACE BT S.p.A.
100% SACE Srv S.r.l.
100% Fondo Sviluppo Export
59.10%
CDP RETI S.p.A.
29.85% Terna S.p.A.
Terna group
30.10% SNAM S.p.A.
SNAM group
13.50%
26.04% Italgas S.p.A.
Italgas group
40% Galaxy S.àr.l. SICAR
70%
CDP Investimenti SGR S.p.A.
100% Fondo Investimenti per la Valorizzazione Extra
100% Fondo Investimenti per la Valorizzazione Plus
49.31% Fondo Investimenti per l'Abitare (FIA)
100% Fondo Investimenti per il Turismo (FIT)
100% Fondo FIA 2
3.83% Fondo Immobiliare di Lombardia - Comparto Uno (formerly Abitare Sociale 1)
14.01% F2i - Fondi Italiani per le Infrastrutture SGR S.p.A.
F2i - Secondo Fondo Italiano per le Infrastrutture
A shares 8.05%
C shares 0.02%
4.77% F2i - Terzo Fondo per le Infrastrutture
14.08% 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS S.A. (Fondo Marguerite)
14.18% Marguerite II SCSp (Fondo Marguerite II)
38.92% Inframed Infrastructure S.A.S. à capital variable (Fondo Inframed)
European Energy Efficiency Fund S.A., SICAV-SIF (EEEF Fund)
A shares 10.63%
B shares 1.67%
14.58% Fondo PPP Italia
2.21% Istituto per il Credito Sportivo

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

Summary

Letter to Shareholders

Shareholders,

the 2017 financial statements, the last falling under the responsibility of the current Board of Directors, recorded new lending volumes fully in line with the objectives of the Business Plan and economic performance above expectations.

In the last three years, Cassa depositi e prestiti has undergone a profound transformation marked by significant events, in a macroeconomic environment that is recovering but still not favourable. Pursuant to the Communication received from the European Commission in summer 2015, which was implemented by the Italian Government in the 2016 Stability Law, CDP became a National Promotional Institution, joining other major European Institutions. The 2016-2020 Business Plan was presented at the end of 2015 with the objective of mobilising 160 billion euro of the Group's resources, attracting a further 105 billion euro from third parties, for a total of 265 billion euro.

With the approval of the Business Plan, the business model was redefined across all business segments: sources of funding were diversified and optimised; the tools supporting operations were enhanced; key business areas were reviewed to increase operational efficiency. Governance processes were enhanced and the Group's identity renewed, along with the strengthening of the management team, the creation of a new IT architecture, the consolidation of risk monitoring processes and the expansion of the Group's presence nationwide.

From focusing operations mainly on the domestic market, CDP has gradually combined this with a pan-European approach, further consolidated by the creation of "shared headquarters" in Brussels together with other major European National Promotional Institutions. CDP has adopted an increasingly more international vision with the creation of the "export Hub" and the launch of its operations as a Financial Institution for International Development Cooperation.

The Group's actions originate from the same DNA, being founded on support for the economy, complementarity with the private sector, a systemic and counter-cyclical approach and environmental and social sustainability. Despite CDP having a public mission to support the Country's development and competitiveness, to achieve this it uses private funding sourced from savers and institutional investors, which need to be preserved and remunerated. For this reason, CDP's operations are based on well-defined guidelines, which are subject to stringent statutory, EC and financial constraints, which ensure the economic and financial sustainability of the investments.

In the last three years the CDP Group mobilised 92 billion euro in new lending, which attracted 70 billion euro of further investments, bringing to a total of 162 billion euro. The leverage effect of the resources activated is equivalent to almost two times the Group's direct investments. This substantial volume of lending has had a significant impact on the Italian economy. According to an independent estimation[1], in 2017 the accumulated impact of the resources activated by the Group in the three-year period was equivalent to 2.3% of GDP, 2% of employment, 9.2% of investments and 6.8% of exports of capital goods.

The intervention of CDP has been decisive in all key areas for the Country. Over 18 billion euro was allocated to finance around 20 thousand Italian SMEs and, at overall level, over 40 thousand SMEs benefited from support from the Group. The international expansion of enterprises was aided significantly by the "export Hub" following the integration of the Group's activities. SACE made around 41 billion euro available to exporters, positioning itself as one of the leading Export Credit Agencies in the world in terms of volumes mobilised. Support provided to the weakest areas of the Country, in the south, included the funding of around 12 thousand enterprises, the renovation of 700 school buildings and the construction of 400 new social housing units. Furthermore, two new branches were opened in Naples and Palermo, as part of the six new territorial branches inaugurated over the three-year period.

At European level, CDP has positioned itself as the number one operator for access to the "Juncker" Plan funds thanks to the launch of eight platforms to support innovation, infrastructure and SMEs, with the potential to activate investments totalling 12 billion euro. More in general, over 2 billion euro was allocated to innovation and research & development.

(1) Estimation made by the company Prometeia of the effects on the key macroeconomic variables of the Italian economy in 2017 of the accumulated direct, indirect and induced intervention of the CDP Group in the three-year period 2015-2017.

Investments in equity over the entire life-cycle of enterprises - from technology transfer to turnaround - amounted to around 7 billion euro, including resources from third parties, of which 600 million euro allocated specifically for Italian venture capital. Innovative credit access tools, risk sharing platforms and alternative asset classes were also introduced. CDP also continued in its role of strategic investor, increasing investments in businesses and funds by over 6 billion euro in the three-year period.

Commitments in the real estate sector continued with the promotion of social and smart housing, the development of state-owned properties and support to the tourist sector, as well as the implementation of reorganisation strategies focussed on restructuring and disposals.

CDP's social vocation was consolidated with over 7 billion euro invested in social sustainability projects, 100 million euro of equity investments in the social economy sector and around 30 thousand social housing units built. CDP also issued Italy's first "Social Bond" (500 million euro), designed for SMEs based in deprived areas and areas affected by natural disasters. Over 1 billion euro was allocated to green and energy efficiency projects. 600 million euro was used to fund international cooperation projects for developing countries.

Activities to promote and support the economy also included strengthening profitability and capital so as to lay the foundations for the continuation of these lines of action in the future. In 2017, CDP reported a net income of 2.2 billion euro, without non-recurring items - twice the income earned in 2015. Consolidated net income attributable to the Parent Company was around 3 billion euro, marking a return to profit compared to 2015. These income flows will fund development policies and territorial support projects, with equity up by approximately 5 billion euro compared to 2015.

These results were achieved thanks to a number of important management actions aimed at improving margins, including the redefinition of the remuneration system linked to the treasury current account, the active management of the Asset Liability Management (ALM) process and cash and cash equivalents, the optimisation and stabilisation of funding sources - achieved through new bond issues and the new postal savings agreement with Poste Italiane - and, lastly, stricter cost control.

To conclude, CDP has been successful in achieving the ambitious objectives of the Business Plan, in areas of primary importance for Italy. Those objectives could not have been fully achieved without the contribution of the whole "team" - the women and men of this Group – which worked alongside us with passion and dedication and rose to the challenges we set ourselves with confidence. We express our gratitude to them and to the Board of Directors, which has always supported us in the important decisions taken, as well as to the Parliamentary Supervisory Committee, the Judge of the State Audit Court, the Board of Statutory Auditors and the Support Committee, which, over these years have each provided – each within their own remit - a fundamental contribution to CDP.

2017 main indicators

CDP S.p.A.

Total assets
367.3
Bn euro

Shareholders' equity
24.4
Bn euro

Postal funding
252.7
Bn euro

Net income
2.2
Bn euro

Loans (*)
101.8
Bn euro

Debt securities (*)
48.0
Bn euro

New lending
18.9
Bn euro

Employees
over
700

(*) Dati riclassificati. Cfr. § 4,4,1,2

CDP Group

Total assets
419.5
Bn euro

Equity investments
19.8
Bn euro

Equity
35.9
Bn euro

New lending
33.7
Bn euro

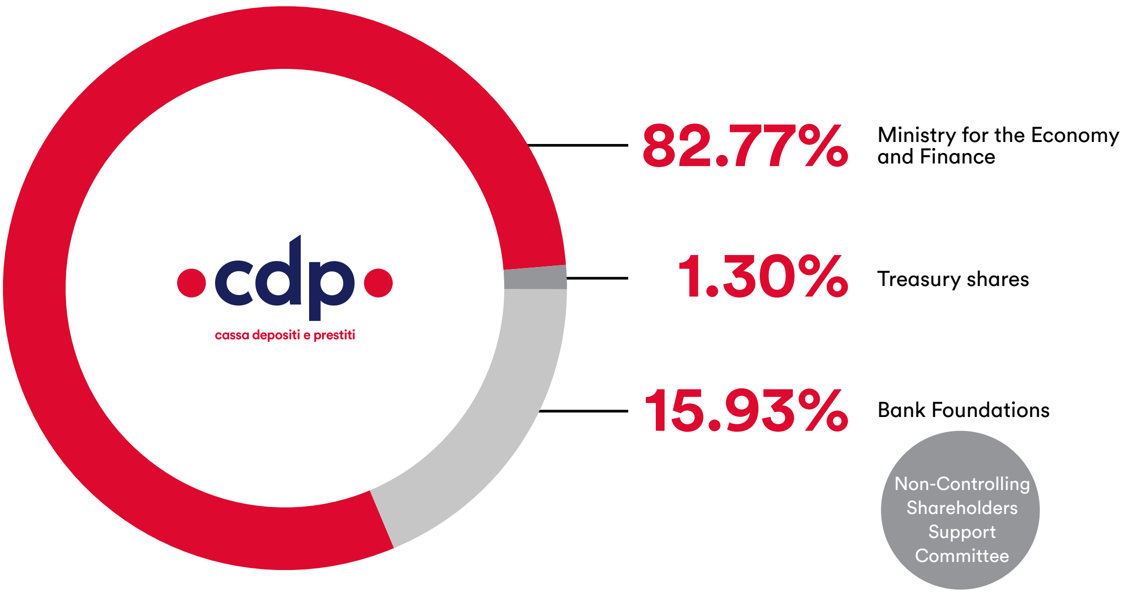
Net income
4.5
Bn euro

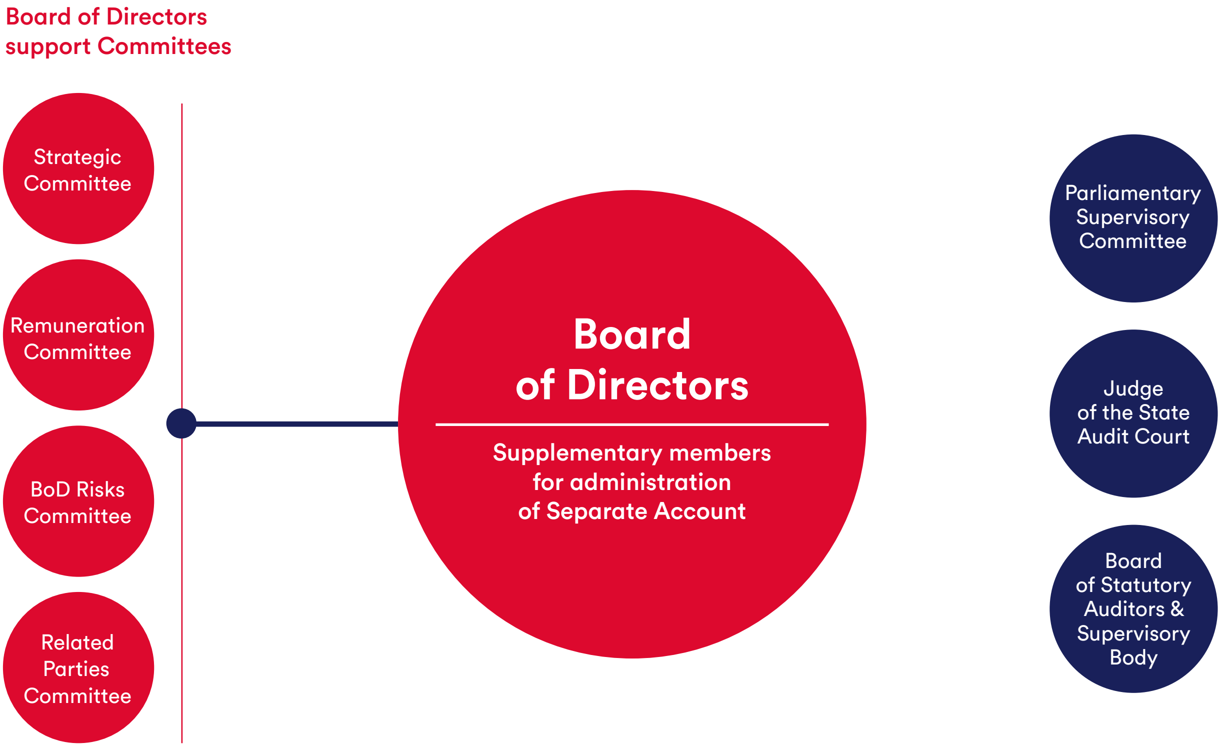
Net income pertaining to the Parent Company
2.9
Bn euro

Group equity
23.1
Bn euro

Group employees
over
30,000

Company bodies, officers and governance

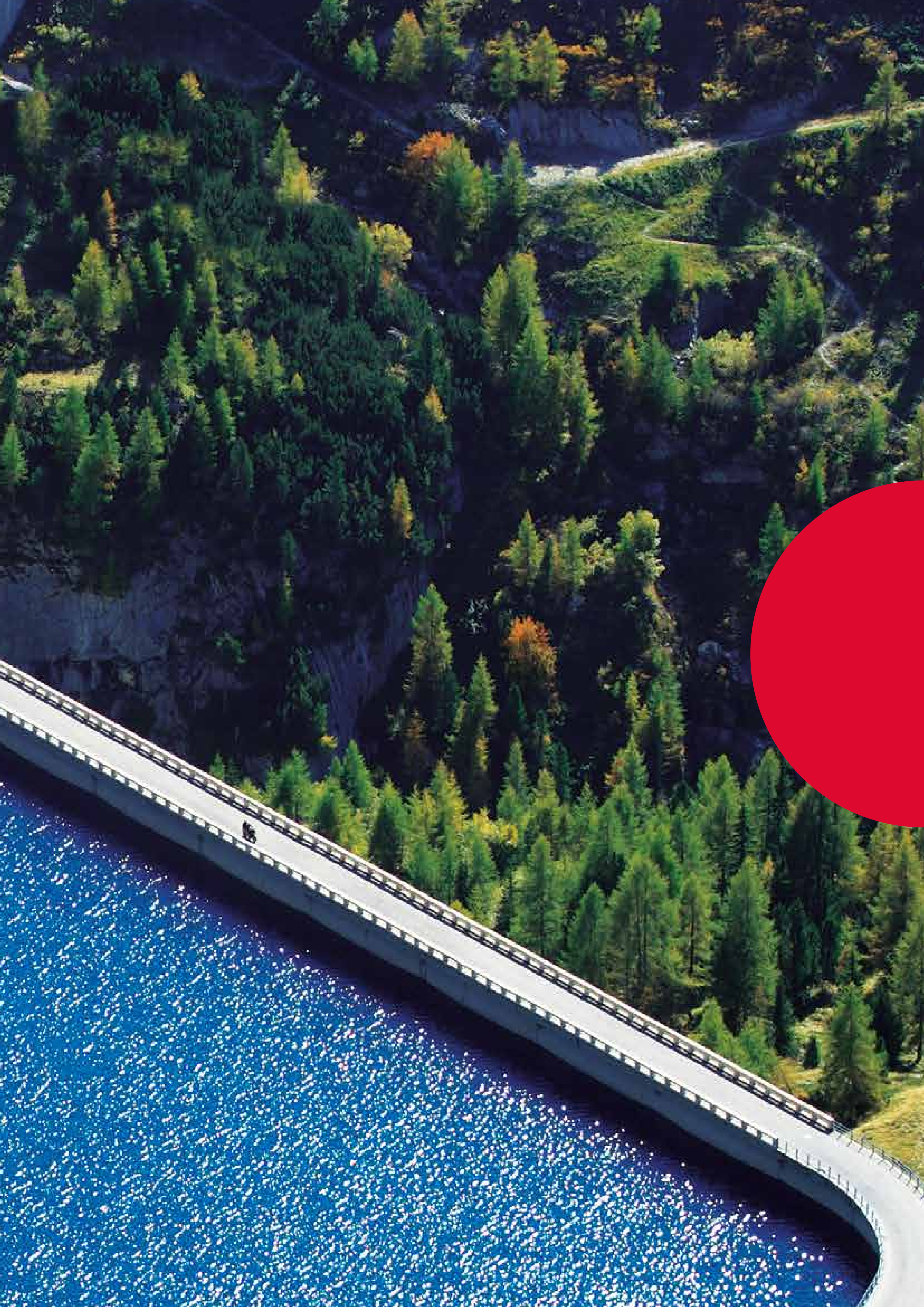




Company bodies		
Board of Directors	Chairman Vice Chairman CEO and General Manager Directors	Claudio Costamagna Mario Nuzzo Fabio Gallia Maria Cannata Carla Patrizia Ferrari Stefano Micossi (1) Alessandro Rivera Alessandra Ruzzu Andrea Sironi (2)
Supplementary Members for Administration of Separate Account *(Article 5.8, Decree Law 269/2003, ratified with amendments by Law 326/03)*		Director General of the Treasury (3) State Accountant General (4) Piero Fassino (5) Massimo Garavaglia (6) Achille Variati
Board of Statutory Auditors (7)	Chairman Auditors Alternate Auditors	Carlo Corradini Ines Russo Luciano Barsotti Giusella Finocchiaro Alessandra dal Verme Giandomenico Genta Angela Salvini
Manager in charge with preparing the Company's financial reports		Fabrizio Palermo
Non-Controlling Shareholders Support Committee	Chairman Members	Matteo Melley Ezio Falco Sandro Fioravanti Anna Chiara Invernizzi Michele Iori Luca Iozzelli Arturo Lattanzi Roberto Pinza Umberto Tombari
Parliamentary Supervisory Committee	Chairman Vice Chairmen Members	(Senator) Anna Cinzia Bonfrisco (Senator) Paolo Naccarato (Member of Parliament) Raffaella Mariani (Member of Parliament) Ferdinando Aiello (Member of Parliament) Dore Misuraca (Member of Parliament) Davide Zoggia (Senator) Bruno Astorre (Senator) Luigi Marino Stefano Fantini (Council of State) Pancrazio Savasta (Council of State)
Judge of the State Audit Court (8) *(Art. 5, C. 17, D.L. 269/2003)*	Ordinary Alternate	Mauro Orefice (9) Marco Boncompagni (10)
Independent Auditors		PricewaterhouseCoopers S.p.A.

(1) Mr. Stefano Micossi resigned on 4 April 2018.
(2) On 16 May 2017 the Ordinary General Meeting appointed Mr. Andrea Sironi as member of the Board of Directors (already co-opted by the Board on 14 December 2016).
(3) Mr. Vincenzo La Via.
(4) Mr. Roberto Ferranti, delegate of the State Accountant General.
(5) Mr. Piero Fassino resigned on 3 April 2018.
(6) Mr. Massimo Garavaglia resigned on 5 April 2018.
(7) 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 231 of 8 June 2001) starting from 27 February 2017.
(8) Article 5, paragraph 17, of Decree Law 269/03 – attends meetings of the Board of Directors and the Board of Statutory Auditors.
(9) As of 1st January 2018, the role of deputy Delegate for the control of CDP's financial operations has been assigned to the Chairman Angelo Buscema, Chairman of the Court of Auditors.
(10) As of 29 January 2018, the role of deputy Delegate for the control of CDP's financial operations has been assigned to the Director Giovanni Comite, Judge of the Court of Auditors.

1. Report on operations



1. Composition of the CDP Group

1.1 Parent Company

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

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

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

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

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

interest in SIMEST to SACE. That transaction confirms a major step forward in the implementation of the CDP Group's 2016-2020 Business Plan, with the creation of a system to support the growth and international competitiveness of the Italian production system. The objective is to offer Italian businesses "one-door" access to all they need to meet their export and international expansion requirements. In this way, CDP's core role of medium/long-term investor has been expanded to include the active promotion of growth initiatives. On 20 October 2016, CDP increased its share capital through a rights issue reserved to the MEF, which was subscribed by the MEF through the contribution of a 35% equity interest in Poste Italiane S.p.A. As a result of the transaction, the MEF's equity interest in CDP increased from 80.1% to 82.8%;
- in 2017, CDP and Poste Italiane signed an agreement referring to the postal savings service for the three-year period 2018-2020. This new agreement consolidates the century-old alliance under which the savings of Italians act as a catalyst for growth and development, contributing to strategic investments and to improving the country's competitiveness. In fact, CDP and Poste Italiane intend to re-launch postal savings with the repositioning of Bonds and Passbook Accounts, with increased investment in technology, communications, promotion and training, in order to reach an increasingly wide range of investors, for whom these products represent an opportunity for savings and investment. Additionally, to renew its commitment to sustainable growth, CDP successfully issued a 500-million euro "Social Bond" during the year. This will support SMEs located in economically deprived areas or in areas affected by natural disasters.

All CDP's operations are carried on within a framework that ensures the separation of the organisational and accounting activities of the organisational units and thus the distinction between Separate Account and Ordinary Account assets, thereby ensuring 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.

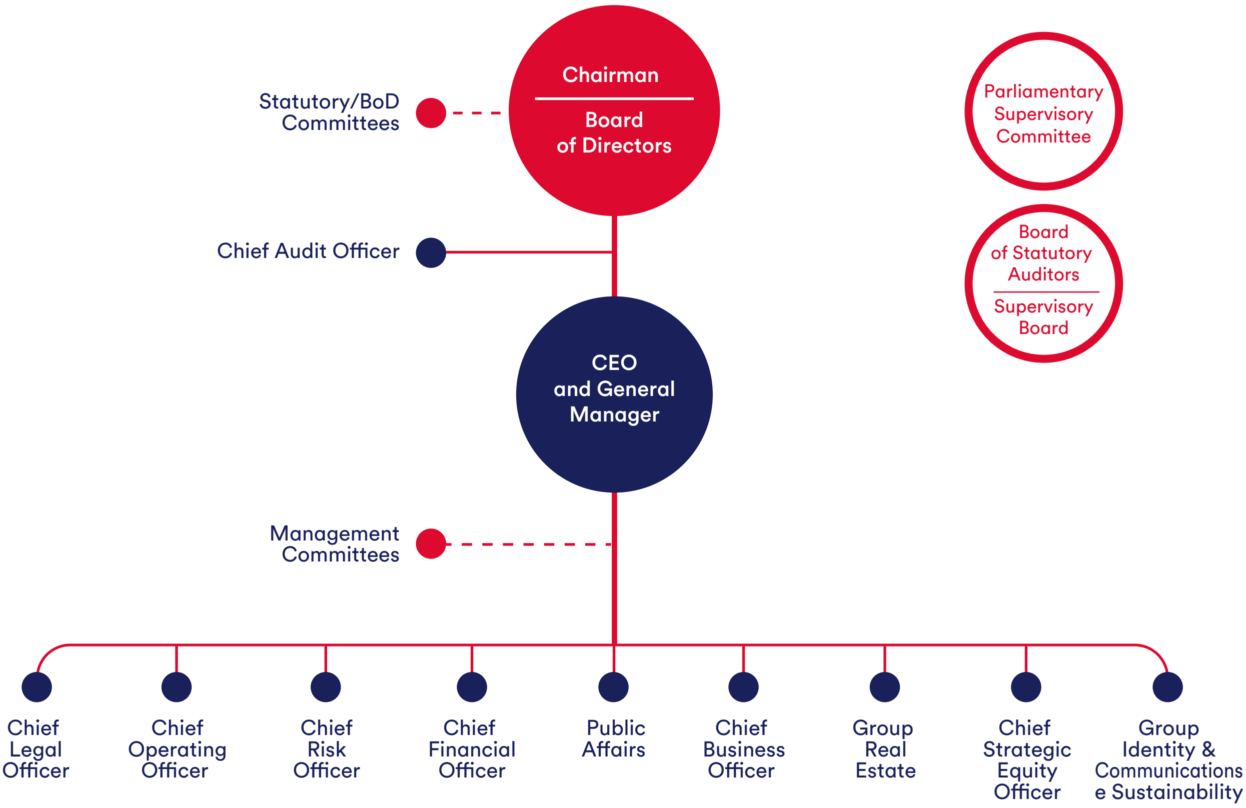
CDP is also subject to oversight by a Parliamentary Supervisory Committee and the State Audit Court.

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

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

The following report to the Chief Executive Officer and General Manager:
- Public Affairs;
- Group Identity & Communications and Sustainability;
- The Chief Legal Officer;
- The Chief Operating Officer;
- The Chief Risk Officer;
- The Chief Financial Officer;
- The Chief Business Officer;
- Group Real Estate;
- The Chief Strategic Equity Officer.

The CDP organisational chart, as at 31 December 2017, is as follows:



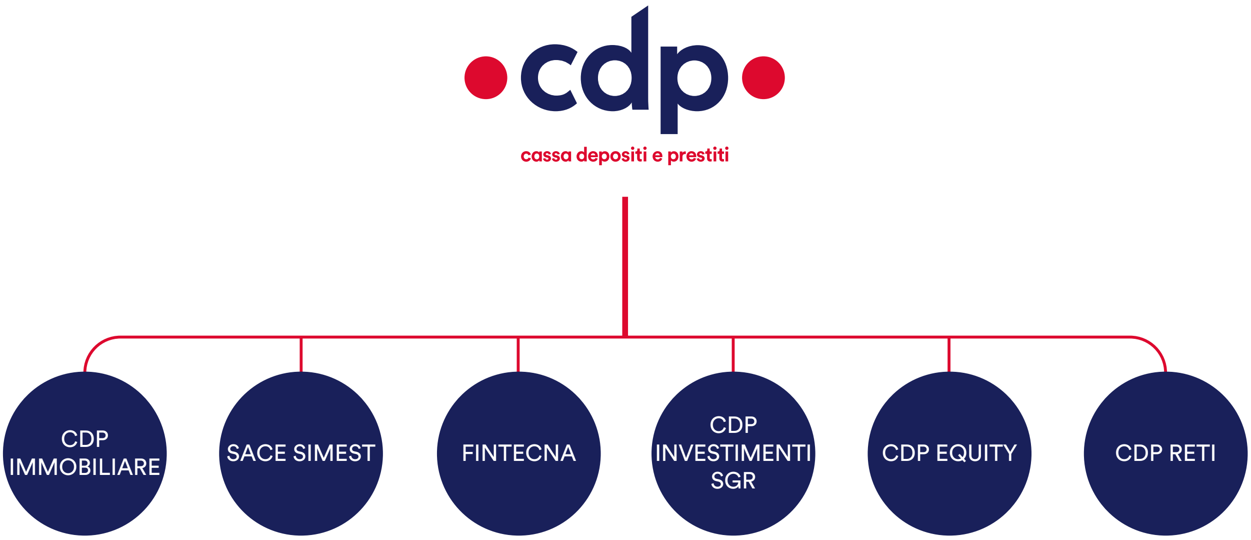
As at 31 December 2017, CDP employed 741 people, including 80 senior managers, 349 middle managers, 299 office workers, 5 consultants and 8 people seconded and employed by another organisation.

In 2017, CDP personnel grew both in number and quality, with 98 new hires against 40 people leaving the organisation.

Compared to last year, the average age of employees remained basically unchanged, around 44 years, while the proportion of employees with a tertiary education (bachelor's or master's degree, doctorate or other post-graduate qualification) remained stable at 72%.

As at 31 December 2017, companies subject to management and coordination by the Parent Company CDP, employed 2003 people, an increase of 4%, or 81 people, on the figure at 31 December 2016.

1.2 Companies subject to management and coordination



SACE Group

Brief description and shareholding structure

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

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.

Specifically, the business purpose of SACE includes insurance, reinsurance, co-insurance and the provision of guarantees against risks linked to political events and natural catastrophes, economic, trade and exchange-rate risk, as well as any other related risks to which companies are exposed in their business dealings with foreign countries. SACE also provides guarantees and insurance cover to foreign companies in transactions that are of strategic importance to the Italian economy in terms of international expansion and economic security.

The SACE Group consists of the Parent Company and the following companies:
- SIMEST (76% stake), specialised in acquiring equity investments, financing operations of Italian enterprises abroad and providing technical assistance and advisory services to Italian enterprises that choose to expand their operations abroad;
- SACE BT, established in 2004, engaged in the insurance of short-term credit;
- SACE Fct, established in 2010, engaged in trade receivables financing;
- SACE SRV, established in 2007, a subsidiary of SACE BT, specialised in business information solutions and debt recovery;
- SACE do Brasil, established in 2012.

Organisation and personnel

At 31 December 2017, the SACE Group employed 912 people, including 57 senior managers, 408 officials and 447 office workers. Compared to 31 December 2016, the headcount increased by 28 employees.

CDP Equity

Brief description and shareholding structure

CDP Equity is the new name adopted, as of 31 March 2016, by Fondo Strategico Italiano, a company established on 2 August 2011. Following the Bank of Italy's withdrawal from its entire equity investment (20%), 97.1% of the share capital is now held by CDP and the remainder by Fintecna.

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

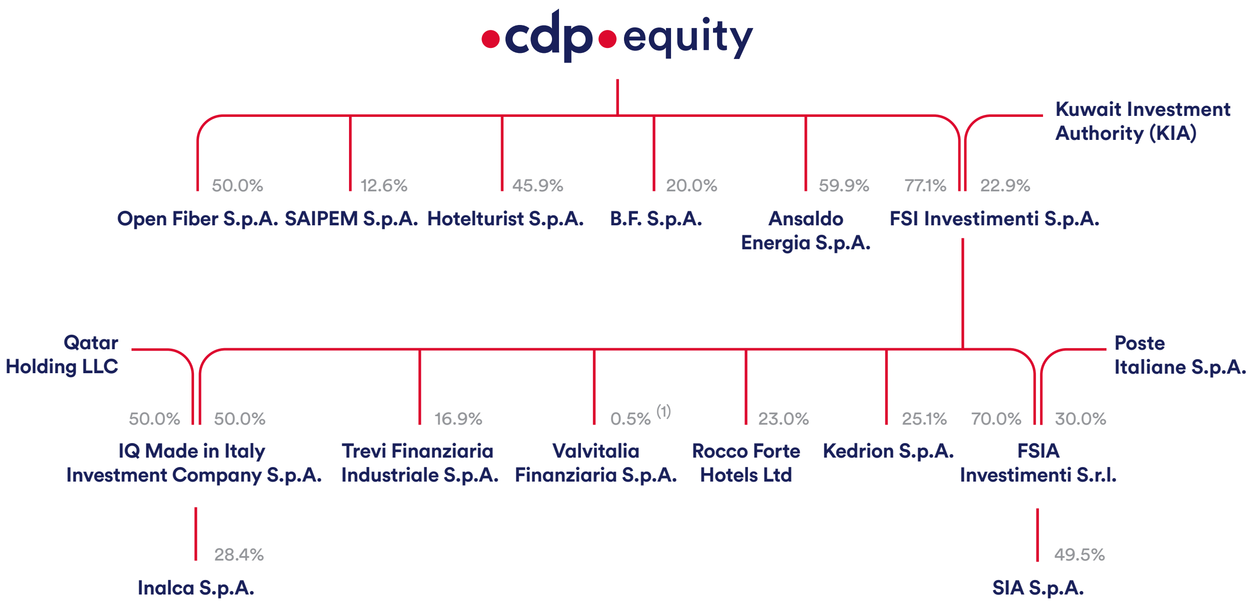
Under the articles of association, the share capital of CDP Equity is open to other Italian and foreign institutional investors. In view of this, and as part of a fund-raising campaign promoted by CDP Equity, in 2013 IQ Made in Italy Investment Company (IQMIIC) was established as a joint venture with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

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

In accordance with the 2016-2020 Group Business Plan, the company has launched a comprehensive rationalisation project in relation to its equity portfolio. The rationalisation project focuses on two separate areas: (i) investments identified as "stable", i.e., in companies of "systemic" interest for the national economy and with a long-term investment horizon, which will be undertaken by CDP Equity in strict coordination with CDP; and (ii) investments "promoting growth" in mid-sized companies, with a view to supporting business growth plans (geared towards public listing), drawing on a reserved, closed-end fund managed by an asset management company (FSI SGR), initially established by CDP, but subsequently opened to external investors.

With regard to the activities of FSI SGR, please note that CDP Equity transferred a business unit to FSI SGR on 1 July 2017, including 18 staff members and a number of related assets and liabilities.

At 31 December 2017, CDP Equity's corporate structure is as follows:



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

Organisation and personnel

At 31 December 2017, CDP Equity employed 28 people, compared to 40 at the end of 2016. The decrease in the headcount is due to the transfer of 18 employees to FSI SGR, the entry of 4 employees seconded from CDP, 5 new hires and 3 employment contracts terminated.

Fintecna

Brief description and shareholding structure

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 December 2002, IRI (in liquidazione) was incorporated into Fintecna together with its residual assets.

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

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

Law no. 205 of 27 December 2017 (2018 Stability law) expanded the operating scope of Fintecna, assigning it the management, which will be performed annually via decree of the Ministry of the Economy and Finance, of the assets of state-owned companies and public entities in liquidation.

It should be noted that Fintecna holds, *inter alia*, a controlling interest in Fincantieri (71.64%) but does not exercise management and coordination powers over the company following its listing on the stock exchange.

Organisation and personnel

At 31 December 2017, Fintecna employed 129 people, including 12 senior managers, 5 less than at the end of 2016. In detail, 26 employees left the company in 2017, in part offset by: (i) the transfer to Fintecna of 17 employees from Ligestra and Ligestra Tre following their merger by incorporation into Ligestra Due; (ii) the transition to permanent employment of 4 temporary agency workers.

CDP Immobiliare

Brief description and shareholding structure

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

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

In detail, at 31 December 2017, the company's real estate assets totalled approximately 1,082 million euro, including directly owned assets valued at 225 million euro and assets held through 14 investment vehicles in partnership with leading Italian companies, worth 856 million euro.

Organisation and personnel

At 31 December 2017 CDP Immobiliare employed 118 people, including 19 senior managers, 41 middle managers and 58 office workers, 5 less than at the end of 2016.

CDP Investimenti SGR

Brief description and shareholding structure

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

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 2017, CDPI SGR managed five real estate funds:
- Fondo Investimenti per l'Abitare ("FIA"), which invests in a network of local real estate funds active in the private social building sector (social housing projects, mid-range between public housing and the private property market);

- Fondo Investimenti per la Valorizzazione ("FIV"), a real estate umbrella fund set up to acquire 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;
- Fondo Turismo 1 ("FT1"), focused on 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 and smart working sectors.

Furthermore, the Federal District fund was set up in June but has yet to become operational. Its purpose will be to acquire real estate assets only from the State or Public Entities, from companies of the asset manager's group or other collective investment undertakings managed by the latter. These assets will then be leased to the public administration or to related parties, as well as, in a complementary way, to individuals or for uses associated with public services in general.

Organisation and personnel

At 31 December 2017 the company employed 57 people (11 senior managers, 27 middle managers and 19 office workers). The headcount increased by 10 employees on the previous financial year, following the exit of 3 employees and the entry of 13 new staff members (transferred under secondment contracts to support operations).

Other companies subject to management and coordination by CDP

CDP RETI

Brief description and shareholding structure

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

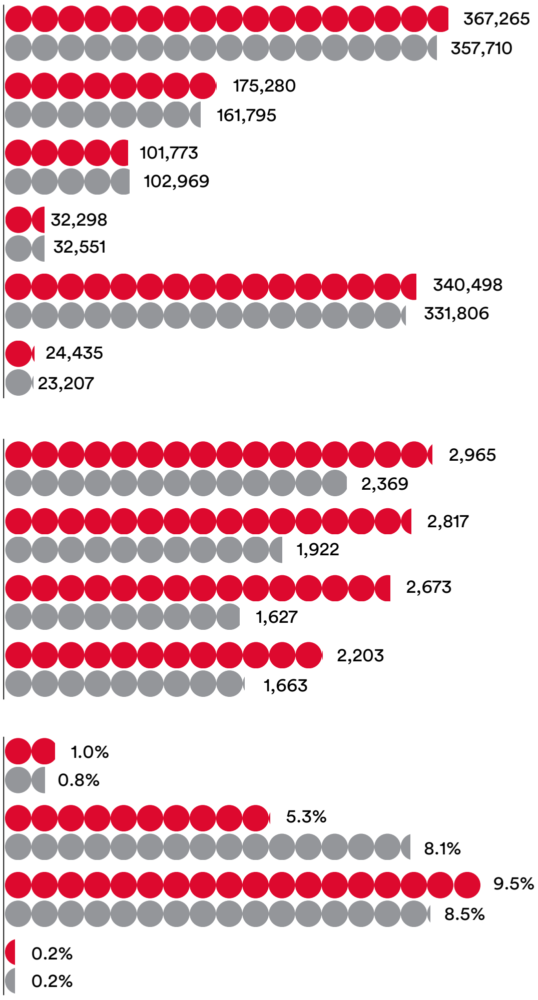
At 31 December 2017, the company owned equity investments in SNAM (30.10%), Terna (29.85%) and Italgas (26.04%).

Organisation and personnel

At 31 December 2017, CDP RETI employed 4 people. To conduct its business the company relies on the operational support of the Parent Company CDP, which is provided under contractual arrangements made at arm's length.

2. Financial aggregates and performance indicators

CDP S.P.A. - FINANCIAL AGGREGATES[1] AND PERFORMANCE INDICATORS
(MILLIONS OF EURO; %)



	31/12/2017	31/12/2016	Changes Overall	Changes %
Total assets	367,265	357,710	9,556	2.7%
Cash and cash equivalents	175,280	161,795	13,486	8.3%
Loans	101,773	102,969	-1,196	-1.2%
Equity investments	32,298	32,551	-253	-0.8%
Funding	340,498	331,806	8,691	2.6%
Equity	24,435	23,207	1,228	5.3%
Net interest income	2,965	2,369	596	25.2%
Gross income	2,817	1,922	895	46.5%
Operating income	2,673	1,627	1,046	64.3%
Net income	2,203	1,663	541	32.5%
Net interest income spread	1.0%	0.8%		
Cost/income ratio	5.3%	8.1%		
ROE	9.5%	8.5%		
Net impaired loans/Net exposures (*)	0.2%	0.2%		

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

1 Reclassified (see par. 4.4.1).

CDP GROUP - FINANCIAL AGGREGATES[2] AND PERFORMANCE INDICATORS
(MILLIONS OF EURO; %)

	31/12/2017	31/12/2016 restated	Changes Overall	Changes %
Total assets	419,534	410,522	9,012	2.2%
Cash & cash equivalents and other lending	178,780	165,452	13,328	8.1%
Loans	108,222	112,380	-4,158	-3.7%
Equity investments	19,770	21,007	-1,236	-5.9%
Funding	364,023	355,990	8,033	2.3%
Equity	35,921	35,776	145	0.4%
of which pertaining to shareholders of the Parent Company	23,061	22,625	436	1.9%
Net interest income	2,761	2,106	655	31.1%
Gross income	2,075	113	1,962	n.s.
Operating income	7,079	3,958	3,122	78.9%
Net income	4,462	1,225	3,237	n.s.

2 Reclassified (see par. 4.4.2).

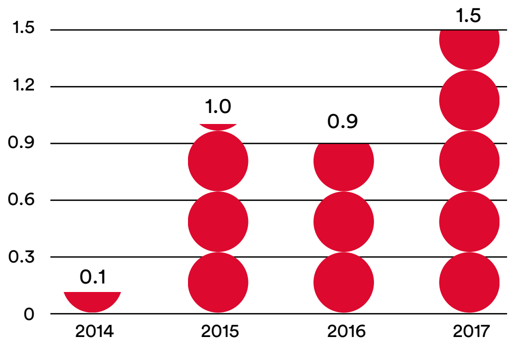
3. Macroeconomic scenario and market context

3.1 Macroeconomic scenario

According to the estimates of the International Monetary Fund (IMF)[3], the recovery of world economy continued in 2017, with a 3.7% growth rate, up from 3.2% in 2016. In 2017, the economy of the eurozone accelerated, recording a 2.4% growth rate, against 1.8% of 2016. The economic growth was led mostly by foreign demand, which gave a positive contribution (+4.5%), referred mainly to exports, between 2016 and 2017. It would seem that the geopolitical tensions that had marked the previous year, both at the European and at the international level, have not had a lasting impact. European growth was strong also in comparison with the US, which grew in 2017 by 2.3%, an increase with respect to 1.5% in 2016.

The growth rate of the Italian economy increased to 1.5%[4] in 2017, a strong improvement with respect to 2016 (+0.9%). Almost all GDP components gave a positive contribution. Household consumption increased by 1.5%, according to the estimates of the Bank of Italy[5], confirming the positive trend of 2016. One of the most positive aspects of the current recovery is the increase in gross fixed capital formation, +3.4% with respect to 2016 (2.8%). The positive trend in government spending also continued, with a 0.8% increase, in line with 2016.

REAL GDP GROWTH RATE
(% CHANGE YEAR-ON-YEAR)



Data source: Istat.

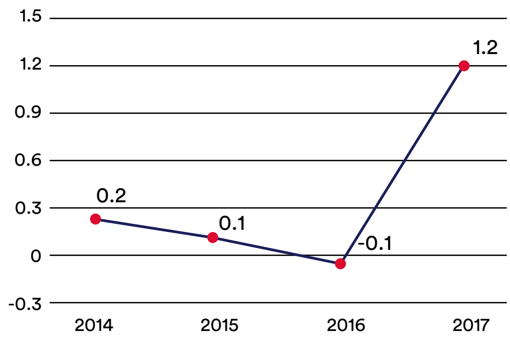
In 2017, there was a further improvement in the labour market, mainly due to the positive trend of the economy. Employment increased by 1.3% and there was a small drop in the unemployment rate (to 11.3% from 11.5% in 2016), partly due to an increase in the participation rate in the labour market. Youth unemployment was around 32%: even if down from 40% in 2016, it remains too high, given the ongoing recovery[6].

3 IMF, World Economic Outlook, January 2018.
4 Istat, Preliminary GDP estimate, February 2018, adjusted for calendar effects.
5 Bank of Italy, Macroeconomic projections for Italy, 2018.
6 Istat, Employment and unemployment. February 2018.

In 2017, there was also a significant average increase in the general consumer price index at the national level. In particular, after turning negative in 2016 (around -0.1%), inflation went back to positive territory, recording a 1.2% increase in 2017.

INFLATION RATE

(% ANNUAL CHANGE NIC INDEX)



Data source: IMF.

In 2017, there was a strong increase in industrial output, (+3.0%), with respect to 2016. This trend was the result of strong growth in the production of capital goods (+3.1% with respect to the previous year), intermediate goods (+2.5%) and consumer goods (+3.3%). There was a 3.1% increase in manufacturing production, driven by transport equipment (+5.6%) and machinery (+3.7%); activity in the mining sector remained stable.

Between the first and the third quarter of 2017, household disposable income, at current prices, increased by 1.6% on the same period of 2016. Taking into account consumer price inflation, the increase in disposable income resulted in a 0.5% increase in household purchasing power. Household final monetary consumption expenditure, at current prices, was up by 2.7%. Therefore, there was a slight drop in household propensity to save, down to 8.2%[7].

3.2 The credit sector

3.2.1 Monetary policies and interest rates

In 2017, in a positive economic environment that is still facing uncertainty in the medium term, the ECB maintained its expansionary policy stance. The Governing Council confirmed the rate on the deposit facility and the rates for the main and marginal lending facilities and extended the asset purchase programme (APP) to September 2018, bringing the total monthly amount purchased on the market to 30 billion euro.

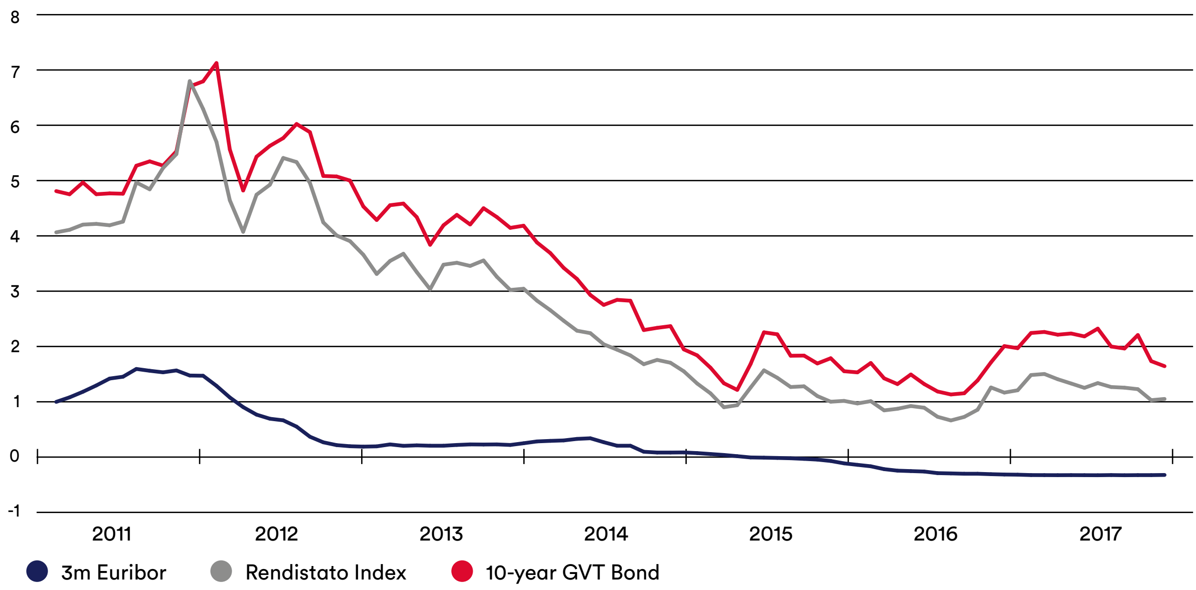
The first half of the year saw a lot of turmoil in the banking sector, leading financial institutions to increase the volume of the funds borrowed from the ECB. At the end of 2017, banks had borrowed from the central bank about 252 billion euro, a 48 billion euro increase with respect to December 2016. In particular, the amount borrowed in long term refinancing operations (LTRO) was around 63 billion euro, taking the total borrowed to 251 billion euro; the amount borrowed through Main Refinancing Operations (MRO) was equal to 1 billion euro at the end of 2017, well down with respect to the 16 billion euro recorded at the end of 2016.

With the monetary policy stance still very accommodating, market rates remained be very low. The 3 months Euribor rate was down to -0.33% in December, in line with the levels seen at the beginning of the year, while the Eonia rate went from -0.35% to -0.37%.

7 Istat, Quarterly accounts for General Government, household income and savings and corporation profits. III quarter 2017, 5 January 2018.

In 2017, there was a lot of volatility in the government bond market. In the first half of the year, as the French elections approached, the spread between the Italian ten-year government bonds and the German equivalent widened to more than 200 basis points. Later, with political risk gradually going down, the differential went back to the levels seen at the beginning of year, around 150 basis points[8]. At the same time, the Rendistato general index gradually fell, to 1.03% in December 2017, down by about 13 basis points with respect to the value of the previous year[9].

MAIN INTEREST RATES (%)



Data source: Based on Reuters figures.

In 2017, there was an improvement with regard to the loans granted by the banking system, which according to ABI estimates increased by 1.2%, net of securitisation. In particular, loans to the private sector increased by 1.85% as a result of the strongly positive trend of loans to households (+2.8% on an annual basis) and a positive reversal of the trend for loans to companies (+0.2%). However, loans to Italian companies are still far below the eurozone average. In fact, while the eurozone as a whole recorded a 2.7% increase, in Germany and France the increases were much higher, respectively 4.3% and 6.1%.

With regard to the main bank interest rates, in 2017, the average rate on funding from resident customers fell steadily during the year to 0.9% (1.1% in 2016). In particular, average rates fell both on deposits (0.4%, a drop of 10 basis points on an annual basis), and on bank bonds (2.7%, a drop of 20 basis points). The interest rate on loans to households and non-financial businesses recorded in 2017 a further decrease, to 2.8% in December (-20 basis points with respect to the same month of the previous year)[10].

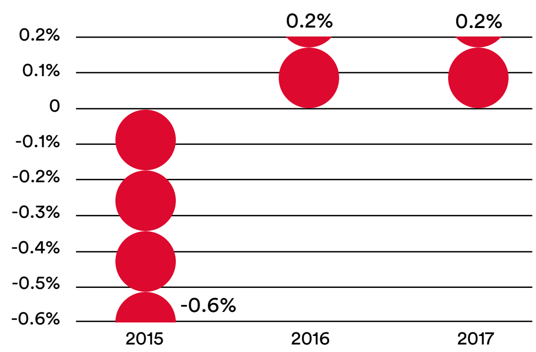
3.2.2 Lending and funding in CDP's reference market

In 2017, there was a significant increase in the volume of loans to the private sector (+1.9%). The growth rate of loans to households was positive and significant (+2.8%), while the growth rate of loans to non-financial companies was slightly above zero (+0.2%). As for loans to the General Government, the 2017 figures not adjusted for securitisation show a 0.6% decrease, due to the strong decrease in loans to Local Government (-3.0%), which has more than offset the increase in Central Government loans (+0.2%).

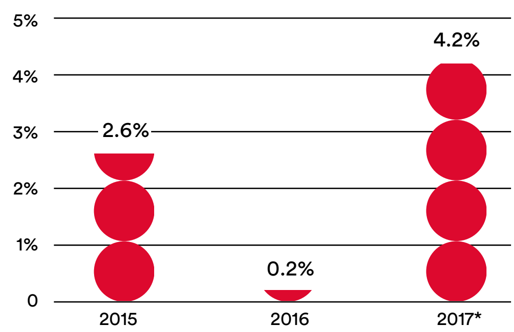
8 Based on Thomson Reuters - Datastream figures.
9 Based on Thomson Reuters - Datastream figures.
10 See AFO - ABI Financial Outlook, December 2017.

There was a marked decrease in non-performing bank loans in 2017, as a result of the economic recovery, the consolidation of the Italian securitisation market and the transfer of NPLs from the banks of the Veneto region to the MEF management companies. At the end of the year, gross bad debts were down by 14%, to about 170 billion euro; despite this trend, the ratio of bad debts to total loans has decreased to 10.5%[11], down by more than 1.6% with respect to the end of 2016.

BANKS LOANS TO BUSINESSES
(ADJUSTED FOR SECURITISATION, % CHG. STOCK)



HOUSEHOLD FINANCIAL ASSETS
(% CHG. STOCK)



* Figures for the third quarter of 2017.

Data source: Bank of Italy.

With regard to the reference market for CDP's funding, in the third quarter of 2017, the growth rate for the stock of the household financial assets was up to 4.2%[12], to 4.3 thousand billion euro. This increase is mainly due to the positive trend of stock markets and mutual funds.

Given the low returns on offer, households have diversified their portfolio towards very liquid investments, such as deposits, and riskier investments, such as equities. At the same time, there was a sharp drop in the share of savings invested in government bonds and bank bonds.

3.3 Public finance

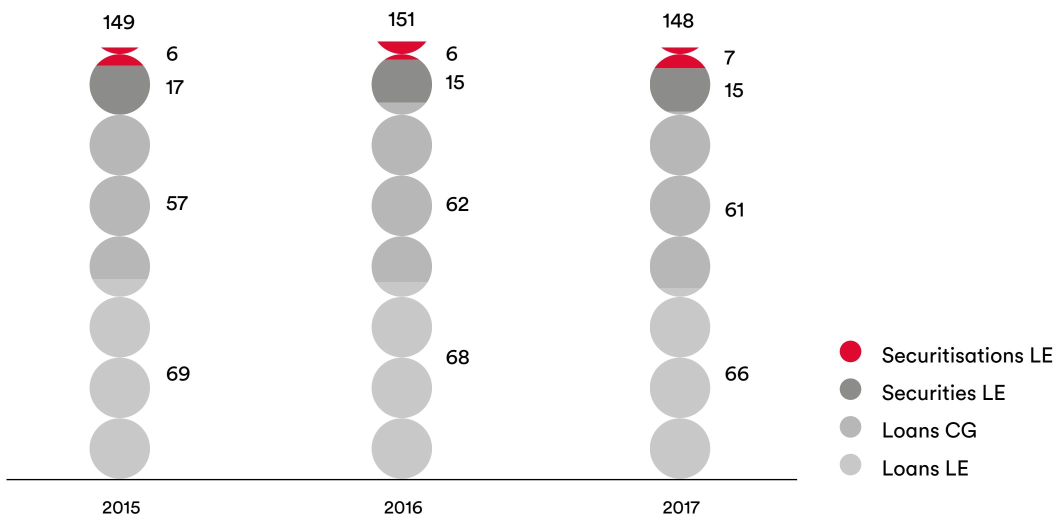
Public finance improved slightly in 2017 with respect to 2016. General government net borrowing, in fact, is estimated to have been around -2.2% of GDP, against -2.4% in the previous year, with the primary balance increasing by 0.1%, from 1.4% to 1.5%[13].

The improved net borrowing requirement was due to the reduction in general government expenses (-0.7% with respect to the previous year), which has offset the decrease in revenues (-0.4%). In 2017, general government expenses were equal to 48.9% of GDP, revenues to 46.8%. Lastly, in 2017, public sector debt increased by 0.4% with respect to the previous year, from 132.6% to 133.0% of GDP.

Looking at CDP's target market, consisting of loans to local entities (Municipalities, Provinces, Regions and Other Local Authorities) and central government, in December 2017, outstanding loans to local government entities were 66 billion euro, down by about 2 billion euro compared with the same period of the previous year. At the same date, the volume of bonds issued by local government entities was 15 billion euro, in line with 2016 figures; securitisation and other forms of borrowing were equal to 7 billion euro, a small increase with respect to the last two years.

11 Based on ABI data.
12 Household financial assets comprise bank funding (current accounts, deposits and bonds), investments in mutual funds (asset management), government securities and life insurance policies. Growth rate at Q3 q/q.
13 IMF.

STOCK OF DEBT LOCAL AND CENTRAL GOVERNMENT ENTITIES
(BILLIONS OF EURO)



Data source: Bank of Italy.

There was a slight decrease, about 1 billion euro, in interest-bearing loans owed by central government entities on an annual basis, from 62 billion euro to 61 billion euro. CDP's overall reference market has therefore contracted, to 148 billion euro, inverting the upward trend observed in previous years.

3.4 The real estate sector

The most recent data on the Italian real estate market lead us to believe that the diverging trends observed in recent years are coming to an end. Even if in terms of transactions, in fact, the expansion has continued although at structurally lower rates, there has been a weakening of the deflationary pressures from the price side.

For 2017 as a whole, after the +16% annual change recorded at the end of 2016, the real estate sector continued to grow at a slower pace, around +5% (with more than 244,000 real estate transactions in the third quarter of 2017), deriving from the trends of both residential (+5.5%), and commercial segment (+2.2%), even if the market was about 36.6% smaller with respect to 2016. With reference to the latter figure, we should point out that the decrease derives from greater caution in the assessment of the weaknesses still observed in the market.

Looking at the trends of the residential market in the different macro regions, we see the growth in transaction volume led mainly by the South (+4.4%), with the central regions reporting a lower growth rate (+0.6%). The transaction volumes were instead down in the North (-0.9%).

In Genoa and Bologna, transaction volumes fell respectively by 7.4% and 8.5%; Palermo was the only city reporting double-digit growth (+11.5%); an increase with respect to the previous quarter was recorded in Florence and Milan. There was a clear drop in transaction volumes for Rome and Turin (more than 4%), and an even more significant one for Naples (-6.4%).

Despite the gradual recovery of transaction volumes, real estate prices are still falling, even if only marginally (-0.8% against -2.6% in the previous year). Behind the divergent trends in the last few years, there are such factors as weak income growth undermining demand and the persisting oversupply, both of which have a dampening effect on prices, and act as a disincentive for the investment component. In this context, the return of price changes to positive territory, currently limited to the Milan market, will further increase the interest for the real estate sector and consolidate its recovery.

With regard to the commercial segment, there were contrasting trends in the North: the North-West slowed with respect to the previous quarter (-8%), while the North-East grew, but only by 1.4%, without therefore being able to offset this slowdown. The recovery is led by the central and southern regions, with increases close or exceeding 3 percentage points.

The substantial liquidity available to the financial system, together with the constant improvement in the macroeconomic indicators, has enabled the banking system to take bets on the exposure, at the same time encouraging a better allocation of resources. The push of the demand, together with the newly-found confidence in the banking sector, gives the Italian real estate market new vitality and the ability to overcome the roadblocks on the way to recovery, despite the effects of the crisis being still in evidence.

In brief, over the next few quarters, we expect loans to fluctuate around a slightly positive trend, with a modest and gradual inflow of new borrowers into the market, encouraged by the gradual improvement in employment and income prospects, as well as by the trends in residential property prices, which is likely to remain rather weak (and in some cases still negative). For these reasons, too, in the absence of exogenous negative shocks, we expect a further increase in loans in the medium period, even if the overall trend may be weaker with respect to the one observed in the previous quarters.

3.5 Background for the private equity sector

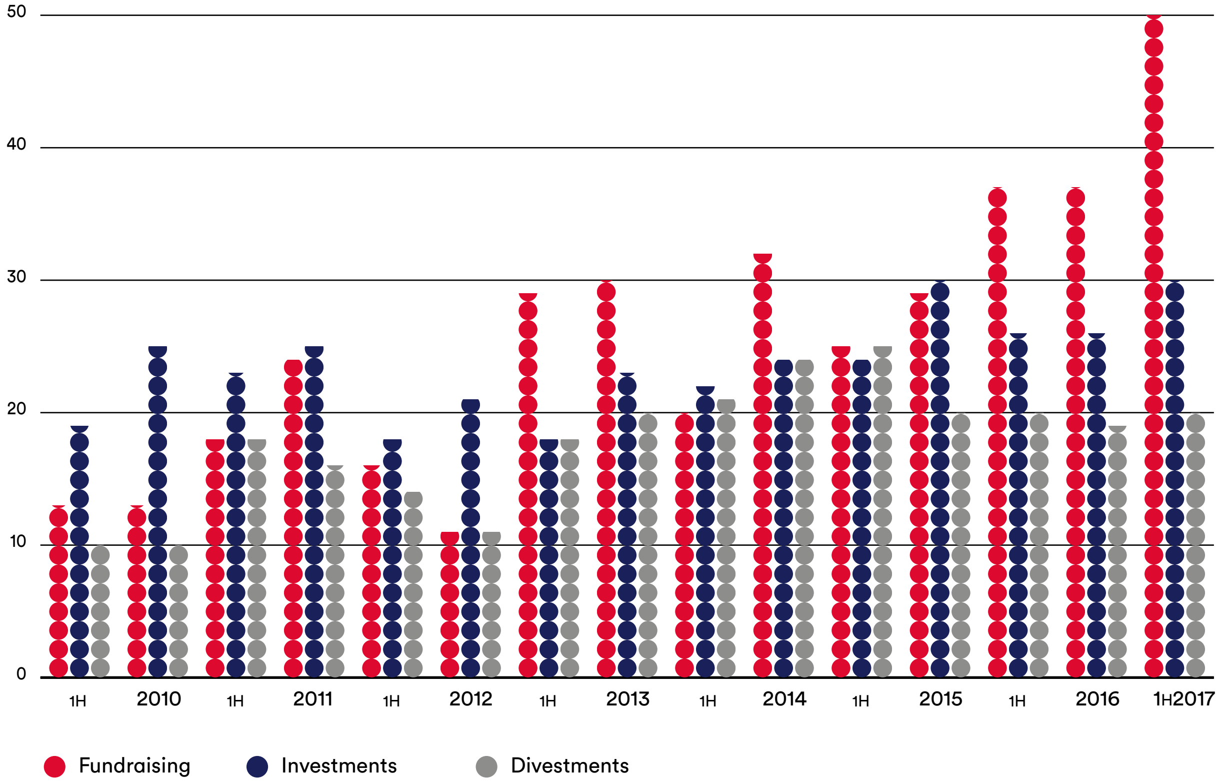
Industrial production plays a leading role in the Italian economic system. With added value for the manufacturing industry exceeding 245 billion euro in 2016, Italy is the second manufacturing economy in Europe, second only to Germany (649 billion euro) and ahead of France (227 billion euro), UK (216 billion euro) and Spain (144 billion euro).[14]

In Italy, the stock market is still rather small, even if there have been positive indications of dynamism in the last two years. At the end of December 2017, according to Borsa Italiana there were 421 companies officially listed in Italy, up by about 9% with respect to the previous year (387 companies). Of these companies, 241 are listed on the MTA - Mercato Telematico Azionario (71 in the STAR segment), 3 on the MIV - Mercato degli Investment Vehicles, 82 on the GEM - Global Equity Market and 95 on the AIM Italia.[15] In France, instead, there were more than 1,000 listed companies in total.

However, there are encouraging signs relating to listings in excess of 100 million euro: in 2016 and 2017, there were 16 IPO on the MTA at the Milan Stock Exchange. This represents an increase with respect to the previous two-year period, with 4 listings in 2016 and 12 in 2017 against 5 listings in 2014 and 8 in 2015. The total amount raised in IPOs in 2017 was 5.4 billion euro, up with respect to 2016 (1.4 billion euro) and close to the 2015 figure (5.7 billion euro).

14 ISTAT, September 2017 data.
15 Borsa Italiana.

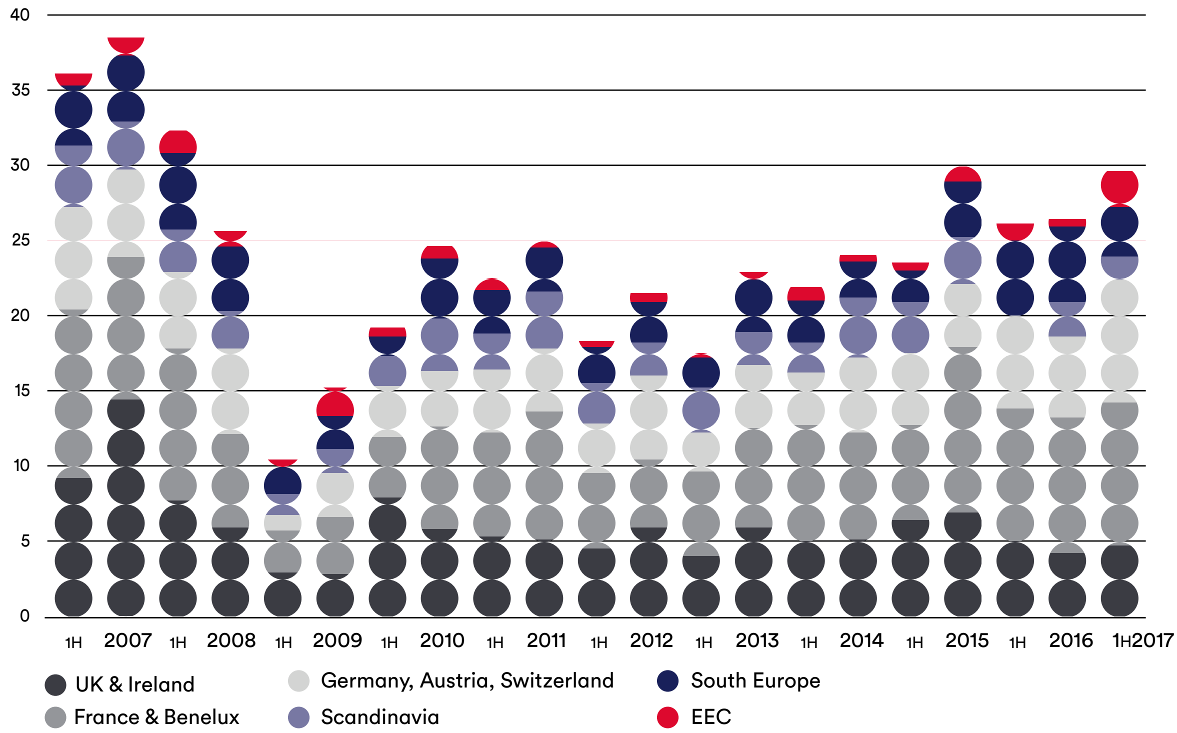
THE PRIVATE EQUITY MARKET IN EUROPE
(BILLIONS OF EURO)



Data source: Invest Europe/ECD.

In the first half of 2017, the European private equity market displayed a strong dynamism. In particular, new capital inflows recorded a 35% increase with respect to the first half of 2016, reaching 50 billion euro. In the same period, new investments also increased, from 26 billion euro to 30 billion euro, while redemptions remained stable.

PRIVATE EQUITY INVESTMENTS IN THE EUROPEAN REGIONS
(H1, 2017, BILLIONS OF EURO)



Data source: Invest Europe/ECD.

The analysis of the investment flows in the first half of 2017 shows that the increase recorded in the European market with respect to the previous year was largely due to the "DACH" countries (Germany, Austria, Switzerland) and to the countries of central and eastern Europe. In the same period, the Southern European countries, including Italy, and the Scandinavian countries saw their investment flows falling, by 1.7 billion euro and 0.8 billion euro respectively.

In Italy, lastly, the market penetration of private equity continues to be limited. The private equity market in 2016 was equal to 0.35% of GDP (0.16% in 2015), against 0.36% in the UK (0.48% in 2015), 0.56% in France (0.38% in 2015) and a European average of 0.34% (0.30% in 2015). In 2016, private equity funds invested in Italy 8.2 billion euro in 322 transactions, with a 22% annual growth rate on 2010. In the first half of 2017, instead, private equity funds invested in Italy 1.9 billion euro in 139 transactions, a 61% decrease with respect to the 4.9 billion euro in 138 transactions recorded in the first half of 2016.

3.6 The export support and credit insurance sectors

In 2017, world trade recorded the fastest growth since 2010, after two years of weakness. International trade volumes again grew faster than world GDP (+4.7%).

The Italian trade surplus exceeded 42 billion euro in the first 11 months of the year. Exports of goods grew by 7.9%, supported by demand both from EU countries (+7.1%) and from countries outside the EU (+8.9%). The most dynamic countries were China, Russia, Poland and Spain; exports to OPEC countries were instead down. In terms of sectors, the increase in exports was due mainly to the growth in sales of motor vehicles, chemical and pharmaceutical products (not typical of the Italian model of sectoral specialisation), metal products, food and beverages and machinery, the latter sector being the main driver for the demand for insurance against the risk of default in the medium-long term.

4. 2016-2020 Business Plan

4.1 Overview of Business Plan guidelines

The economic and financial crisis of recent years appears to have ended and we are starting to see some signs of recovery that seem to be consolidated also in Italy. In this scenario, efforts have necessarily focused on growth and reforms.

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

Government & PA and Infrastructure (39 billion euro)

For the Government & PA segment, the Group's aim is to intervene with around 15 billion euro of new lending by: strengthening Public Finance activities, increasing the value of public assets, assuming a new role in international cooperation and taking action to optimise the management of European structural funds and to accelerate the Entities' access to those funds, also in light of CDP's recognition as a National Promotion Institution.

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

International Expansion (63 billion euro)

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

Enterprises (54 billion euro)

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

Real Estate (4 billion euro)

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

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

2020 Plan strategic guidelines

Plan period 2016-2020 (billions of euros)

Aspiration

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

265 bn euro

1. Government & PA and Infrastructure

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

2. International expansion

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

3. Enterprises

Supporting Italian companies throughout their life-cycle

4. Real Estate

Enhancing publicly owned real estate, social housing and tourism

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

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

4.2 Group activities in the first two years of the business plan

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

In furtherance of the objectives above and in line with last year, this financial year marked an important change of pace in CDP operations with the consolidation of the key business initiatives launched in relation to all four of the key drivers identified by the Plan (Government & PA and Infrastructure; International Expansion; Enterprises; Real Estate).

In detail, over the last two years CDP has taken on the role of National Promotion Institution, thus confirming its commitment to the implementation of the "Juncker Plan". In this context, CDP has contributed to the development and activation of the investment platforms identified as forms of cooperation between the EIB Group and national promotion institutions and launched a large number of initiatives to support SMEs and infrastructure/innovation projects, as identified within the implementation windows of the Plan ("Infrastructure & Innovation" and "Small and Medium Enterprises").

Numerous extraordinary and systemic transactions were also implemented in 2016-2017. These go beyond the scope of the Business Plan and thus highlight the efforts being made to expand CDP's role in supporting the economy.

4.2.1 Key business initiatives launched

Government & PA and Infrastructure

2016 and 2017 marked the start of a number of important projects launched by the Group to support both the General Government and major infrastructure works, despite demand for funding by public entities being at its lowest in years.

One of the initiatives launched to support the Public Administration sees the CDP Group cooperating with the EIB to provide technical assistance in the development of projects via the European Investments Advisory Hub (EIAH), launched under the Juncker Plan. The strategic aim of this initiative is to contribute, at European level and therefore also in Italy, to the development and structuring of technically sustainable and fundable projects, thereby enhancing the contribution and capabilities of the National Promotion Institutions.

The Parent Company has also renewed its commitment to the areas affected by the earthquakes in 2012 and 2016. This has included deferring the payment of loan instalments falling due in 2016 to 2017, with no additional interest charges, and launching 5 loan renegotiation schemes to support the operations of over 400 local authorities.

Furthermore, in order to promote the realisation of investments by local authorities within clear time frames, CDP has lunched two financial instruments to speed up the redevelopment of the suburban areas and to facilitate investments eligible for funding under the ERDF (European Regional Development Fund) and the EAFRD (European Agricultural Fund for Rural Development).

In 2017, to continue the implementation of the school building plan launched in 2015, CDP signed a new memorandum of understanding with the Ministry of Education, Universities and Research (MIUR) and the European Investment Bank (EIB) in relation to extraordinary projects linked to the renovation, upgrade, safety, seismic retrofitting and energy efficiency of existing schools and the construction of new school buildings.

In terms of infrastructure, initiatives include the Large Infrastructure Platform promoted by CDP in cooperation with the European Investment Bank (EIB), which aims to finance major infrastructure projects in Italy, with specific focus on strategic networks and social infrastructure. The Platform enabled funding to build the third lane of the A4 Venice-Trieste motorway and to raise private financial funds for the new Italy-France electricity interconnector.

Another strategic operation was the financing agreement signed with Open Fiber to fund the company's ambitious plan to further the objectives identified by the European Digital Agenda and Italy's High Speed Broadband Strategy.

CDP has also intervened in other infrastructure sectors affected by structural deficiencies (e.g. the rail transport sector). The support provided to national and regional railway networks, which are used by millions of Italians, is aimed at improving service levels by purchasing new trains to upgrade the rolling stock.

New investment vehicles targeting the infrastructure sector were also launched. These include:
- Marguerite Fund II, set up to launch new projects and expand existing ones in the infrastructure sector, with focus on areas affected by significant market gaps. The fund's investment strategy will focus especially on the greenfield segment and its approach will be pan-European;
- F2i Terzo Fondo per le infrastrutture, which incorporates the assets of the F2i Primo Fondo. This fund will continue the manage and develop existing infrastructure supply chains and make further investments thanks to new subscriptions received.

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

2016 also marked the start of CDP's role as a "financial institution for international development cooperation", under which it offers financial products to developing countries, both through the management of third-party funds, such as the Revolving fund for development cooperation, and through lending arrangements drawing on CDP funds.

International expansion

In 2016 and 2017, the CDP Group implemented one of the key pillars of its Business Plan with the creation of the "one-door" Export and International Expansion Hub, realised through the transfer of SIMEST from CDP to SACE. The transaction was finalised in the third quarter of 2016.

The SACE Group, in conjunction with the Parent Company and in line with the strategic priorities identified by the CDP Group Business Plan, subsequently approved its own business plan (December 2016), thereby confirming its mission to maximise support for the country's growth, in partnership with the banking industry, by:
- significantly raising the target volumes of export credit and international expansion;
- extending insurance operations, including the expansion of state reinsurance for specific sectors and strategic transactions, in line with other ECAs;
- developing Group-level trade rules and processes to ensure "one-door" access for Italian companies to export and international expansion services.

In 2017 the SACE Group set up the "one-door" Export and International Expansion Hub after (i) operationally and commercially integrating SIMEST into SACE, (ii) expanding the product range, (iii) consolidating the sales network (iv) creating a single Customer Care service dedicated to the Hub and (v) launching the new brand SACE SIMEST of the CDP Group.

At CDP Group level, operations in 2016-2017 showed an overall 63% growth in finalised lending volumes compared to the previous two-year period, with major transactions in strategic sectors for the country. Financing by the Parent Company in support of the exports and international expansion of enterprises more than tripled in the same period.

Enterprises

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

The key equity initiatives launched to support enterprises in 2016 were:
- the re-organisation of direct investments in risk capital, based on which CDP Equity will work in conjunction with the Parent Company to manage equity investments in medium/large sized companies of systemic importance, while FSI SGR will support, from a private equity perspective, the growth plans of companies with high growth potential;

- the launch of the ITAtech Platform in collaboration with the European Investment Fund. The platform will finance start-ups involved in technology transfer processes;
- the incorporation of the asset management company QuattroR SGR and the subsequent subscription of units of the QuattroR fund, which specialises in investments in Italian companies affected by temporary financial imbalances.

In 2017, this activity mainly involved:
- acquiring an interest in Elite S.p.A., a company previously wholly-owned by Borsa Italiana S.p.A. Elite is specialised in training, consultancy and promoting access to the capital market for national and international SMEs with high growth potential;
- subscribing to units of the FSI Mid-Market Growth Equity Fund, which invests in medium/large sized companies with high growth potential with the objective of supporting succession processes and admission to listing on the stock exchange;
- subscribing to shares of Fondo Innovazione & Sviluppo, a fund which was set up to strengthen the global competitiveness of Italian enterprises that operate in strategic and excellence-driven sectors, encouraging consolidation and integration processes both upstream and downstream;
- subscribing to shares of the FII Tech Growth fund, which invests in companies that have developed solid business models based on innovative technologies and are currently fundraising to launch growth and innovation processes to strengthen their competitiveness and commercial capabilities in emerging and existing international markets;
- launching the Social Impact Italia investment platform, which is jointly promoted by CDP and the EIF to support the development of the Italian inclusive finance market and thus to support social enterprises.

As part of its efforts to support access to credit for SMEs, CDP has also launched, in collaboration with the European Investment Fund, Europe's first and biggest investment platform to support SMEs: the EFSI Thematic Investment Platform for Italian SMEs. The Platform provides counter-guarantees to financial intermediaries to ensure better access to credit for SMEs. The first transaction was concluded in favour of the SME Guarantee Fund ("SME Fund"). By releasing capital from the SME Fund - the main economic policy tool in support of enterprises - the measure will enable new lending to SMEs for over 3 billion euro.

In addition to the above, CDP is arranging a second transaction with the EIF, designed specifically to ensure better access to credit for creative-cultural businesses.

This measure is part of the efforts being made to increase the offering with the addition of a range of risk mitigation tools designed to help financial institutions optimise their use of capital and encourage new lending to enterprises.

Support for enterprises has also been developed in the form of subscribing to senior and mezzanine tranches of the securitisation transactions backed by portfolios of loans to SMEs. Purchases of mezzanine tranches are classified as being within the scope of the "ENSI" Platform (EIF-NPIs Securitisation Initiative), a cooperation platform between the EIF and the main European National Promotion Institutions, such as CDP, to encourage lending to SMEs through securitisations.

In 2017, CDP was also an investor in the first securitisation of bad loans placed on the market by an Italian financial institution, backed by a state guarantee (GACS).

Having regard to subsidised loans to enterprises, CDP, in collaboration with the ABI and the Ministry of Economic Development, has introduced new measures in relation to the FRI (Revolving Fund supporting enterprises and investment in research), specifically, "Italian Digital Agenda", "Sustainable Industry", "Social Enterprise" and "Sector and Cluster Contracts").

In the first two years, two new funds were created to support the communities affected by the earthquakes in Abruzzo, Lazio, Marche and Umbria starting from 24 August 2016. These are the "Central Italy Earthquake Fund", dedicated to private reconstruction works, and the "Central Italy Earthquake Moratorium Fund", set up for the payment of taxes suspended in the wake of the earthquake.

Real Estate

In 2016, foundations were laid for the reorganisation of the Group's real estate segment, which was then approved in March 2017. The reorganisation process involves streamlining the business model at overall level and centralising the management of the development and renting out of the real estate assets, setting up dedicated funds based on the intended use of the buildings.

The investment activities of the FIA and FIV funds continued in the two-year period and the first investments were made by Fondo Investimenti per il Turismo ("FIT") and Fondo FIA2. In detail, Fondo Investimenti per il Turismo, which promotes investments in Italian tourism-hospitality facilities, acquired 4 resorts in Italy (3 of the Valtur Group and one of the TH Resort Group). The FIA2 fund became operational in the first quarter 2017 and its first investment was subscribing to units of the H-Campus fund.

Furthermore, pursuant to the Reorganisation Plan, which provides for the enhancement of real estate assets in dedicated funds managed by CDP Investimenti SGR, CDP Immobiliare transferred a portion of the company's real estate portfolio to the real estate development fund Fondo Investimenti per la Valorizzazione. Following this contribution, new fund units were issued and attributed to the Parent Company.

4.2.2 Extraordinary and systemic transactions

A particularly high number of extraordinary transactions were implemented in 2016-2017. Although not expressly provided for in the Business Plan, these transactions helped to further consolidate CDP's role in supporting the Italian economy.

In fact, in 2016 CDP's capital structure was further strengthened by approximately 3 billion euro following the transfer of a 35% equity investment in Poste Italiane from the Ministry of the Economy and Finance (MEF). Besides increasing the resources available to CDP to support the economy, the transfer laid the foundations for a much stronger relationship with Poste Italiane, creating the bases for industrial synergies between the country's two biggest financial players to be explored and taken advantage of.

In 2016-2017, the CDP Group was involved in other extraordinary transactions that were of strategic importance in promoting the long-term growth of the country. These include:
- the investment in the Atlante I fund and the Italian Recovery Fund (formerly, Atlante II), which were established to promote the recovery of the Italian banking industry by supporting recapitalisation and the disposal of bad loans in the sector, with a potential commitment of up to 820 million euro;
- the potential acquisition from the UniCredit Group of the Pioneer Group, a leading asset management group with over 220 billion euro in assets under management in 2015. The sale procedure lasted over three months and a joint bid was submitted in 2016 by CDP, Poste Italiane and Anima. In December 2016, UniCredit notified CDP, Poste Italiane and Anima that it had signed a binding agreement with Amundi for the sale of the Pioneer Group. Nevertheless, the bid helped to initiate the progressive integration of Poste Italiane and Anima's asset management operations (still ongoing), which will enable a major Italian player to be established and developed in what is a highly strategic sector;
- the sale to Poste Italiane of an equity investment in FSIA, the holding company of SIA, a leader in the electronic banking, payments, and network services business. The sale was completed by FSI Investimenti, a subsidiary of CDP Equity;
- the sale of the Metroweb equity investment held by FSI Investimenti to Open Fiber, a company established in December 2015 for the nationwide installation, supply and operation of high-speed fibre optic electronic communication networks. Enel S.p.A. and CDP Equity now hold equal interests in Open Fiber;
- the partial and proportional demerger of SNAM's equity investment in Italgas Reti, in connection with the public listing of Italgas. The industrial and corporate restructuring of SNAM is designed to separate its retail gas distribution operations in Italy, run by the Italgas Group, from its transport, regasification and storage operations in Italy and abroad, given the specific characteristics and different needs of each segment. As a result of the demerger finalised in 2016, CDP, formerly a pivotal and long-term investor in SNAM, has become the pivotal shareholder in Italgas. As part of the deal, CDP contributed to the refinancing of existing debt owed to SNAM by Italgas;
- involvement in the sale of industrial complexes owned by ILVA S.p.A. and other companies belonging to the same group. Given the complexity of the underlying issues and the highly structured bidding requirements set by the Official Receivers, the CDP management were involved in the procedure in both 2016 and 2017. More specifically, CDP submitted a non-binding offer in June 2016, in consortium with an industrial partner (Arvedi) and a financial partner (Delfin). A binding offer was then made in March 2017, this time with the addition of a major international steel manufacturer (JSW Steel); in June 2017, the industrial complexes were awarded to the Am InvestCo consortium, which includes Arcelor Mittal and Marcegaglia Carbon Steel. Later that year (November 2017) the European Commission made a request to review the shareholder structure of the successful bidder for antitrust purposes. Considering the strategic importance of the ILVA Group sale, Arcelor Mittal proposed a termsheet to CDP with a view to it joining the consortium. CDP signed a non-binding termsheet in December 2017 and commenced a legal, strategic-financial, environmental, accounting and tax due diligence to assess the feasibility of the investment.

4.2.3 New lending and Group operations by segment

In the first two years of the Plan, the CDP Group mobilised over 62 billion euro in new lending to the economic fabric of the country and to projects earmarked as strategic, attracting funding also from other investors. Overall, through its operations the CDP Group channelled over 106 billion euro into the economy, in line with 2016-2020 Business Plan targets.

	The first two years of the Plan (2016 and 2017)		
CDP Group (billions of euro)	**New lending**	**Investments**	**Multiplier**
Government. P.A. and Infrastructure	12	24	2.0x
International Expansion	30	34	1.1x
Enterprises	20	48	2.4x
Real Estate	0.4	0.5	1.2x
Total	**62**	**106**	**1.7x**

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

Efforts to support economic growth through lending to public entities — the Parent Company's historic focus — and support for nationwide infrastructure development and the operations linked to the role of "financial institution for international development cooperation" enabled around 24 billion euro in new investments. CDP's initiative in this sector is fundamental for the development of major infrastructure projects, as private investors would otherwise not be able to cover the entire financial costs of such works.

The creation of the Export and International Expansion Hub — a pillar of the CDP Group's Business Plan and a key contributor to the country's balance of trade — enabled approximately 34 billion euro in new investment. These funds were channelled to Italian enterprises with the dual aim of promoting export growth and expanding business operations beyond Italian borders. The CDP Group's financial support also promoted the development of leading Italian companies in strategic sectors such as shipbuilding and the oil industry.

Supporting enterprises, with around 48 billion euro invested, is the key area in which the CDP Group's efforts have delivered the greatest results. This was achieved by both expanding and innovating the product range — from traditional funding instruments to risk sharing and alternative financing — to ensure better access to credit for enterprises, and by implementing extraordinary measures to support Italian enterprises in times of trouble (Fondo Atlante).

Major results were also delivered in the Real Estate segment thanks to around 0.5 billion euro in investments to enhance the value of Italian real estate assets and to develop social housing projects.

4.3 Business performance

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

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

CDP also acts as a "financial institution for international development cooperation". CDP's activities focus primarily on the management of the “Law 277/77 Revolving Fund” for development loans to the governments of partner developing countries and for loans to Italian companies that set up joint ventures in such countries.

Lastly, as a National Promotion Institution, CDP plays a key role in the implementation of the Investment Plan for Europe (also known as the “Junker Plan”) as it contributes to the structuring of investment platforms identified as forms of cooperation between the EIB Group and National Promotional Institutions.

In 2017, new lending, investment and resources managed by the CDP Group totalled around 34 billion euro, posting an increase compared to the same period of 2016. Funds were allocated to each of the key driver areas in the following proportions: 47% of the total to “International Expansion”, 33% to “Enterprises”, 19% to “Government & PA and Infrastructure”, and about 1% to “Real Estate”.

Overall, through its operations the CDP Group channelled over 58 billion euro into the economy.

NEW LENDING, INVESTMENTS AND MANAGED RESOURCES BROKEN DOWN BY BUSINESS LINE - CDP GROUP

(millions of euro; %)	31/12/2017	31/12/2016	Change (+ / -)	(%) change
Government & P.A. and Infrastructure	**6,347**	**5,345**	**1,002**	**18.7%**
CDP S.p.A.	6,347	5,345	1,002	18.7%
International expansion	**15,852**	**14,170**	**1,682**	**11.9%**
CDP S.p.A.	3,373	4,949	(1,576)	-31.9%
SACE Group	18,398	11,124	7,274	65.4%
Intercompany transactions	(5,919)	(1,903)	(4,017)	n/s
Enterprises	**11,245**	**8,733**	**2,512**	**28.8%**
CDP S.p.A.	9,004	5,182	3,822	73.8%
SACE Group	3,708	2,732	976	35.7%
CDP Equity	217	1,009	(792)	-78.5%
Intercompany transactions	(1,684)	(190)	(1,494)	n/s
Real Estate	**262**	**183**	**79**	**43.2%**
CDP S.p.A.	151	93	59	63.0%
CDPI SGR	250	161	89	55.5%
Intercompany transactions	(140)	(71)	(69)	97.1%
Total new lending, investment and managed resources	**33,705**	**28,430**	**5,274**	**18.6%**

Note:
The flow of new lending and investments of the CDP Group at 31 December 2016 has been stated on a pro-forma basis in line with the expansion of the operating scope of the SACE Group.

4.3.1 CDP S.p.A.

4.3.1.1 Lending

In 2017, CDP mobilised around 19 billion euro in new lending, investment and managed resources, mainly consisting of loans to enterprises to support their international expansion and loans to the infrastructure sector.

NEW LENDING, INVESTMENTS AND MANAGED RESOURCES BROKEN DOWN BY BUSINESS LINE - CDP

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Government & P.A. and Infrastructure	**6,347**	**5,345**	**1,002**	**18.7%**
Pulbic Entities	2,183	3,214	(1,031)	-32.1%
International cooperation	443	143	300	n/s
Infrastructure	3,710	1,966	1,744	88.7%
Equity Investments and funds	11	22	(11)	-51.9%
International Expansion	**3,373**	**4,949**	**(1,576)**	**-31.9%**
International Financing	3,373	4,949	(1,576)	-31.9%
Enterprises	**9,004**	**5,182**	**3,822**	**73.8%**
Enterprises and Financial Institutions	8,601	4,847	3,754	77.4%
Equity Investments and funds	403	335	69	20.5%
Real Estate	**151**	**93**	**59**	**63.0%**
Equity Investments and funds	151	93	59	63.0%
Total new lending, investments and managed resources	**18,875**	**15,568**	**3,306**	**21.2%**

Specifically, the volume of new lending, investments and managed resources in 2017, in line with the key drivers identified in the Business Plan, mainly related to:

i) lending to public entities, mainly for investments by the Regions in local development and transport infrastructure (6.3 billion euro, or 34% of the total);
ii) lending to support the international expansion of Italian enterprises (3.4 billion euro, or 18% of the total);
iii) transactions in favour of enterprises involving new forms of facilities such as risk sharing/capital relief (9 billion euro, or 48% of the total);
iv) investments in the real estate sector, targeting in particular social housing and tourism projects (0.2 billion euro, or 1% of the total).

Public Entities

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

Initiatives promoted during 2017 included:

- ongoing support to the local authorities of the Emilia-Romagna, Lombardy and Veneto Regions, affected by the May 2012 earthquake, by deferring the payment of loan instalments falling due in 2017 to 2018, through half-yearly instalments of equal amount over a period of 10 years, with no additional interest charges;
- action in support of the Abruzzo, Lazio, Marche and Umbria Regions affected by the seismic events in progress since 24 August 2016, whether through deferment of the repayment instalments expiring in 2017 (with no additional interest charges) of the loans granted to the local authorities included in the seismic hazard zone, or through a renegotiation of loans involving charges payable by the said regional authorities, for a total residual debt amounting to approximately 2.7 billion euro;
- promotion, in line with the achievements of 2015 and 2016, of new loan renegotiation programmes in favour of local authorities, joined by approximately 530 entities for a total amount of approximately 9.3 billion euro of renegotiated loans in terms of outstanding debt (about 35% of the remaining potentially renegotiable debt);

- management and finalisation of contracts relating to subsidised loans for energy efficiency measures in school and university buildings to draw on the Kyoto 3 Fund and the Kyoto 4 Fund (Decree of the Ministry of the Environment dated 22 February 2016);
- finalisation of loans to regions to finance the school building works provided for in art. 10 of Law Decree 104/2013, amounting to a total of around 0.2 billion euro, with funding from EIB and repayment costs charged to the government budget;
- launch of the new European Investment Funds Loan, aimed at facilitating the implementation of eligible investments for the use of funds from operational programmes financed by the European Regional Development Fund (ERDF) and the European Agricultural Fund for Rural Development (EAFRD). The new European Investment Funds Loan ensures funding for investments made by local authorities (up to 100% of their value), within a clear time frame, thus speeding up the start-up and completion of the investments; launch the new Suburban Areas Redevelopment Loan, which enables local authorities participating in the extraordinary Programme for urban redevelopment and safety in the suburbs of metropolitan cities and provincial capital cities, as set out in Law 208 of 28 December 2015, to support the implementation of the projects identified in the Decree of the Prime Minister issued on 6 December 2016, awaiting the actual disbursement of state funding.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2017, reclassified by business, are shown in the table below, together with key performance indicators.

PUBLIC ENTITIES - HIGHLIGHTS

(millions of euro; %)	31/12/2017
Balance sheet	
Loans	76,309
Amounts to distribute	4,667
Commitments	4,714
Reclassified income statement	
Net Interest income	287
Gross income	292
Indicators	
Net non-performing loans/Net loans to customers and banks	0.03%
Net adjustments to loans/Net exposure	0.02%
Spread on interest-bearing assets and liabilities	0.4%

At 31 December 2017, the stock of loans totalled 76.3 billion euro, including IFRS adjustments, decreasing on the year-end 2016 figure (78.2 billion euro). Over the year, the amount of repayments and early terminations exceeded the volume of disbursement of loans.

The total stock of loans and of commitments amounted to 81 billion euro, a 3% decrease from the end of 2016 (83.3 billion euro). The change was attributable to lower volumes of new lending compared to principal repayments due in 2017.

PUBLIC ENTITIES - FIGURES

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Local authorities	28,560	29,548	(988)	-3.3%
Regions and autonomous provinces	15,084	14,355	729	5.1%
Other public entities and public - law bodies	2,000	2,169	(169)	-7.8%
Government	29,652	31,021	(1,369)	-4.4%
Total amounts disbursed or in repayment	**75,296**	**77,094**	**(1,797)**	**-2.3%**
IFRS adjustments	1,013	1,094	(81)	-7.4%
Total loans	**76,309**	**78,188**	**(1,878)**	**-2.4%**
Commitments	4,714	5,105	(391)	-7.7%
Total loans (including commitments)	**81,023**	**83,293**	**(2,269)**	**-2.7%**

The amounts to be disbursed for loans, including commitments, dropped by 7% due entirely to the lower volume of new loans compared to disbursements and adjustments to commitments recorded during the year.

PUBLIC ENTITIES - STOCK OF AMOUNTS TO BE DISBURSED

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Amounts to disburse	4,667	5,012	(345)	-6.9%
Commitments	4,714	5,105	(391)	-7.7%
Total amounts to disburse (including commitments)	**9,381**	**10,117**	**(736)**	**-7.3%**

In 2017, a total of 2.2 billion euro in new loans was granted, down compared to 2016 mainly due to the lower volume of loans granted to Regions (-1 billion euro).

PUBLIC ENTITIES - NEW LOAN AGREEMENTS

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Local authorities	489	495	(7)	-1.3%
Regions	1,318	2,303	(985)	-42.8%
Non-local Public Entities	14	221	(207)	-93.7%
Loans with repayment costs charged to the government budget	242	54	188	n/s
Advances and contributions	83	114	(31)	-27.1%
Kyoto fund	38	26	11	43.0%
Total Public Entities	**2,183**	**3,214**	**(1,031)**	**-32.1%**

Disbursements amounted to 2.6 billion euro, down slightly over the same period of 2016 (-26%) mainly due to the decrease in loan disbursements to Regions (-0.6 billion euro).

PUBLIC ENTITIES - NEW DISBURSEMENTS

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Local authorities	750	918	(168)	-18.3%
Regions	1,122	1,717	(595)	-34.7%
Non-local Public Entities	84	266	(181)	-68.2%
Loans with repayment costs charged to the government budget	632	591	41	7.0%
Advances and contributions	37	82	(45)	-54.5%
Kyoto fund	10	0.4	9	n/s
Total Public Entities	**2,636**	**3,574**	**(938)**	**-26.2%**

Lending to “Public Entities” contributed 287 million euro in interest income to CDP’s earnings for 2017, with a 0.4% spread between interest-bearing assets and liabilities. That contribution, plus commission income, brought gross income to 292 million euro.

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

International cooperation

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

During 2017, the implementation of the regulatory changes introduced by Law 125/2014 continued, in close cooperation with the other Italian operators in the Cooperation area. Within this context, the activities reported below were carried out in line with the existing organisational set-up and the service agreements in place with the competent government authorities (MEF

- Treasury Department, the Ministry of Foreign Affairs and International Cooperation, the Italian Agency for Development Cooperation and the Ministry of the Environment and Protection of the Land and Sea).

Within the scope of the agreement signed with the Ministry of the Economy and Finance, in 2017 CDP managed the Revolving fund for development cooperation (totalling approximately 5 billion euro), also contributing, together with the competent Administrations, to the optimization of the efficient use of resources not yet disbursed; in particular, these included around 0.3 billion euro to be used to finance new development cooperation initiatives.

With regard to the Fund established by the Ministry of the Environment and Protection of the Land and Sea, which is dedicated to the financing of green cooperation projects, CDP continued to carry out the activities envisaged in the service agreement signed with the Ministry of the Environment and Protection of the Land and Sea for the management of the fund (totalling approximately 54 million euro).

Following the signing of intergovernmental agreements, in 2017, CDP entered into 14 finance agreements with beneficiary countries of the Italian government cooperation programme governing sovereign development loans, with a total of 0.4 billion euro drawn from the Revolving fund for development cooperation.

INTERNATIONAL COOPERATION - NEW LOAN AGREEMENTS

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Revolving Fund management	434	143	292	n/s
EU Funds management	5		5	n/s
Ministry of the Environment Fund management	4		4	n/s
Total International cooperation	**443**	**143**	**300**	**n/s**

As it is a revolving fund, in 2017 CDP managed all transactions connected with outstanding development loans (approximately 350), overseeing the disbursement of around 0.2 billion euro in funds and ensuring the repayment of loans granted in the past, for a total of around 0.2 billion euro.

CDP also disbursed loans from the Fund established by the Ministry of the Environment and Protection of the Land and Sea for around 4 million euro.

INTERNATIONAL COOPERATION - NEW DISBURSEMENTS

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Revolving Fund management	175	67	108	n/s
Ministry of the Environment Fund management	4		4	n/s
Total International cooperation	**178**	**67**	**112**	**n/s**

In the same period, in implementation of bilateral debt restructuring agreements between the Italian government and the governments of beneficiary partner developing countries, CDP finalised:

- through debt swaps, the conversion of over 13.5 million euro of existing debt in new development cooperation projects;
- through debt cancelling operations, the cancellation of outstanding amounts due by partner developing countries to Italy for approximately 2 million euro;
- through debt consolidation operations, the restructuring of debt in respect of approximately 306 million euro.

It also provided:

- technical assistance to the Ministry of the Economy and Finance and ensured its ongoing participation in Paris Club meetings;
- the collaboration and technical assistance envisaged in the Agreement signed by CDP, the Ministry of Foreign Affairs and International Cooperation and the Italian Agency for Development Cooperation.

Concerning the management of resources obtained through the European Union's Blending Facilities, CDP continued to support the relevant Administrations in the identification and formulation of project initiatives to be submitted to the European Commission in the future with a view to mobilizing additional financial resources on top of those available to the Italian cooperation system.

In 2017 CDP received accreditation as an observer at the Green Climate Fund, a preparatory step to obtaining financial resources for projects aimed at countering and managing climate change, to be implemented in partner developing countries.

Infrastructure

The "Infrastructure" Business Area is responsible for: i) granting loans to counterparties (public or private) operating in the domestic territory in the construction, water, waste, social infrastructure, transport, energy/utilities and telecommunications sectors, or also in other sectors under "Project Financing" arrangements; ii) managing relations with corporate clients, public-law bodies and debt and equity infrastructure funds operating in their respective areas of competence; and iii) providing advisory and consultancy services to the Public Administration for the promotion, implementation and financing of infrastructure projects.

Transactions concluded in 2017 were mainly aimed at financing transport infrastructure, utilities and renewable energies and supporting the consolidation of Italian operators in their reference markets. The transactions include two contracts entered into to finance the expansion of the network managed by a motorway operator and the construction of a cross-border electricity interconnector, both in implementation of the "Large Infrastructure Platform" signed by CDP and EIB within the scope of the "Juncker Plan", aimed at financing large infrastructure projects in Italy.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2017, reclassified by business, are shown in the table below, together with key performance indicators.

INFRASTRUCTURE - HIGHLIGHTS

(millions of euro; %)	31/12/2017
Balance sheet	
Loans	7,121
Commitments	6,276
Reclassified income statement	
Net Interest income	79
Gross income	109
Indicators	
Net non-performing loans/Net loans to customers and banks	0.5%
Net adjustments to loans/Net exposure	0.03%
Spread on interest-bearing assets and liabilities	1.2%

The stock of loans at 31 December 2017, including IFRS adjustments, amounted to 7.1 billion euro, showing an increase on the year-end 2016 figure driven by the subscription of bonds, which more than offset principal repayments and terminations of outstanding loans. As of the same date, loans, including commitments to lend, totalled 13.4 billion euro, up by approximately 13% from the end of 2016.

INFRASTRUCTURE - FIGURES

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Corporate/project finance	5,956	6,322	(366)	-5.8%
Securities	1,381	792	588	74.3%
Total amounts dusbursed or in repayment	**7,336**	**7,114**	**222**	**3.1%**
IFRS adjustments	(215)	(211)	(4)	2.0%
Total loans	**7,121**	**6,903**	**218**	**3.2%**
Commitments	6,276	4,912	1,364	27.8%
Total loans (including commitments)	**13,397**	**11,816**	**1,582**	**13.4%**

In 2017, 19 new loan agreements were entered into for a total of around 3.7 billion euro, marking an increase of approximately 89% on 2016 volumes. Lending mainly targeted the transport (motorways and railways), utilities and renewable energy sectors.

INFRASTRUCTURE - NEW LOAN AGREEMENTS

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Corporate/project finance	3,051	1,076	1,975	n/s
Guarantees	68	265	(197)	-74.2%
Securities	591	625	(34)	-5.4%
Total Infrastructure	**3,710**	**1,966**	**1,744**	**88.7%**

Disbursements in 2017 totalled 1.3 billion euro, down on the previous financial year also due to repayments on revolving credit lines. Disbursements in 2017 primarily referred to loans granted to the transport sector (motorways, railways, local public transport) and to the telecommunications and utilities/energy sectors.

INFRASTRUCTURE - NEW DISBURSEMENTS

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Corporate/project finance	682	998	(316)	-31.6%
Securities	591	625	(34)	-5.4%
Total Infrastructure	**1,273**	**1,623**	**(350)**	**-21.5%**

The Area contributed 79 million euro in net interest income to CDP's earnings in 2017, with a 1.2% spread between interest-bearing assets and liabilities. That contribution, plus commission income, generated primarily by the high number of commitments to lend and unsecured commitments granted, brought gross income to approximately 109 million euro.

International Financing

The "International Financing" Business Area finances initiatives in support of the international expansion and export plans of Italian enterprises through its "Export Bank" system, which includes financial support from CDP, as well as SACE insurance cover and state interest subsidies, where applicable.

These transactions are traditionally carried out in a complementary role to the banking system, through the joint structuring of said financing transactions.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2017, reclassified by business, are shown in the table below, together with key performance indicators.

INTERNATIONAL FINANCING - HIGHLIGHTS

(millions of euro; %)	31/12/2017
Balance sheet	
Loans	2,370
Commitments	8,807
Reclassified income statement	
Net Interest income	1
Gross income	57
Indicators	
Net non-performing loans/Net loans to customers and banks	0.2%
Net adjustments to loans/Net exposure	0.003%
Spread on interest-bearing assets and liabilities	0.1%

The stock of loans as at 31 December 2017, including IFRS adjustments, amounted to euro 2.4 billion and increased by 56% on the figure recorded at the end of 2016 driven by disbursements in the period, which more than offset principal repayments and early loan terminations.

The total stock of loans and commitments amounted to 11.2 billion euro, showing an increase on the figure recorded at the end of 2016, due to higher volumes of new loan agreements compared to principal repayments over the year.

INTERNATIONAL FINANCING - FIGURES

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Loans	2,370	1,522	848	55.7%
Total amounts disbursed or in repayment	**2,370**	**1,522**	**848**	**55.7%**
IFRS adjustments	(0.3)		(0.3)	n/s
Total loans	**2,370**	**1,522**	**847**	**55.7%**
Commitments	8,807	5,542	3,265	58.9%
Total loans (including commitments)	**11,176**	**7,064**	**4,112**	**58.2%**

Total volumes of new lending, investments and managed resources supporting the international expansion and the exports of Italian enterprises in 2017 amounted to approximately 3.4 billion euro, decreasing compared to the same period of the previous year chiefly due to the contraction in volumes relating to the cruise sector, in part offset by a robust recovery in the defence and transport sectors.

INTERNATIONAL FINANCING - LOANS BY SECTOR

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Defence sector	2,460		2,460	n/s
Transport sector	500		500	n/s
Cruise sector	233	4,779	(4,547)	-95.1%
Construction sector	66	152	(85)	-56.3%
Oil & Gas sector		18	(18)	n/s
Other sectors	113		113	n/s
Total International Financing	**3,373**	**4,949**	**(1,576)**	**-31.9%**

Disbursements in 2017 amounted to 1.1 billion euro, showing an increase on the figure recorded at the end of 2016 mainly due to major disbursements made to the shipbuilding and defence sectors.

INTERNATIONAL FINANCING - NEW DISBURSEMENTS

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Loans	1,093	273	819	n/s
Total International Financing	**1,093**	**273**	**819**	**n/s**

Net interest income contributed 1 million euro to CDP's earnings for 2017, with a 0.1% spread between interest-bearing assets and liabilities. That contribution, plus commission income connected with new loan agreements and the high number of commitments to disburse, brought gross income to approximately 57 million euro.

Enterprises and Financial Institutions

The operations of the "Enterprises and Financial Institutions" Business Area focus mainly on granting different forms of credit to enterprises, either with the intermediation of financial institutions or directly (excluding enterprises operating in infrastructure sectors in the latter case).

ENTERPRISES AND FINANCIAL INSTITUTIONS - HIGHLIGHTS

(millions of euro; %)	31/12/2017
Balance sheet	
Loans	15,634
Amounts to distribute	28
Commitments	1,483
Reclassified income statement	
Net Interest income	70
Gross income	86
Indicators	
Net non-performing loans/Net loans to customers and banks	0.9%
Net adjustments to loans/Net exposure	0.1%
Spread on interest-bearing assets and liabilities	0.5%

At 31 December 2017, the total stock of loans in this Business Area totalled 15.6 billion euro, including IFRS adjustments. Additionally, amounts to be disbursed totalled to 0.03 billion euro and commitments amounted to 1.5 billion euro.

Net interest income contributed 70 million euro to CDP's earnings for 2017, with a 0.5% spread between interest-bearing assets and liabilities. Commission income brought gross income to 86 million euro.

Enterprises

Please note that, following changes at organisation level, the name of the "Industrial" Business Area was changed to "Enterprises" at the end of 2017. No changes were made to the Business Area's mission, specifically: financing in any technical form - under ordinary account or separate account based on the applicable provisions - of initiatives promoted by enterprises operating in the following sectors: industrial, agri-food, automotive, chemical and pharmaceutical, biochemical, publishing, manufacturing, mechanical and instrumental, IT, electronics, commerce, mass distribution, logistics, defence and aerospace, services, construction, real estate, media, shipping, iron and steel, metallurgy and metalworking, concrete, paper, glass, wood, plastic and rubber, raw materials and by-products, culture, tourism, fashion and luxury.

In 2017, the Business Area also continued the origination activities in the key sectors managed, thus increasing the diversification of the loans portfolio.

It should also be noted that, within the framework of the "Juncker Plan" initiatives, on 12 April 2017, the Board of Directors approved the EFSI Thematic Investment Platform concerning Corporate Projects, in support of the financing of investment plans of Italian companies (mainly domestic Mid-caps), together with the EIB. For this purpose, on 26 June 2017 CDP and the EIB signed an agreement governing the selection methods for the investments to be financed and for coordinated evaluation and due diligence processes.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2017, reclassified by business, are shown in the table below, together with key performance indicators.

ENTERPRISES - HIGHLIGHTS

(millions of euro; %)	31/12/2017
Balance sheet	
Loans	1,651
Commitments	179
Reclassified income statement	
Net Interest income	18
Gross income	20
Indicators	
Net non-performing loans/Net loans to customers and banks	0.4%
Net adjustments to loans/Net exposure	0.1%
Spread on interest-bearing assets and liabilities	1.3%

At 31 December 2017, the stock of loans totalled 1.7 billion euro, including IFRS adjustments, recording an increase of 50% on the stock at the end of 2016 (1.1 billion euro). Growth in the stock of loans was driven by the subscription of securities and the new disbursements over the year.

The stock of loans and commitments amounted to 1.8 billion euro, posting an increase of 36% compared to 31 December 2016 (1.3 billion euro). The change was attributable to higher volumes of new loan agreements compared to principal repayments falling due.

ENTERPRISES - FIGURES

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Corporate/project finance	855	609	246	40.3%
Securities	817	511	305	59.7%
Total amounts disbursement or in repayment	**1,672**	**1,121**	**551**	**49.2%**
IFRS adjustments	(21)	(21)	0.1	-0.4%
Total loans	**1,651**	**1,100**	**551**	**50.1%**
Commitments	179	243	(64)	-26.2%
Total loans (including commitments)	**1,830**	**1,343**	**488**	**36.3%**

17 transactions were concluded in 2017 compared to 6 in 2016. The total value of new loans signed and bonds subscribed was 0.9 billion euro, showing a robust increase on 2016 due to the full implementation of operations supporting industrial sectors. New loan agreements signed in 2017 focussed mainly on enterprises operating in the manufacturing, mechanical, agri-food, automotive, paper and building sectors.

ENTERPRISES - NEW LOAN AGREEMENTS

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Loans	516	126	390	n/s
Guarantees		42	(42)	n/s
Securities	375	202	173	86.1%
Total Industrial	**891**	**369**	**522**	**n/s**

Disbursements in 2017 amounted to 0.8 billion euro, up significantly on the previous year (+ 0.6 billion euro), in line with the increase in new loan volumes and transactions.

ENTERPRISES - NEW DISBURSEMENTS

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Loans	460	52	409	n/s
Securities	375	202	173	86.1%
Total Industrial	**835**	**253**	**582**	**n/s**

Net interest income contributed 18 million euro to CDP's earnings for 2017, with a 1.3% spread between interest-bearing assets and liabilities. Commission income brought gross income to 20 million euro.

Financial institutions

The "Financial Institutions" Business Area acts in support of the country's economy. Alongside consolidated operations (management of subsidised credit instruments introduced by specific laws and regulations and liquidity instruments for banks, primarily to facilitate access to credit for enterprises and support reconstruction in the wake of natural disasters), 2017 saw the expansion and consolidation of the range of instruments designed to support financial institutions in optimising their use of capital in order to encourage lending to enterprises.

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

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

As regards support for enterprises using liquidity funds, particularly the Capital Goods Fund, on 23 February 2017 an Addendum was signed to the Agreement between CDP, the Ministry of Economic Development (MiSE) and the Italian Banking Association (ABI) in order to put into effect article 1, paragraph 55 of Law 232 of 11 December 2016 (Budget Law 2017), which has widened the objective scope of expenses that can be financed under the Fund by explicitly adding the so-called "Industria 4.0" investments, specifically, investments in big data, cloud computing, ultra-wideband technology, cyber security, advanced robotics and mechatronics, augmented reality, 4D manufacturing, radio frequency identification (RFID) and waste tracking and weighing systems.

Support for enterprises has also been developed in the form of subscribing to senior and mezzanine tranches of the securitisation transactions set out in Law 130/99, which are backed by portfolios of loans to SMEs. Purchases of mezzanine tranches are classified as being within the scope of the "ENSI" Platform (EIF-NPIs Securitisation Initiative), a cooperation platform between the EIF and the main European national promotional institutions, such as CDP, to encourage lending to SMEs through securitisations.

In 2017, CDP was also an investor in the first securitisation of bad loans placed on the market by an Italian financial institution, backed by a state guarantee pursuant to Law Decree 18 of 14 February 2016 (GACS).

2017 also saw the launch of an innovative new line of transactions aimed at supporting access to alternative financing. In this respect, in 2017 CDP collaborated with the ELITE programme - an initiative launched by Borsa Italiana to help enterprises implement their growth projects - to develop a "basket bond", which is essentially a bond collateralised by a basket of "mini-bonds" issued by medium-sized Italian enterprises participating in the ELITE programme. Thanks to this pooling of bonds, the participating enterprises were able to achieve the critical mass necessary to attract interest from Institutional investors like CDP and EIB, which have made available over 0.1 billion euro to these enterprises.

From this same perspective and with a view to stimulating the creation of new asset classes, CDP has initiated a due diligence in relation to a number of diversified lending funds, acting as the anchor investor together with the EIF.

As regards support to the territories affected by natural disasters, Article 11 of Law Decree 8 of 9 February 2017 introduced a measure entailing the involvement of CDP in support of the territories of Central Italy affected by the earthquake events occurring since 24 August 2016, increasing the Central Italy Earthquake Fund dedicated to private reconstruction (in relation to which CDP signed a specific line of funding with the EIB on 26 July 2017, for a total 1 billion euro). In particular, a new specific special-purpose fund ("Central Italy Earthquake Moratorium Fund") was established, with an amount of 0.6 billion euro, through which credit institutions can enter into financing agreements with CDP with state guarantee, for the granting of subsidized loans, which will also be backed by a state guarantee, in favour of self-employed workers and entrepreneurs, as well as agricultural entrepreneurs, for the payment of taxes due and postponed from the date of the earthquake up to 31 December 2018. The relevant agreement with the Italian Banking Association was signed on 3 July 2017. The associated state guarantee was provided on 3 August 2017 by Decree of the Ministry of the Economy and Finance.

On 24 November 2017, CDP signed a first line of funding with the EIB (approximately 0.2 billion euro) to support the "Disasters" Fund.

The operations started last year for direct lending to financial institutions are continuing, whether through loans or through the subscription of bonds, aimed at meeting the funding needs of specialised banks and non-banking financial intermediaries.

On the subject of the optimization of bank capital, 2017 saw the launch of the first operation on the Investment Platform called EFSI Thematic Investment Platform for Italian SMEs, which was created in cooperation between CDP and the European Investment Fund (EIF). The operation consisted in the issue of an 80% counter-guarantee by CDP on a portfolio of new guarantees originating from the SME Guarantee Fund pursuant to Law 662/96, for a maximum amount of 3 billion euro, with a first loss ceiling of about 0.2 billion euro. The portfolio ramp-up phase was formally opened on 22 June 2017 and will last two years.

Having regard to the aforementioned investment platform, on 29 November 2017, CDP signed a second counter-guarantee agreement with the EIF, designed specifically to ensure better access to credit for creative-cultural businesses.

Regarding other capital relief initiatives, on 8 April 2017, CDP signed a Memorandum of Understanding with the EIF, the European Commission, the ISMEA and eight Italian Regional Authorities for the launch of the AGRI Platform, a multi-regional initiative aimed at granting guarantees to businesses in the agricultural and agro-industrial sector to ensure better access to bank loans. To this end, CDP and the EIF made a total of 0.3 billion euro available to the initiative.

On 6 December 2017, CDP signed an agreement with the Ministry for Agricultural, Food and Forestry Policies, under which specific financial resources will be allocated to CDP to launch a guarantee platform aimed at securing access to credit for the olive-growing/oil production sector. This contribution will enable CDP to support banks and credit consortia in the expansion of their operations with olive oil producer organisations and the related associations, which will have access to additional financing for around 0.2 billion euro.

As regards the FRI fund, the following initiatives were completed in 2017 to support the research investments of enterprises:
- re-opening of the Sustainable Growth Fund scheme (Sustainable Industry and Digital Agenda measures) pursuant to the Decree issued by the Ministry of Economic Development on 18 October 2017;
- implementation of the “Social Enterprise” measures, governed by the decree issued by the Ministry of Economic Development on 14 February 2017 and the subsequent departmental decree issued by Ministry of Economic Development on 26 July 2017, as well as by the Agreement signed by CDP, the Ministry of Economic Development and ABI on 28 July 2017;
- implementation of the “Sector and Cluster Contracts” measures, governed by the Notice of the Ministry for Agricultural, Food and Forestry Policies of 10 August 2017 (as amended on 18 October and 16 November 2017) and by the Agreement signed by CDP and the Ministry for Agricultural, Food and Forestry Policies on 19 October 2017;
- enactment of a new measure (article 1, paragraphs 697-700 of Law 205 of 27 December 2017) to provide facilitations to enterprises that implement energy efficiency projects and works to comply with regulations governing public lighting installations owned by local authorities.

Balance sheet (including assets, liabilities and commitments) and income statement figures at 31 December 2017, reclassified by business, are shown in the table below, together with key performance indicators.

FINANCIAL INSTITUTIONS - HIGHLIGHTS

(millions of euro; %)	31/12/2017
Balance sheet	
Loans	13,983
Amounts to distribute	28
Commitments	1,304
Reclassified income statement	
Net Interest income	52
Gross income	66
Indicators	
Net non-performing loans/Net loans to customers and banks	1.0%
Net adjustments to loans/Net exposure	0.1%
Spread on interest-bearing assets and liabilities	0.4%

As regards the loan portfolio of the Business Area, the stock of loans, including IFRS adjustments, at 31 December 2017 amounted to 14 billion euro, down by 6% from the end of 2016 due to lower disbursements during the year compared to loan repayments plus loans extinguished on the basis of the figures reported by financial institutions (mainly in relation to the SME Fund). Specifically, the breakdown of the stock of loans, excluding IFRS adjustments, is as follows:
i) 39% related to loans under Enterprises funds, amounting to 5.6 billion euro;
ii) 34% related to reconstruction loans following natural disasters, amounting to 4.7 billion euro;
iii) 12% related to transactions in favour of financial institutions, amounting to 1.7 billion euro;
iv) the remaining 15% related to other products, including loans to support the residential sector and loans drawing on the FRI.

The total stock of loans and commitments amounted to 15.3 billion euro, showing a decrease on the figure recorded at the end of 2016, mainly as a result of the termination of the guarantee in favour of the National Resolution Fund.

FINANCIAL INSTITUTIONS - FIGURES

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Enterprises	**5,561**	**8,156**	**(2,596)**	**-31.8%**
SME Fund	3,238	4,961	(1,724)	-34.7%
Capital Goods Fund	1,758	2,374	(616)	-25.9%
MIDCAP Fund	550	806	(256)	-31.8%
Networks and Supply Chains Fund	14	13	1	6.7%
Export Fund	1	2	(1)	-50.0%
Residential Real Estate	**1,038**	**906**	**132**	**14.6%**
Natural disasters	**4,746**	**4,080**	**666**	**16.3%**
Post - earthquakes reconstruction - Abruzzo	1,571	1,647	(77)	-4.7%
Post - earthquakes reconstruction - Emilia	2,608	1,922	686	35.7%
Tax moratorium	323	511	(188)	-36.7%
Disasters	34		34	n/s
Earthquake - Central Italy	5		5	n/s
Tax moratorium - Earthquake Central Italy	206		206	n/s
Loans/Financial institution securities	**1,724**	**801**	**923**	**n/s**
Loans/Financial institution securities	1,638	531	1,107	n/s
Equity investment loans (shareholders)	86	270	(184)	-68.1%
Other products	**1,019**	**1,092**	**(73)**	**-6.7%**
FRI loans	991	1,056	(66)	-6.2%
Intermodal system loans (Article 38, paragraph 6, Law 166/02)	28	36	(7)	-20.6%
Total amounts disbursed or in repayment	**14,088**	**15,036**	**(948)**	**-6.3%**
IFRS adjustments	(105)	(117)	12	-10.7%
Total loans	**13,983**	**14,919**	**(936)**	**-6.3%**
Commitments	1,304	2,176	(872)	-40.1%
Total loans (including commitments)	**15,287**	**17,094**	**(1,807)**	**-10.6%**

In 2017, total volumes of new lending, investments and managed resources amounted to 7.7 billion euro, increasing robustly on the same period of 2016 (+72%), mainly thanks to the contribution of new direct financing product lines dedicated to Financial institutions (3 billion euro) and the conclusion of a guarantee transaction for risk-sharing and capital relief purposes (2.4 billion euro).

In 2017, the operating performance of the Enterprises Fund (-72% over the same period of last year) continued to be negatively affected by the ECB measures, which increased the liquidity available to the banking system. Low market rates also led to a decline in the Housing Fund's operations, which fell by 59% within the same reporting period. On the other hand, volumes increased in the segment of financing products designed to support the populations affected by natural disasters, with new agreements signed for 1 billion euro (+31% compared to 2016), mainly thanks to the new Central Italy Earthquake Moratorium Fund.

The decrease in the volume of agreements recorded on the Revolving Fund supporting enterprises and investment in research (FRI) (-58% in 2017) was instead due to the extension of the admission procedure for programmes submitted to benefit from the new facilitations activated on the same fund.

FINANCIAL INSTITUTIONS - NEW LOAN AGREEMENTS

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Entrerprises	**908**	**2,418**	**(1,511)**	**-62.5%**
SME Fund	372	860	(488)	-56.7%
Capital Goods Fund	231	1,075	(843)	-78.5%
MIDCAP Fund	20	312	(292)	-93.6%
Networks and Supply Chains Fund	1	13	(12)	-92.2%
Aquisition of receivables/ABS	283	159	124	78.5%
Residential Real Estate	**241**	**640**	**(399)**	**-62.4%**
Housing Fund	241	590	(349)	-59.2%
Covered Bonds/RMBS		50	(50)	n/s
Natural disasters	**1,008**	**771**	**237**	**30.7%**
Post-earthquake 2012 reconstruction	763	771	(8)	-1.1%
Disasters	34		34	n/s
Earthquake - Central Italy	5		5	n/s
Tax Moratorium Earthquake - Central Italy	206		206	n/s
Loans/Financial institution securities	**3,032**	**440**	**2,592**	**n/s**
Loans/Financial institution securities	1,432	250	1,182	n/s
Equity investment loans (shareholders)	1,600	190	1,410	n/s
Capital optimisation tools	**2,400**		**2,400**	**n/s**
Community funds	2,400		2,400	n/s
Other products	**121**	**208**	**(87)**	**-41.8%**
FRI loans	63	150	(88)	-58.4%
Disbursements/agreements third party funds	56	57	(1)	-0.9%
Kyoto Fund	3	1	1	n/s
Total Financial Institutions	**7,709**	**4,478**	**3,232**	**72.2%**

In 2017, a total of 4.5 billion euro was disbursed, mainly related to financial institutions (47% of the total). On the other hand, disbursements to the funds dedicated to the enterprises (-72%) and the residential real estate sector (-59%) declined compared to same period of 2016. On the contrary, disbursements drawing on the FRI (+5%) remained more or less stable due to the signing of new agreements in the previous years.

FINANCIAL INSTITUTIONS - NEW DISBURSEMENTS

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Entrerprises	**908**	**2,390**	**(1,482)**	**-62.0%**
SME Fund	372	860	(488)	-56.7%
Capital Goods Fund	231	1,046	(815)	-77.9%
MIDCAP Fund	20	312	(292)	-93.6%
Networks and Supply Chains Fund	1	13	(12)	-92.2%
Aquisition of receivables/ABS	283	159	124	78.5%
Residential Real Estate	**241**	**640**	**(399)**	**-62.4%**
Housing Fund	241	590	(349)	-59.2%
Covered Bonds/RMBS		50	(50)	n/s
Natural disasters	**1,008**	**771**	**237**	**30.7%**
Post-earthquake 2012 reconstruction	763	771	(8)	-1.1%
Disasters	34		34	n/s
Earthquake - Central Italy	5		5	n/s
Tax Moratorium - Central Italy	206		206	n/s
Loans/Financial institution securities	**2,117**	**415**	**1,702**	**n/s**
Loans/Financial institution securities	1,177	250	927	n/s
Equity investment loans (shareholders)	940	165	775	n/s
Other products	**196**	**195**	**1**	**0.8%**
FRI loans	138	132	6	4.7%
Disbursements/agreements third party funds	56	57	(1)	-0.9%
Kyoto Fund	2	6	(4)	-66.5%
Total Financial Institutions	**4,469**	**4,411**	**58**	**1.3%**

The "Financial Institutions" area contributed 52 million euro in net interest income to CDP's earnings in 2017, with a 0.4% spread between interest-bearing assets and liabilities. This contribution, plus commission income generated mainly in relation to the National Resolution Fund, brought gross income to 66 million euro.

4.3.1.2 Equity investment portfolio management

At 31 December 2017, the carrying amount of equity investments and other investments totalled around 32,298 million euro, down by around 253 million euro compared to 31 December 2016. The figure consisted of 30,411 million euro for the portfolio of equity investments and 1,886.5 million euro for other investments represented by other companies, investments funds and investment vehicles[16].

PORTFOLIO OF EQUITY INVESTMENTS, INVESTMENT FUNDS AND INVESTMENT VEHICLES

	31/12/2016	Changes			31/12/2017
(thousands of euro)	Carrying amount	Transfers	From inv./disinv.	From measurement	Carrying amount
Equity investments in subsidiaries	12,675,897		(495,950)		12,179,947
Equity investments in companies subject to joint control	2,859	(1,223)	(228)	(1,408)	
Equity investments in companies subject to significant influence	18,217,888	1,223	10,598	1,482	18,231,191
Total equity investments	30,896,644		(485,580)	74	30,411,138
Investee companies	11,634		(767)	(182)	10,685
Investment vehicles	194,570		(15,327)	23,189	202,432
Investment funds	1,448,270		471,706	(246,971)	1,673,005
Equity instruments			400		400
AFS investments	1,654,474		456,012	(223,964)	1,886,522
Total equity investments and other investments	**32,551,118**		**(29,568)**	**(223,890)**	**32,297,660**

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

Equity investments

At 31 December 2017, the carrying amount of the portfolio of equity investments was down by approximately 486 million euro (-1.6%) compared to 31 December 2016.

EQUITY INVESTMENTS

(thousands of euro)	31/12/2016 % holding	31/12/2016 Carrying amount	Changes Transfers	Changes From inv./ disinv.	Changes From measurement	31/12/2017 % holding	31/12/2017 Carrying amount
A. Listed companies							
Equity investments in companies subject to significant influence		**18,211,890**					**18,211,890**
1. ENI S.p.A.	25.76%	15,281,632				25.76%	15,281,632
2. Poste Italiane S.p.A.	35.00%	2,930,258				35.00%	2,930,258
B. Unlisted companies							
Equity investments in subsidiaries		**12,675,897**		**(495,950)**			**12,179,947**
3. SACE S.p.A.	100.00%	4,584,074				100.00%	4,584,074
4. CDP RETI S.p.A.	59.10%	2,017,339				59.10%	2,017,339
5. CDP Equity S.p.A. (formerly Fondo Strategico Italiano S.p.A.)	97.13%	3,419,512				97.13%	3,419,512
6. Fintecna S.p.A.	100.00%	1,864,000				100.00%	1,864,000
7. CDP Immobiliare S.r.l.	100.00%	322,206		(28,584)		100.00%	293,622
8. CDP GAS S.r.l. (*)	100.00%	467,366		(467,366)			
9. CDP Investimenti SGR S.p.A.	70.00%	1,400				70.00%	1,400
Equity investments in companies subject to joint control		**2,859**	**(1,223)**	**(228)**	**(1,408)**		
10. FSI SGR S.p.A. (r)	49.00%	1,470	(1,170)	(300)			
11. Accialtalia S.p.A. in liquidazione (**)	27.50%	1,389			(1,389)		
12. Risparmio Holding S.p.A (r)	20.00%		(53)	72	(19)		
Equity investments in companies subject to significant influence		**5,998**	**1,223**	**10,598**	**1,482**		**19,301**
13. QuattroR SGR S.p.A.	29.41%	250		150		40.00%	400
14. Fondo Italiano d'Investimento SGR S.p.A.	25.00%	3,400		2,448		43.00%	5,848
15. Galaxy S.àr.l SICAR	40.00%	2,348			1,317	40.00%	3,665
16. Europrogetti & Finanza S.p.A. in liquidazione	31.80%					31.80%	
17. FSI SGR S.p.A. (r)			1,170			39.00%	1,170
18. Elite S.p.A.				8,000		15.00%	8,000
19. Risparmio Holding S.p.A (r)			53		165	20.00%	218
Total		**30,896,644**		**(485,580)**	**74**		**30,411,138**

(*) CDP GAS S.r.l. was merged by incorporation into CDP S.p.A. with legal effect as from 1 May 2017 and with accounting and tax effects from 1 January 2017.
(**) Following the exercise of the right of withdrawal. the equity investment was reclassified under financial assets available for sale.
(r) These financial assets have been reclassified.

The following transactions performed in 2017 had an impact on the portfolio's carrying value:

- the merger by incorporation of CDP GAS S.r.l into CDP S.p.A. with legal effect from 1 May 2017 (and accounting and tax effects from 1 January 2017) and the subsequent transfer, from CDP to CDP RETI, of the equity investments held in SNAM (1.12%) and Italgas (0.97%), previously held by CDP GAS, with effect as of 19 May 2017. CDP and CDP RETI agreed an overall price of 188 million euro for the transfer, of which 156 million euro for the 1.12% equity investment in SNAM and 32 million euro for the 0.97% equity investment in Italgas. The consideration was based on the average official stock exchange prices of the SNAM and Italgas shares in the 90 calendar days running up to 16 May 2017. To finance the transaction, CDP RETI was granted a loan for the whole amount (45% funded by CDP and 55% by a pool of banks);
- the acquisition by CDP S.p.A., on 31 October 2017, of a15% equity investment in Elite S.p.A., a platform active in the alternative finance sector in support of SMEs;

- the transfer, on 28 December 2017, from CDP Immobiliare to CDP of the units in FIV Plus, assigned to CDP Immobiliare as consideration for the transfer of several properties completed in July last year, by distribution of equity reserves of CDP Immobiliare (for approximately 77 million euro), through the assignment of assets to the shareholder;
- the increase in the share capital of QuattroR SGR S.p.A, totalling 150 thousand euro, reserved to and subscribed by CDP and finalised on 15 February 2017. At 31 December 2017, the share capital of QuattroR SGR S.p.A. was broken down as follows: 40% subscribed by CDP and the residual portion by the managers identified to manage the initiative (60%);
- the closing, in May 2017, for the purchase of 18% of Fondo Italiano d'Investimento SGR from ABI and Confindustria (9% each respectively). At 31 December 2017, the share capital was held as follows: 43.0% CDP; 12.5% UniCredit; 12.5% Intesa Sanpaolo; 12.5% Monte dei Paschi di Siena; 12.5% Nexi; 3.5% ABI; and 3.5% Confindustria;
- the closing, in July 2017, for the purchase of 10% of FSI SGR by Magenta 71 S.r.l. from CDP. The share capital was held as follows: 51.1% Magenta 71 S.r.l. – a vehicle owned by the managers chosen to manage the initiative; 39.0% CDP and 9.9% Poste Vita S.p.A.;
- the capital increase made by CDP in CDP Immobiliare, for an amount of 48 million euro, aimed at financial recovery through a debt restructuring agreement, and at the turnaround of the company via the purchase of the entire stake in the investee Cinque Cerchi S.p.A. in liquidazione.

Dividends received for 2017 totalled approximately 1,350 million euro and were mainly connected with the equity investments in ENI (749 million euro), SACE (150 million euro), CDP RETI (251 million euro), Fintecna (21 million euro), and Poste Italiane (178 million euro). The total amount of dividends of around 216 million euro was lower than in 2016 (1,566 million euro).

Other investments: investment funds, investment vehicles and other investee companies

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

At 31 December 2017, the investment portfolio in investment funds and investment vehicles totalled around 1,886.5 million euro, up by around 232 million euro (+14%) compared to 31 December 2016.

INVESTMENT FUNDS, INVESTMENT VEHICLES AND OTHER INVESTEE COMPANIES

(thousands of euro)	Investment sector	31/12/2016 % holding	31/12/2016 Carrying amount	Changes From inv,/ disinv,	Changes From measure-ment	Changes Transfers	31/12/2017 % holding	31/12/2017 Carrying amount	31/12/2017 Residual commitment
A. Investment vehicles			**194,570**	**(15,327)**	**23,189**			**202,432**	**185,316**
1. Inframed Infrastructure société par actions simplifiée à capital variable (Fondo Inframed)	Infrastructure								
– A units		38.92%	120,286	(10,569)	21,483		38.92%	131,200	26,611
– B units		0.01%							
2. 2020 European Fund for Energy, Climate Change and Infrastructure SICAV-FIS S.A. (Fondo Marguerite)	Infrastructure	14.08%	57,388	(4,758)	1,706		14.08%	54,336	15,700
3. European Energy Efficiency Fund S.A. SICAV-SIF (Fondo EEEF)	Energy								
– A units		10.70%	14,602				10.63%	14,602	37,312
– B units		1.68%	2,294				1.67%	2,294	5,693
4. Marguerite II SCSp (Fondo Marguerite II)	Infrastructure						14.18%		100,000
B. Investment funds			**1,448,270**	**471,706**	**(246,971)**			**1,673,005**	**2,863,694**
1. FIV Extra	Public sector construction	100.00%	724,169	3,721	(115,796)		100.00%	612,094	331,100
2. F2i - Fondo Italiano per le Infrastrutture (*)	Infrastructure								
– A units		8.10%	138,266	(29,954)	(46,899)	(61,413)			
– C units		0.04%	759	(209)	(236)	(314)			
3. F2i - Terzo Fondo per le Infrastrutture	Infrastructure			(75,438)	111,292	61,727	4.77%	97,582	52,528
4. Fondo Investimenti per l'Abitare	Social housing	49.31%	286,782	59,288	(7,118)		49.31%	338,952	577,254
5. Fondo Italiano d'Investimento	SMEs and export finance	20.83%	44,981	(44,981)					
6. Fondo Italiano d'Investimento - Fondo di Fondi	SMEs and export finance	20.83%	27,964	(11,038)	11,135		20.83%	28,061	23,383
7. Fondo Italiano d'Investimento - FII Venture	Venture Capital	20.83%	6,716	1,862	(990)		20.83%	7,588	7,673
8. F2i - Secondo Fondo Italiano per le Infrastrutture	Infrastructure								
– A units		8.05%	38,747	20,714	8,811		8.05%	68,272	50,828
– C units		0.02%	101	54	23		0.02%	178	132
9. FIV Plus	Public sector construction	100.00%	20,799	80,585	(1,751)		100.00%	99,633	161,400
10. Fondo PPP Italia	Infrastructure and PPP project	14.58%	10,436	(1,313)	1,414		14.58%	10,537	2,054
11. Fondo Immobiliare di Lombardia - sub-fund one (formerly Abitare Sociale 1)	Social housing	4.21%	9,466		71		3.83%	9,537	8,700
12. FoF Private Debt	SMEs and export finance	63.29%	30,153	38,854	(9,680)		62.50%	59,327	181,655
13. FoF Venture Capital	Venture Capital	62.50%	3,251	6,045	(1,440)		76.69%	7,856	111,494
14. European Investment Fund	Enterprises	1.14%	22,172		(562)		1.11%	21,610	40,000
15. Fondo Atlante	Banks and NPLs	11.77%	81,912	162,981	(183,366) (**)		11.77%	61,527	39,159
16. Italian Recovery Fund (ex Fondo Atlante 2)	Banks and NPLs	11.60%	392	161,393	573		12.90%	162,358	156,860
17. Fondo Investimenti per il Turismo (FIT)	Tourism sector construction	100.00%	1,204	62,000	(3,887)		100.00%	59,317	36,615
18. Fondo QuattroR	Enterprises								
– A units				16,086	(3,673)		42.17%	12,413	282,404
– B units				63			0.21%	63	1,447
19. Fondo FIA 2	Smart Housing, smart working			10,900	(625)		100.00%	10,275	89,100
20. FSI Mid Market Growth Equity Fund	Enterprises								
– A units				4,768	(2,978)		42.73%	1,790	491,627
– B units				40	(27)		0.31%	13	3,565
21. Fondo Innovazione e Sviluppo	Enterprises			1,267	(677)		78.95%	590	148,733
22. Fondo FII Tech Growth	Enterprises			3,827	(394)		100.00%	3,433	46,173
23. Vertis Venture 3 Technology Transfer	Enterprises			191	(191)		49.50%		19,809
C. Equity Instruments				**400**				**400**	
1. QuattroR SGR S.p.A.	Enterprises			400			40.00%	400	
D. Investees			**11,634**	**(767)**	**(182)**			**10,685**	
1. SINLOC S.p.A.	Infrastructure	11.29%	5,767	(5,767)					
2. F2i SGR S.p.A.	Infrastructure	14.01%	3,801		(182)		14.01%	3,619	
3. Istituto per il Credito Sportivo	Infrastructure	2.21%	2,066				2.21%	2,066	
4. Istituto della Enciclopedia Italiana Fondata da Giovanni Treccani S.p.A.	Culture			5,000			7.42%	5,000	
5. Accialtalia S.p.A. in liquidazione (***)							27.50%		
Total			**1,654,474**	**456,012**	**(223,964)**			**1,886,522**	**3,049,010**

(*) The merger by incorporation of F2i - Fondo Italiano per le Infrastrutture into F2i - Terzo Fondo per le Infrastrutture took place on 13 December 2017.
(**) Adjustment in part offset by the writeback of euro 78,201 thousand on item 130.d of the income statement to reflect the transfer to the income statement of adjustments made as at 31 December 2016 on commitments called up and paid in January 2017.
(***) Following the exercise of the right of withdrawal, the equity investment was reclassified under financial assets available for sale.

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

- the net positive balance of around 456 million euro between payments called by vehicles and funds and payouts distributed by them to CDP;
- positive valuation differences of approximately 224 million euro;
- the sale, in May 2017, of CDP's equity investment in Sinloc, equal to 605,727 shares of a unit value of 9.6 euro each, representing 11.29% of the share capital, sold by CDP for a total price of around 5,815 thousand euro;
- the merger by incorporation of F2i - Fondo Italiano per le Infrastrutture into the newly-established fund F2i - Terzo Fondo per le Infrastrutture, completed in December. The overall size of F2i - Terzo Fondo per le Infrastrutture at first closing was 3,142 million euro, part of which relating to the fair value of the assets of the Primo Fondo F2i, with the remainder consisting of the new commitments. As part of the merger, CDP signed a commitment equal to 150 million euro in F2i - Terzo Fondo per le Infrastrutture, settling the remaining part of the shares received in exchange under the above-mentioned transaction;
- the additional subscription for 96 million euro of the units of FIV Plus and the transfer of the units of FIV Plus for 76.6 million euro from CDP Immobiliare to CDP, assigned to CDP Immobiliare as consideration for the transfer of several properties completed in July last year, by distribution of equity reserves of CDP Immobiliare, through the assignment of assets to the shareholder;
- the acquisition by CDP, on 18 October 2017, of a 7.4% stake in Enciclopedia Italiana Fondata da Giovanni Treccani S.p.A., a company historically active in the publishing of scientific works and valuable works such as art books and history books;
- the subscription, in May 2017, of an additional 75 million euro in the investment fund Fondo di Fondi Venture Capital (FoF VC), corresponding to 76.69% of the total size of the fund. The investment brings CDP's total commitment towards FoF VC to 125 million euro, against the fund's total size of 163 million euro at 31 December 2017;
- the subscription of a commitment of 300 million euro in Fondo QuattroR, corresponding to 42.38% of the overall size of the fund. The aim of Fondo QuattroR is to re-launch medium and large-sized Italian companies which are temporarily in crisis but have solid industrial fundamentals. It completed its first closing on 5 April 2017 with total subscriptions of more than 700 million euro (target size of 1.5 billion euro);
- the subscription of a commitment of 500 million euro in the FSI Mid Market Growth Equity Fund, corresponding to 43.03% of the overall size of the fund. The aim of the FSI Mid Market Growth Equity Fund is to support the growth of companies up to their stock exchange listing and it completed its first closing on 29 June 2017 with total subscriptions of around 1 billion euro. In December 2017, the Fund received additional subscriptions to reach a size of around 1.2 billion euro (target size of 2.0 billion euro);
- the subscription, in February 2017, by CDP of equity instruments in QuattroR SGR S.p.A. for a total of 1 million euro and the subsequent sale, in October 2017, of equity instruments for a total of 600 thousand euro (equal to the nominal value);
- the subscription, through the ITAtech Platform, of a commitment of 20 million euro in Fondo Vertis Venture 3 Technology Transfer, corresponding to 49.5% of the overall size of the fund. The Fund completed its first closing on 30 August 2017, attracting subscriptions in excess of 40 million euro (the target size is 60 million euro), and is the first technology transfer fund of the ITAtech Platform;
- the subscription of a commitment of 50 million euro in Fondo FII Tech Growth. The aim of the Fund is to support start-ups and small and medium enterprises in the late-stage venture capital phase. It completed its first closing on 21 September 2017 with the sole investment by CDP (target size of 150 million euro);
- the subscription of a commitment of 150 million euro in Fondo Innovazione e Sviluppo, corresponding to 79% of the overall size of the fund. The aim of the Fund is to strengthen the global competitiveness of Italian enterprises by encouraging the processes of consolidation and integration. It completed its first closing on 21 September 2017 with the sole investment by CDP. In December 2017, the Fund received additional subscriptions to reach a size of 190 million euro (target size of 700 billion euro);
- the subscription, in February 2017, of a commitment of 100 million euro in Fondo FIA2, corresponding to 100% of the overall size of the fund. The Fund operates in the smart housing and smart working sectors to support training and new technologies;
- the impairment of the units held in Fondo Atlante. The investment in this fund is classified under financial assets available for sale. In line with the IFRS, it is measured at fair value. At 31 December 2016, value adjustments amounting to a total of 294 million euro had been made to Fondo Atlante. At 30 June 2017, the value of the units, as communicated by Quaestio Capital SGR S.p.A., had resulted in an additional adjustment of the book value by around 106 million euro[17] to reflect the

17 Of which 183.8 million euro for adjustments recognised under item 130.b "Net impairment losses/recoveries on financial assets available for sale", in part offset by the writeback of 78.2 thousand euro made on the line item 130.d "Net impairment losses/recoveries on other financial transactions" to reflect the transfer to the income statement of adjustments made as at 31 December 2016 on commitments called-up and paid in January 2017.

zeroing of the equity investments in Banca Popolare di Vicenza and Veneto Banca, which were placed under compulsory administrative liquidation pursuant to Decree Law 99/2017. At 31 December 2017, the total value of the units held by CDP in Fondo Atlante amounted to 61.5 million euro, calculated on the basis of the unit value of 123,053.51 euro communicated by the manager. The fair value measurement resulted in a revaluation of Fondo Atlante of 0.4 million euro that was recognised as an increase in the valuation reserves in accordance with IAS 39.69, which does not allow the recognition of the reversal of impairment losses on equity instruments in profit or loss, and in accordance with IFRIC 10.8, which does not allow the reversal of an impairment loss recognised in a previous interim period on an investment in an equity instrument;
- the subscription, in December 2017, of a commitment of 70 million euro in the Italian Recovery Fund, managed by Quaestio Capital SGR S.p.A. The unitholders' meeting extended the subscription period from 31 July 2017 to 31 December 2017, to enable additional subscriptions of units of the Fund. In December 2017, the Fund had received additional subscriptions for capital commitments of 320 million euro, to reach a size of 2,480 million euro.

Lastly, on 30 November 2017, the first closing was completed for Marguerite II SCSp ("Fondo Marguerite II"), the successor fund of the Marguerite Fund, which will pursue a similar investment strategy to the first fund, with a focus on the greenfield segment and a pan-European approach, by promoting the launch of new infrastructure projects and the expansion of existing projects in line with the objectives of the Investment Plan for Europe (the Juncker Plan). The Fondo Marguerite II has received subscription commitments totalling 705 million euro, of which 100 million euro each from CDP and from leading European National Promotion Institutions (CDC, KfW, ICO, and BGK), for a total of 500 million euro, and 200 million euro from the European Investment Bank, of which 100 million euro from the European Fund for Strategic Investments ("EFSI").

ITAtech Platform

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

ITAtech is the first pan-European equity platform to have received funding under the Juncker Plan and, in particular, under the European Fund for Strategic Investments (EFSI), which is tasked with implementing the Plan.

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

At 31 December 2017, the ITAtech Platform had subscribed for 40 million euro in the Vertis Venture 3 Technology Transfer fund, of which 20 million euro through CDP funds.

Social Impact Italia Platform

On 29 November 2017, CDP and the EIF signed a co-investment agreement for the launch of the Social Impact Italia ("SII") Platform, with the aim of promoting the development of the Italian inclusive finance market to support social enterprises.

SII is a new pan-European platform for risk capital investment with a focus on Italy and is also eligible for funding under the Juncker Plan.

The Social Impact Italia co-investment agreement provides for total funds of 100 million euro, allocated equally by CDP and the EIF in the amount of 50 million euro each. These funds will be used in investments in the form of risk capital, through: (i) the subscription of fund units and/or investment vehicles specialising in impact investing and (ii) the strategic strengthening of the capital of financial intermediaries active in social lending and microfinance.

The first investment of the SII Platform is scheduled for the first quarter of 2018.

4.3.1.3 Investment of the financial resources of the Parent Company

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

STOCK OF INVESTMENTS OF FINANCIAL RESOURCES

(millions of euro; %)	31/12/2017	31/12/2016	% change
Cash and cash equivalents and other treasury investments	**175,280**	**161,795**	**8.3%**
State Treasury current account	147,897	146,987	0.6%
Reserve requirement	23,998	8,036	n/s
Other treasury investments Separate account	2,751	1,511	82.1%
Reverse purchase agreements		4,548	-100.0%
Deposits (assets) Ordinary account	413	292	41.6%
Deposits (assets) on CSA/GMRA	221	421	-47.4%
Debt securities	**48,031**	**48,971**	**-1.9%**
Separate Account	*46,895*	*48,435*	*-3.2%*
Ordinary Account	*1,136*	*536*	*n/s*
Total	**223,311**	**210,765**	**6.0%**

At 31 December 2017, the balance on the current account held with the Central State Treasury, which CDP uses to deposit funding in excess of uses made in the Separate Account, stood at around 148 billion euro, in line with expectations and at about the same level as at the end of 2016.

Cash and cash equivalents deposited for the reserve requirement amounted to about 24 billion euro at 31 December 2017, with respect to a minimum reserve requirement of approximately 2.8 billion euro, with a maintenance period ending on 30 January 2018. The abundant cash and cash equivalent deposited for the reserve requirement resulted from the short-term funding on the collateralised money market (repurchase agreements). The liabilities of CDP that are subject to the reserve requirement are those that have a maturity of or are payable with notice of up to two years, with the exception of liabilities with credit institutions that are subject to the ECB's reserve requirements. The management of the reserve requirement is designed to ensure the accounting separation between the Separate Account and the Ordinary Account.

On the other hand, no cash and cash equivalent was invested in repurchase agreements with collateral consisting of Italian government securities at 31 December 2017, largely due to unfavourable market conditions.

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

As regards collateral deposits, established under Credit Support Annexes and Global Master Repurchase Agreements to limit the counterparty risk associated with transactions in derivative instruments and repurchase agreements, at 31 December 2017 there was a net debit balance of -488 million euro, showing an increase on the figure recorded at the end of 2016 (-44 million euro). The increase was mainly driven by changes in market conditions in the reporting period, primarily as regards the trend in interest rates. These deposits are also managed in a manner that ensures accounting separation between the two Accounts.

NET DEPOSITS ON CSA/GMRA TRANSACTIONS

(millions of euro; %)	31/12/2017	31/12/2016	% change
Total net deposits	(488)	(44)	n/s
of which:			
- *deposits (assets)*	*221*	*421*	*-47.5%*
- *deposits (liabilities)*	*710*	*465*	*52.6%*

At 31 December 2017 the securities portfolio showed a balance of approximately 48.0 billion euro, slightly down from the year-end 2016 figure of 49.0 billion euro. The steady shortening of the overall duration of the portfolio, realised partly through the use of indexed floating-rate instruments, e.g. CCT EU floating-rate bonds, permitted the reduction in exposure of the portfolio to potential interest rate increases. The securities 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.

4.3.1.4 Funding activities by the Parent Company

Funding from banks

The table below shows CDP's overall position in terms of funding from banks at 31 December 2017, compared with 31 December 2016.

STOCK OF FUNDING FROM BANKS

(millions of euro; %)	31/12/2017	31/12/2016	% change
ECB refinancing	2,475	2,475	n/s
of which:			
- *Separate Account*	*1,175*	*1,175*	*n/s*
- *Ordinary Account*	*1,300*	*1,300*	*n/s*
Deposits, Repurchase agreements and other	27,978	19,092	46.5%
of which:			
- *Separate Account*	*27,687*	*18,499*	*49.7%*
- *Ordinary Account*	*291*	*593*	*-51.0%*
Deposits (liabilities) for CSA/GMRA	710	465	52.6%
EIB/CEB credit facilities	5,063	4,915	3.0%
of which:			
- *Separate Account*	*3,019*	*2,744*	*10.0%*
- *Ordinary Account*	*2,045*	*2,172*	*-5.9%*
Total	**36,225**	**26,947**	**34.4%**

At 31 December 2017, stable funding of about 2.5 billion euro was being received through the institutional channel provided by the European Central Bank (ECB), represented by the TLTRO II programme.

Short-term funding on the money market through deposits and repurchase agreements increased sharply during 2017, taking advantage of particularly low market interest rates. The stock of funding for the Separate Account amounted to approximately 28.0 billion euro at 31 December 2017, raised almost entirely through repurchase agreements.

At 31 December 2017, the stock of credit facilities granted by the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) amounted to approximately 5.1 billion euro, of which around 5.0 billion euro referred to the EIB and around 0.1 billion euro referred to the CEB.

As regards the credit facilities granted by the EIB, during 2017 new loan agreements were signed for a total of 1,553 million euro and new disbursements were obtained for a total of 532 million euro.

Specifically, in the first half of 2017 a 1,000 million euro tranche of a loan agreement was signed to finance the Central Italy Earthquake Fund (Separate Account).

In the second half of 2017, a new 323 million euro loan agreement was signed to finance the school building measures provided by Article 10 of Decree Law 104 of 12 September 2013 (Separate Account) and a new funding agreement was signed to provide subsidised loans to persons affected by disasters (Central Italy Earthquake Moratorium Fund) for a total of 230 million euro (Separate Account).

Also during 2017, CDP requested and obtained: i) six new disbursements totalling 242 million euro (Separate Account), to fund the school building measures (one of these disbursements, for 22 million euro, was repaid in full on 30 June 2017, while another two, for a total amount of 17 million euro, fell due on 31 December 2017); ii) a new disbursement for 250 million euro (Separate Account) earmarked in the 2012 Earthquake Reconstruction Fund; iii) a disbursement for 40 million euro (Separate Account) under the loan agreement signed to finance Aeroporti di Roma S.p.A.

Moreover, in January 2017, CDP requested and obtained the disbursement of 75 million euro in the Separate Account as part of the 150 million euro loan obtained from the CEB to fund the Capital Goods Fund (Separate Account).

EIB/CEB FUNDING IN 2017

(millions of euro)	Date of issue/ Funding	Nominal value
EIB Draw-down (maturity date 31/12/2044)	27/03/2017	69
EIB Draw-down (maturity date 30/06/2017)	27/03/2017	22
EIB Draw-down (maturity date 20/09/2031)	08/05/2017	40
EIB Draw-down (maturity date 02/01/2045)	25/07/2017	57
EIB Draw-down (maturity date 31/12/2017)	25/07/2017	17
EIB Draw-down (maturity date 31/12/2017)	25/10/2017	0.1
EIB Draw-down (maturity date 31/12/2044)	25/10/2017	77
EIB Draw-down (maturity date 31/12/2042)	28/11/2017	250
CEB Draw-down (maturity date 02/01/2022)	02/01/2017	75
Total		**607**
of which:		
- *under the Separate Account*		*607*
- *under the Ordinary Account*		

Funding from customers

The table below shows CDP's overall position in terms of funding from customers at 31 December 2017, compared with 31 December 2016.

STOCK OF FUNDING FROM CUSTOMERS

(millions of euro; %)	31/12/2017	31/12/2016	% change
OPTES deposits (liabilities)	22,500	33,000	-31.8%
Deposits of investees	6,834	4,469	52.9%
Amounts to be disbursed	4,715	5,064	-6.9%
Government securities amortisation fund	2	1	n/s
Total	**34,052**	**42,534**	**-19.9%**

OPTES deposits showed a balance at 31 December 2017 of 22.5 billion euro, compared to 33 billion euro at 31 December 2016, and related to liquidity management operations conducted by CDP on behalf of the MEF. The deposits represent short-term funding which is held primarily: i) to meet reserve requirements; ii) to invest in Italian government bonds, and marginally iii) to carry out repurchase transactions with Italian government securities as collateral.

Management and coordination activities continued to include cash pooling and management, involving deposit arrangements between CDP and its subsidiaries in the Parent Company's centralised treasury. Centralised treasury deposits at 31 December 2017 rose significantly from the end of 2016, and specifically from 4.5 billion euro at 31 December 2016 to about 6.8 billion euro at 31 December 2017.

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. The amounts to disburse at 31 December 2017 totalled approximately 4.7 billion euro, a slight decrease on the end-2016 figure of about 5.0 billion euro.

Finally, the Government securities amortisation fund deposited by the MEF with CDP amounted to approximately 2.3 million euro at 31 December 2017.

Bond funding

The table below shows CDP's overall position in terms of bond funding at 31 December 2017, compared with the figures at 31 December 2016.

STOCK OF BOND FUNDING

(millions of euro; %)	31/12/2017	31/12/2016	% change
EMTN/DIP programme	**10,734**	**8,504**	**26.2%**
Securities issued	10,753	8,518	26.2%
of which:			
- *Separate Account*	*6,965*	*5,625*	*23.8%*
- *Ordinary Account*	*3,788*	*2,893*	*30.9%*
IFRS adjustment	(19)	(14)	33.4%
Retail bond	**1,461**	**1,481**	**-1.4%**
Securities issued	1,500	1,500	n/s
IFRS adjustment	(39)	(19)	n/s
"Stand-alone" issues guaranteed by the State	**2,500**	**1,500**	**66.67%**
Securities issued	2,500	1,500	66.7%
IFRS adjustment			n/s
Commercial paper	**2,772**	**40**	**n/s**
of which:			
- *Separate Account*	*2,417*		*n/s*
- *Ordinary Account*	*355*	*40*	*n/s*
Total stock of bond funding	**17,467**	**11,525**	**51.6%**

In regard to medium-/long-term funding, new issues were made in 2017 as part of the "Debt Issuance Programme" (DIP), for a par value of 2,635 million euro, including: i) 995 million euro to support the Ordinary Account; and ii) 1,640 million euro to support the Separate Account, with this amount including 500 million euro for the first issue of the CDP Social Bond, whose proceeds were allocated to support Italian SMEs located in economically disadvantaged areas or areas hit by natural disasters.

In December 2017 CDP issued two bonds, guaranteed by the Italian government, entirely subscribed by Poste Italiane S.p.A. (BancoPosta assets), for a total amount of 1,000 million euro to support the Separate Account.

With reference to short-term funding, managed with a view to optimising the mix of funding and investments, the stock under the "Multi-Currency Commercial Paper Programme" at 31 December 2017 totalled approximately 2.8 billion euro, showing a significant increase on the figure at 31 December 2016 (40 million euro).

MEDIUM-/LONG-TERM BOND FUNDING IN 2017 – DIP PROGRAMME

DIP programme (millions of euro)	ISIN code	Date of issue	Nominal value
CDP Jan-2019	IT0005239873	23/01/2017	200
CDP Feb-2019	IT0005240517	01/02/2017	300
CDP Mar-2023	IT0005244774	09/03/2017	300
CDP Mar-2027	IT0005245573	13/03/2017	150
CDP Jun-2024	IT0005273567	21/06/2017	1,000
CDP Nov-2030	IT0005286015	02/11/2017	45
CDP Nov-2022	IT0005314544	21/11/2017	500
CDP Dec-2022	IT0005318552	21/12/2017	140
Total			**2,635**
of which:			
- *under the Separate Account*			*1,640*
- *under the Ordinary Account*			*995*

MEDIUM-/LONG-TERM BOND FUNDING IN 2017 – STATE-GUARANTEED ISSUES

BancoPosta Issues guaranteed by the Government (millions of euro)	ISIN code	Date of issue	Nominal value
CDP Dec-2027	IT0005318131	20/12/2017	500
CDP Dec-2032	IT0005318149	20/12/2017	500
Total			**1,000**
of which:			
- *under the Separate Account*			*1,000*
- *under the Ordinary Account*			

Postal funding

Postal savings constitute a major component of household savings. In detail, the percentage impact of postal savings (including bonds pertaining to the MEF) in respect of total household financial assets was stable at 8% at the end of the third quarter of 2017.

At 31 December 2017, postal funding, consisting of passbook savings accounts and postal savings bonds (*Buoni Fruttiferi Postali*, BFP) pertaining to CDP, totalled 252,754 million euro, marking an improvement on 31 December 2016 (250,800 million euro).

Specifically, the carrying amount of passbook savings accounts was 108,566 million euro, while the carrying amount of postal savings bonds, measured at amortised cost, was 144,187 million euro.

STOCK OF POSTAL SAVINGS

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Passbook savings accounts	108,566	118,939	(10,372)	-8.72%
Postal savings bonds	144,187	131,862	12,326	9.35%
Total	**252,754**	**250,800**	**1,953**	**0.78%**

The total stock increased as a result of net inflows and interest accrued on Bonds, which more than offset the negative result of passbook accounts.

In terms of net funding, passbook accounts recorded a net outflow of -10,392 million euro in 2017. The most significant reduction was in the Smart passbook accounts (33% of total passbook accounts), which recorded a net outflow of -5,839 million euro, bringing the total balance to 35,521 million euro. Ordinary registered passbook accounts also recorded net outflows (-4,306 million euro) with stock standing at 69,578 million euro (64% of total passbook accounts). New commercial offers launched at the end of May in relation to passbook accounts (SuperSmart offer) helped reduce the negative trend of the previous months.

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

PASSBOOK SAVINGS ACCOUNTS - NET FUNDING

(millions of euro)	Deposits	Withdrawals	Net funding 2017	Net funding 2016
Registered passbook accounts	98,535	(108,921)	(10,385)	161
- *Ordinary*	*64,279*	*(68,586)*	*(4,306)*	*2,520*
- *Ordinary SMART*	*33,414*	*(39,252)*	*(5,839)*	*(2,266)*
- *Time deposits*		*0.01*	*0.01*	*(4)*
- *for Minors*	*489*	*(684)*	*(196)*	*(88)*
- *Judicial*	*354*	*(399)*	*(45)*	*(1)*
Bearer passbook accounts	1	(8)	(7)	(6)
- *Ordinary*	*1*	*(8)*	*(7)*	*(6)*
- *Time deposits*		*(0.01)*	*(0.01)*	*(0.5)*
Total	**98,536**	**(108,928)**	**(10,392)**	**155**

Note: The net funding figures include transfers between passbook accounts.

PASSBOOK SAVINGS ACCOUNTS

(millions of euro)	31/12/2016	Net funding	Reclassifications and adjustments	Interest 01/01/2017-31/12/2017	Withholding tax	31/12/2017
Registered passbook accounts	118,899	(10,385)		24	(4)	108,534
- *Ordinary*	*73,879*	*(3,564)*	*(742)*	*7*	*(1.9)*	*69,578*
- *Ordinary Smart*	*41,345*	*(6,768)*	*929*	*17*	*(2)*	*35,521*
- *Time deposits*	*0.2*			*0.0*	*0.0*	*0.2*
- *for Minors*	*3,118*	*(8)*	*(187)*	*0.3*	*(0.1)*	*2,922*
- *Judicial*	*558*	*(45)*		*0.1*	*0.0*	*513*
Bearer passbook accounts	40	(7)		0.0		33
- *Ordinary*	*40*	*(7)*		*0.0*	*0.0*	*33*
- *Time deposits*	*0.03*			*0.0*		*0.03*
Total	**118,939**	**(10,392)**		**24**	**(4)**	**108,566**

Net funding from CDP postal savings bonds saw positive inflows amounting to 8,343 million euro in 2017. This positive result was mainly driven by the good performance of net funding from 29 May following the launch of the 3-year Plus postal savings bond.

Bond subscriptions totalled 21,162 million euro with the following breakdown by key product: 3-year Plus bonds, 14,388 million euro (68% of total); ordinary bonds, 5,954 million euro (28% of total); 2-year Fedeltà bonds, 559 million euro (3% of total)[18]; and bonds for minors, 261 million euro (1% of total).

POSTAL SAVINGS BONDS - CDP NET FUNDING

(millions of euro)	Subscriptions	Redemptions	Net funding 2017	Net funding 2016	Change (+ / -)
Ordinary bonds	5,954	(5,972)	(18)	3,715	(3,733)
3x4 bonds		(907)	(907)	(801)	(106)
3-year bonds	14,388	(508)	13,881	(236)	14,116
Italian inflation indexed bonds		(2,093)	(2,093)	(997)	(1,096)
Bonds for minors	261	(345)	(84)	(27)	(57)
Europa/Premia bonds		(1,625)	(1,625)	102	(1,727)
Other bonds	559	(1,369)	(810)	(6,926)	6,116
Total	**21,162**	**(12,818)**	**8,343**	**(5,170)**	**13,513**

Note: “Other Bonds” include: 7Insieme bonds, Fixed-term bonds, indexed bonds, 18-month bonds, 2-year bonds, Renditalia bonds, Impresa bonds, Risparmi Nuovi bonds, Eredità Sicura bonds, 4x4 bonds, 4x4 Fedeltà bonds and 4x4 Risparmi Nuovi bonds.

18 Placement up to 28 February.

For bonds pertaining to the MEF, on the other hand, redemptions came to -5,674 million euro. This result is due to redemptions being lower in the second half of the year (totalling -2,820 million euro) than in the first half of the year (-3,014 million euro), as a result of the lower redemption of bonds maturing in the year, mostly concentrated in November and December, against a higher volume of redemptions for bonds maturing in 2016 but redeemed in the first half of 2017.

Total net funding from postal savings bonds (CDP + MEF) at 31 December 2017 was positive (2,509 million euro), marking a net improvement on the previous year (-10,582 million euro).

POSTAL SAVINGS BONDS - TOTAL NET FUNDING (CDP + MEF)

(millions of euro)	CDP net funding	MEF redemptions	Net funding 2017	Net funding 2016	Change (+ / -)
Ordinary bonds	(18)	(5,730)	(5,748)	(1,528)	(4,220)
3x4 bonds	(907)		(907)	(801)	(106)
3-year bonds	13,881		13,881	(236)	14,116
Italian inflation indexed bonds	(2,093)		(2,093)	(997)	(1,096)
Bonds for minors	(84)		(84)	(27)	(57)
Europa/Premia bonds	(1,625)		(1,625)	102	(1,727)
Other bonds	(810)	(105)	(914)	(7,095)	6,181
Total	**8,343**	**(5,834)**	**2,509**	**(10,582)**	**13,091**

Note: "Other Bonds" include: 7Insieme bonds, fixed-term bonds, indexed bonds, 18-month bonds, 2-year bonds, Renditalia bonds, Impresa bonds, Risparmi Nuovi bonds, Eredità Sicura bonds, 4x4 bonds, 4x4 Fedeltà bonds and 4x4 Risparmi Nuovi bonds.

At 31 December 2017 the stock of postal savings bonds pertaining to CDP amounted to 144,187 million euro. For bonds, the stock figure includes transaction costs recognised in application of the IFRS, consisting of deferred distribution fee adjustments applicable to all types of bonds issued between 2007 and 2010. The item "Premiums accrued on postal savings bonds" includes the separate value of embedded options in bonds indexed to equity indices.

POSTAL SAVINGS BONDS - CDP STOCK

(millions of euro)	31/12/2016	Net funding	For the period	Withholding tax	Transaction costs	Premiums accrued on postal bonds	31/12/2017
Ordinary bonds	73,603	(18)	2,424	(80)	7		75,936
3x4 bonds	24,428	(907)	1,017	(6)			24,532
3-year bonds	94	13,881	27	(1)			14,002
Italian inflation indexed bonds	15,067	(2,093)	221	(30)			13,164
Bonds for minors	5,488	(84)	188	(8)			5,583
Europa/Premia bonds	6,652	(1,625)	53	(15)		108	5,173
Other bonds	6,530	(810)	79	(7)		3	5,796
Total	**131,862**	**8,343**	**4,010**	**(146)**	**7**	**111**	**144,187**

Note: The item "Other Bonds" includes: 7Insieme bonds, Fixed-term bonds, Indexed bonds, 18-month bonds, 2-year bonds, Renditalia bonds, Impresa bonds, Risparmi Nuovi bonds, Eredità Sicura bonds, 4x4 bonds, 4x4 Fedeltà bonds and 4x4 Risparmi Nuovi bonds.
"Transaction costs" includes deferred fees relating to the years 2007-2010.

Total net funding (CDP + MEF), considering also passbook savings accounts, was negative by -7,883 million euro, marking an improvement on the 2016 net funding figure (-10,427 million euro). The good performance of net bond funding offset only in part the negative performance of passbook accounts.

TOTAL NET POSTAL SAVINGS FUNDING (CDP + MEF)

(millions of euro)	Net funding 2017	Net funding 2016	Change (+/-)
Postal savings bonds	2,509	(10,582)	13,091
of which:			
- *pertaining to CDP*	*8,343*	*(5,170)*	*13,513*
- *pertaining to the MEF*	*(5,834)*	*(5,412)*	*(422)*
Passbook savings accounts	(10,392)	155	(10,547)
CDP net funding	(2,049)	(5,015)	2,966
MEF net funding	(5,834)	(5,412)	(422)
Total	**(7,883)**	**(10,427)**	**2,544**

4.3.2 Group companies

4.3.2.1 Performance of companies subject to management and coordination

SACE Group

In 2017, in accordance with the strategic guidelines provided in the Business Plan, the SACE Group set up the “one-door” Export and International Expansion Hub after (i) operationally and commercially integrating SIMEST into SACE, (ii) consolidating the sales network, (iii) creating a single Customer Care service dedicated to the Hub and (iv) launching the new brand SACE SIMEST of the CDP Group. A process to simplify the products was also launched and the offering was integrated with the export push strategy to the benefit of supplies and to promote access for Italian enterprises to global value chains.

Additionally, in further support of exports, changes were agreed with the Ministry of the Economy and Finance in relation to reinsurance for risk concentration, an enabling factor for business development. The new offices in Dubai were inaugurated and the opening of a new international office in Shanghai was also approved.

NEW LENDING, INVESTMENTS AND MANAGED RESOURCES - SACE GROUP

Business lines (millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
SACE	17,738	10,579	7,158	67.7%
Export	15,114	9,592	5,522	57.6%
- Purchaser loans	13,343	7,695	5,648	73.4%
- Supplier loans	1,692	1,689	3	0.2%
- Letters of credit	78	208	(129)	-62.4%
International expansion	2,624	987	1,637	n/s
- Financial guarantees	1,125	525	600	n/s
- Financial guarantees for SMEs	134	144	(10)	-6.6%
- Bonds/sureties	610	280	330	n/s
- Political Risk Insurance policies	53	38	15	38.2%
- Push Strategy	570		570	n/s
- Fondo Sviluppo Export	131		131	n/s
SACE FCT	4,616	4,479	138	3.1%
Factoring with/without recourse	3,708	2,732	976	35.7%
Trade finance	908	1,746	(838)	-48.0%
SIMEST	11,834	6,134	5,700	92.9%
Export	11,433	5,808	5,625	96.9%
- Interest grants (Fondo 295) - Purchaser loans	11,174	5,590	5,584	n/s
- Interest grants (Fondo 295) - Supplier loans	260	218	41	18.9%
International expansion	401	326	75	23.0%
- Direct equity investments and Venture Capital Fund	116	110	6	5.3%
- Subsidised loans (Fondo 394)	147	93	54	58.0%
- Equity investment grants (Law 100/90 and Law 19/91)	138	123	15	12.3%
Eliminations	(12,082)	(7,336)	(4,746)	64.7%
Total new lending, investments and managed resources	**22,106**	**13,856**	**8,250**	**59.5%**

During the year, new lending, investments and managed resources increased by 59.5% on the previous period thanks to the finalisation of major transactions in strategic sectors for the country.

Specifically, new lending by the SACE Group, with its new perimeter, totalled 22,106 million euro. Such volumes were mainly driven by export credit operations, amounting to 15,374 million euro (70% of the total), thanks also to reinsurance agreements signed with the Ministry of the Economy and Finance in relation to risk concentration. The remaining amount refers to factoring (3,708 million euro - 17% of the total) and the international expansion segment (3,025 million euro - 13% of the total).

In detail, lending volumes finalised by SACE grew by almost 68% on the same period in 2016, mainly as a result of the increase in demand in the defence, cruise and oil & gas sectors.

PERFORMANCE HIGHLIGHTS - SACE GROUP (*)

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
SACE				
Outstanding guarantees	49,929	43,038	6,891	16.0%
- *on which principal*	*43,790*	*37,211*	*6,579*	*17.7%*
- *on which interest*	*6,140*	*5,827*	*313*	*5.4%*
Loans	632	804	(172)	-21.4%
SACE BT				
Short-term loans	9,696	8,894	802	9.0%
Sureties Italy	6,235	6,635	(400)	-6.0%
Other property damage	25,353	24,734	619	2.5%
SACE FCT				
Outstanding receivables	1,921	2,073	(152)	-7.3%
SIMEST				
Equity investment portfolio	572	536	37	6.8%

(*) Amounts refer to stock at the date indicated.

SACE's total risk exposure, measured in relation to loans and guarantees provided, stood at 50.6 billion euro (of which 98% referring to the guarantees portfolio), increasing on year-end 2016 (+15.3%).

The value of the SACE BT portfolio (around 41.3 billion euro) was up slightly on year-end 2016 (+2.5%).

The outstanding receivables of SACE FCT (approximately 2 billion euro) decreased slightly due the improvement in average payment times (in days).

Finally, the SIMEST equity investment portfolio totalled 572 million euro, increasing slightly (+6.8%) on year-end 2016 to reflect changes in new investments.

TREASURY AND FUNDING ACTIVITIES - SACE GROUP

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Cash and cash equivalents and other treasury investments	**7,325**	**6,283**	**1,042**	**16.6%**
Cash and cash equivalents at CDP	4,913	2,585	2,328	90.1%
Cash and cash equivalents held at banking institutions	93	694	(601)	-86.6%
Other treasury investments	2,319	3,004	(685)	-22.8%
Debt securities and other forms of funding	**2,304**	**1,891**	**413**	**21.8%**
Financial payables	1,789	1,376	413	30.0%
Other debt securities	515	515		0.0%

In 2017, cash and cash equivalents and other treasury investments of the SACE Group increased mainly as a result of the liquidity generated from technical management, net of the dividend paid to the Parent Company (150 million euro).

The change in the item “debt securities and other forms of funding” is mainly due to the increase in the financial payables of SACE Fct.

CDP Equity

In 2017, CDP Equity continued its investment operations and the enhancement of its equity investments portfolio, in line with the guidelines of the 2016-2020 Group Business Plan.

In detail, CDP Equity: (i) completed, via the subsidiary FSI Investimenti, the sale to Poste Italiane of a 30% equity investment in FSIA Investimenti for a total of 278 million euro. Subsequent to this transaction, the interest held indirectly by FSI Investimenti in SIA is 34.6%; (ii) increased its equity investment in Ansaldo Energia by exercising the put-call option with Leonardo on 15% of the share capital and by acquiring 0.1% from a manager, for a total outflow of 145 million euro. Following said transactions the equity investment in Ansaldo Energia has increased to 59.9%; (iii) finalised the 50 million euro investment in B.F. S.p.A., which, following B.F. takeover bid (OPAS) for the subsidiary Bonifiche Ferraresi S.p.A. and the admission to listing of the B.F. shares, increased CDP Equity’s stake in B.F. to 20.0% at the end of 2017; (iv) finalised the investment in Hotelturist S.p.A. (TH Resorts) by subscribing to a share capital increase of 20 million euro, acquiring a 45.9% stake in the company.

Additionally, in 2017, CDP Equity: (i) requested the repayment of investment capital from FSI Investimenti and IQ Made in Italy, for 973 million euro and 133 million euro respectively, to be used for new investments by CDP Equity; (ii) completed the spin-off of FSI SGR, which will support, from a private equity point of view, the growth plans of companies with significant growth prospects through the launch of funds to attract international and private capital (growth capital).

NEW LENDING, INVESTMENTS AND MANAGED RESOURCES - CDP EQUITY

Business lines (millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Investments	217	1,009	(792)	-78.5%
Total new lending, investments and managed resources	**217**	**1,009**	**(792)**	**-78.5%**

With regard to investments, during the year CDP Equity invested 217 million euro in companies of strategic importance for the national economy, all with a medium-/long-term horizon.

Of these, 145 million euro refers to option right exercised to acquire 15% of Ansaldo Energia from Leonardo and the acquisition of a minority interest from a manager (0.1%); 50 million euro refers to the investment in B.F. S.p.A. (Bonifiche Ferraresi); 20 million euro refers to the investment in Hotelturist S.p.A. (TH Resorts); and 2 million euro refers to the deferred settlement of the minority interest acquired in SIA.

B.F. operates at national level in the cultivation and sale of agricultural products. The company is the leading player in the agro-tech sector, having made a number of innovations in production processes, scalable at national level, including land geo mapping and precision agriculture, with particular focus on reducing energy consumption, delivering correct doses for crops and improving crop yields. CDP Equity’s investment in B.F. makes a significant contribution towards strengthening a number of agri-food supply chains that are vital for the Italian economy, including for example, the livestock production and the medicinal plant segments.

TH Resorts is one of the leading tour operators in Italy and represents a successful leisure & hospitality business model. The company manages, by lease of business units or real estate leases, a portfolio of 21 hotels and resorts located in Italy, for a total of 3,900 rooms.

PERFORMANCE HIGHLIGHTS - CDP EQUITY (*)

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Realised gains from equity investments	211	130	81	62.4%
Dividends	23	32	(9)	-27.0%

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

In 2017, CDP Equity realised a gain from equity investments of approximately 211 million euro by selling the 30% stake in FSIA Investimenti to Poste Italiane, via FSI Investimenti.

At 31 December 2017, dividends totalled around 23 million euro and referred to the equity investments in SIA (22 million euro), Kedrion (0.8 million euro) and Rocco Forte (0.5 million euro). The decrease compared to the corresponding period in 2016 reflects the lower dividends distributed by SIA (2.5 million euro), Kedrion (1.9 million euro) and Rocco Forte (0.1 million euro) and the lack of contribution from Metroweb (4.4 million euro) following the sale of the equity investment to Open Fiber.

TREASURY AND FUNDING ACTIVITIES - CDP EQUITY (*)

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Cash and cash equivalents and other treasury investments	**1,397**	**1,700**	**(303)**	**-17.8%**
Cash and cash equivalents at CDP	500	500		0.0%
Cash and cash equivalents held at banking institutions	897	1,200	(303)	-25.2%
Debt securities and other forms of funding	**58**	**63**	**(5)**	**-7.4%**
Financial payables	58	63	(5)	-7.4%

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

At 31 December 2017, cash and cash equivalents held by CDP Equity and its subsidiary investment vehicles totalled 1.4 billion euro, down by 303 million euro on 31 December 2016. This change was chiefly driven by: (i) dividends and capital repayments to the minority shareholders of FSI Investimenti and IQ MIIC for approximately -333 million euro; (ii) revenue collected from the closing of the sale of the 30% equity investment in FSIA Investimenti, for around +222 million euro; (iii) investments totalling -217 million euro; (iv) dividends and interest received on deposits for around +39 million euro and (v) other net outflows amounting to -14 million euro.

Financial payables as at 31 December 2017 consisted of the vendor loan payable by FSIA Investimenti. The decrease compared to 31 December 2016 was driven by the early repayment of the vendor loan for around 2.9 million euro and the settlement of the outstanding debts relating to the deferred payment for the acquisition of the non-controlling equity interests in SIA, amounting to approximately 1.7 million euro.

Fintecna

In 2017, Fintecna continued to manage its litigation cases, with efforts focused on optimising its defence strategy by constantly monitoring developments in court cases to assess critical aspects specifically.

PERFORMANCE HIGHLIGHTS - FINTECNA

(number of disputes; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Labour law disputes	492	688	(196)	-28.5%
Civil/administrative/tax law disputes	114	122	(8)	-6.6%

Regarding labour law disputes (i.e. claims for compensation for health damage arising from occupational illnesses), the fall in the value of outstanding claims compared to the previous period is chiefly due to the decrease in the number of new appeals (approximately 50% less than in 2016) and to the final settlement of a number of disputes, in line with budget forecasts.

With regard to other types of disputes (civil, administrative and tax-related), the value of pending proceedings is essentially the same as a result of settlements being more difficult due to significant differences in valuations with respect to counterparties.

TREASURY AND FUNDING ACTIVITIES - FINTECNA

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Cash and cash equivalents and other treasury investments	**1,134**	**1,137**	**(3)**	**-0.3%**
Cash and cash equivalents at CDP	1,066	1,025	42	4.1%
Cash and cash equivalents held at banking institutions	68	112	(44)	-39.5%

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

Specifically, at 31 December 2017, cash held at banks and with CDP amounted to 1,134 million euro compared to 1,137 million euro in the previous financial year.

In line with the company's institutional purpose, in 2017 steering and control continued to be exercised over companies subject to management and coordination, with a view to progressively fulfilling the tasks assigned to each of the companies under specific legislative provisions.

Furthermore, as part of the rationalisation and reorganisation plan implemented to improve the efficiency of the liquidation activities, during the year the company completed the merger by incorporation of the subsidiaries Ligestra and Ligestra Tre into Ligestra Due (each of the companies involved in the merger maintain autonomy with respect to their separate assets).

With reference to the operations carried out by Fintecna through special purpose vehicles, efforts continued 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 in settori ad alta tecnologia" (through Ligestra Due S.r.l.), and in relation to the liquidation of the residual assets of Cinecittà Luce (through Ligestra Quattro).

In detail, regarding the separate assets of the dissolved company E.F.I.M., the management of industrial site remediation works has focussed primarily on the Portovesme area in Sardinia.

Having regard to the management of the assets of the dissolved company Iged, the INAIL dispute linked to a major real estate portfolio was settled and generated a significant contingent profit.

Regarding the management of the assets of the dissolved company SIR, the environmental dispute linked to the former Avenza site was settled successfully with no costs incurred by the subsidiary Consorzio Bancario SIR.

Regarding Ligestra Quattro, activities continued in relation to the liquidation of the residual assets of Cinecittà Luce.

Finally, regarding the interventions launched following the earthquakes affecting the Lazio, Umbria, Marche and Abruzzo Regions in 2016, Fintecna continued to provide technical and administrative support to the office of the Extraordinary Commissioner for Reconstruction. In 2017, Fintecna also finalised the final plans for the construction of four school complexes in the worst affected areas.

CDP Immobiliare

In 2017, CDP Immobiliare - in collaboration with CDP Investimenti SGR and the competent Parent Company functions - commenced an overall reorganisation of the real estate assets of the CDP Group. The related activities span across three areas:
- development of the real estate assets owned directly and indirectly (in joint venture) by CDP Immobiliare, with the pooling of the quantifiable portions of the portfolio into specific development funds (so-called "Fondi Fabbrica");
- proactive management of the remaining assets not transferred to the Fondi Fabbrica funds, whether owned directly or indirectly, also by restructuring past due debt and the turnaround of the vehicles held;
- changes to the organisational structure with the objective of effectively using the resources and redistributing responsibilities.

The rationalisation of the business model aims to consolidate and strengthen CDP Immobiliare's role as an institutional operator in the real estate sector and will contribute to improving the profitability of the assets, to make them more appealing also to third party investors.

Furthermore, in implementation of the reorganisation plan, on 28 July 2017 a portion of the company's real estate portfolio — consisting of 14 buildings worth around 77 million euro - was transferred to the real estate development fund Fondo Investimenti per la Valorizzazione - Plus Sub-fund. Following this contribution, new Fund units were issued for the same amount. On 28 December 2017, the FIV Plus units deriving from the contribution were allocated to the Parent Company.

With regard to initiatives managed indirectly through partnerships, the strategy used by CDP Immobiliare included the rationalisation of the initiatives based on (i) the confirmed support for the investment plans of those investees for which an autonomous enhancement strategy is deemed to be pursuable or (ii) the level of support for financial restructuring initiatives for those partnerships in which the real estate development is negatively affected by high levels of debt and lack of commitment of the partners.

In 2017, the company continued to focus on the sale and development of real estate assets.

PERFORMANCE HIGHLIGHTS - CDP IMMOBILIARE (*)

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Sales	99	26	73	n/s
Investments in development initiative	13	21	(8)	-39.1%

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

In 2017, a total of approximately 99 million euro in assets were sold, both directly and through investment holdings (of the total, around 90 million euro referred to CDP Immobiliare's direct portfolio and around 8 million euro to real estate assets held in partnership).

Real estate development and enhancement operations included investments for around 13 million euro, of which 8 million euro referring to the CDP Immobiliare's direct portfolio. These included, in particular remediation work in Turin and redevelopment works in Macerata.

At 31 December 2017, total real estate assets managed (approximately 1,082 million euro) fell by 15% due to the sale and transfer of assets in the period, net of development work.

TREASURY AND FUNDING ACTIVITIES - CDP IMMOBILIARE (*)

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Cash and cash equivalents and other treasury investments	**54**	**45**	**9**	**20.2%**
Cash and cash equivalents held at banking institutions	54	45	9	20.2%
Debt securities and other forms of funding	**689**	**801**	**(113)**	**-14.0%**
Financial payables	689	801	(113)	-14.0%

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

At 31 December 2017, cash and cash equivalents, totalling 54 million euro, were mainly earmarked to support lending to partnerships and to cover the management and development of the company's real estate assets.

Financial payables, amounting to 689 million euro, included approximately 15 million euro in payables referring to CDP Immobiliare (payables allocated to real estate in the direct portfolio) and approximately 674 million euro referring to partnerships.

CDPI SGR

In 2017, CDPI SGR continued to invest in the FIA fund, in support of social housing, and in the FIV fund, which supports the acquisition of public buildings and the enhancement of the real estate assets held. Additionally, the FIA 2 fund and the tourism-hospitality investment platform FIT/FT1 made their first investments.

NEW LENDING, INVESTMENTS AND MANAGED RESOURCES - CDPI SGR

Business lines (millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Social housing	**139**	**142**	**(3)**	**-2.1%**
FIA	139	142	(3)	-2.1%
Development	**37**	**19**	**18**	**97.4%**
FIV (Extra sub-fund)	35	17	18	n/s
FIV (Plus sub-fund)	1	1	(0)	-7.1%
Tourism	**64**		**64**	**n/s**
FIT	64		64	n/s
Smart Housing	**10**		**10**	**n/s**
FIA2	10		10	n/s
Total new lending, investments and managed resources	**250**	**161**	**89**	**55.6%**

In detail, CDPI SGR invested around 250 million euro, a significant increase compared to the same period in 2016, thanks mainly to the contribution of Fondo Investimenti per la Valorizzazione and FIT. In particular:

- FIA invested a total of approximately 139 million euro, primarily in the funds Housing Toscano, Abitare Sostenibile Piemonte, Housing Sociale FVG, Piemonte Case and Uni HS Abitare;
- FIT invested around 64 million euro in relation to the first capital call by the FT1 fund, subscribed entirely by FIT, to acquire the real estate assets known as Ti Blu Village and Baia degli Achei of the Hotelturist group and the hotel complexes located in Pila, Marilleva and Ostuni of the Valtur group;
- FIV invested a total of approximately 37 million euro, of which 20 million euro referring to the extraordinary transaction to acquire 6 properties from the state property office at the end of 2017 and the rest referring to development work, mainly on the Hospital complex (Ospedali Riuniti) in Bergamo (Extra Sub-fund);
- To conclude, FIA 2 finalised the subscription to units of the H-Campus fund for a total amount of 32 million euro, of which around 10 million euro was paid in 2017.

PERFORMANCE HIGHLIGHTS - CDPI SGR

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Real estate assets managed (*) (FIV)	664 (***)	709	45	-6.4%
Real estate assets managed (*) (FT1)	59		59	n/s
Residual commitment (**) (FIA)	1,171	1,306	(135)	-10.4%

(*) Value referring to direct real estate funds, showing the value of the real estate assets held by each fund.
(**) Value referring to fund subscriptions, net of amounts called-up.
(***) The Via Cassia property is subject to a condition precedent and is therefore recognised for financial reporting purposes under "other assets"

At 31 December 2017, real estate assets managed by the company on behalf of the FIV fund consisted of 90 buildings of a total value of approximately 664 million euro, of which around 578 million euro linked to the Extra Sub-fund (7119 buildings) and around 86 million euro linked to the Plus Sub-fund (19 buildings).

The asset pool decreased by -6.3% compared to 2016 due to sales in the year (around 45 million euro), adjustments made to the FIV Extra Sub-fund (approximately 106 million euro), acquisitions from the state property office (approximately 11 million euro)[19] and CDP Immobiliare's contribution to the FIV Plus Sub-fund of 14 properties for a total value of around 77 million euro, less capex in the period.

The real estate assets of the FT1 fund increased as a result of the completion of the sale and lease back transactions linked to real estate assets acquired in 2017: the Ti Blu Village in Marina di Pisticci, acquired from the Hotelturist group, and the hotels in Pila, Marilleva and Ostuni acquired from the Valtur group.

19 The Via Cassia property is subject to a condition precedent and is therefore recognised for financial reporting purposes under "other assets".

With reference to the FIA fund, at 31 December 2017 the total residual commitment towards the target real estate funds was approximately 1,171 million euro. The lower commitment compared to 2016 (-10%) was primarily due to investments made in target funds that support the availability of social housing.

TREASURY AND FUNDING ACTIVITIES - CDPI SGR

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Cash and cash equivalents and other treasury investments	**17**	**16**	**1**	**5.3%**
Cash and cash equivalents held at banking institutions	14	12	2	14.3%
Other treasury investments	3	4	(1)	-23.1%

At 31 June 2017, cash and cash equivalents held by CDPI SGR amounted to approximately 17 million euro, up slightly on year-end 2016 due to the decrease in treasury investments after several securities reached their natural maturities, which was more than offset by the increase in cash and cash equivalents.

As in 2016, the company had no financial debt at 31 December 2017.

CDP RETI

In May 2017, within the broader scope of the reorganisation of the CDP Group and with a view to improving and strengthening the position of CDP RETI as the reference shareholder of SNAM and Italgas, CDP RETI acquired CDP's equity investments in SNAM (1.12%) and Italgas (0.97%) following the merger by incorporation of CDP GAS into CDP (finalised in May 2017).

The total price paid, amounting to around 188 million euro (156 million euro for the 1.12% investment in SNAM and 32 million euro for the 0.97% investment in Italgas) was based on the average official stock exchange prices in the 90 calendar days running up to 16 May.

The operation was funded entirely by borrowing, without guarantees and with bullet repayment at maturity (May 2023). 55% of the overall amount (around 103 million euro) was provided by a pool of six banks and the remaining 45% (around 85 million euro) by CDP.

PERFORMANCE HIGHLIGHTS - CDP RETI

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Equity investments and other investments	5,023	4,835	188	3.9%
Dividends received	388	375	13	3.5%

Equity investments, totalling 5,023 million euro, consisted of investments in SNAM (3,087 million euro), Terna (1,315 million euro) and Italgas (621 million euro). The increase on year-end 2016 reflects the acquisition from CDP of a 1.12% interest in SNAM and a 0.97% interest in Italgas in May 2017.

In 2017, CDP RETI received dividends from subsidiaries totalling 388 million euro (375 million euro in 2016), of which 221 million euro from SNAM (dividend paid from 2016 net profit), 42 million euro from Italgas (dividend paid from 2016 net profit) and 125 million euro from Terna (including a final dividend of 80 million euro paid from 2016 net profit and an advance dividend of 45 million euro paid from 2017 net profit).

Furthermore, on 6 November 2017 the Board of Directors of SNAM approved the distribution of an advance dividend on the 2017 net profit, of which 91 million euro was paid to CDP RETI (in January 2018).

Regarding dividends paid to shareholders, in 2017 CDP RETI paid out 425 million euro (101 million euro as final payment for the 2016 dividend and 324 million euro as an advance dividend on the 2017 net profit[20]).

20 The advance dividend, equivalent to 2,006.02 euro per share (for each of the 161,514 shares), was approved by the Board of Directors on 23 November 2017 based on the company's accounts as at 30 June 2017, which were prepared in accordance with the IFRS and showed a net profit of approximately 360 million euro at the end of the period, with available reserves amounting to around 3,345 million euro.

TREASURY AND FUNDING ACTIVITIES - CDP RETI

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Cash and cash equivalents and other treasury investments	**44**	**102**	**(58)**	**-56.9%**
Cash and cash equivalents held at banking institutions	44	102	(58)	-56.9%
Cash and cash equivalents at CDP				n/s
Debt securities and other forms of funding	**1,694**	**1,508**	**186**	**12.4%**
Financial payables	937	751	186	24.8%
Other debt securities	757	757		0.0%

At 31 June 2017, total cash and cash equivalents and treasury investments amounted to 44 million euro, decreasing on year-end 2016 mainly as a result of: (i) dividends received from subsidiaries (+388 million euro), (ii) collection of a tax consolidation receivable (+5 million euro), (iii) dividends distributed to shareholders in the period (-425 million euro); (iv) bond coupon payments (-14 million euro) and interest expense on the Term Loan (-13 million euro).

At 31 June 2017, debt securities and other forms of funding totalled 1,694 million euro and referred mainly to: (i) the Term Loan for a nominal amount of 937 million euro (approximately 422 million euro disbursed by CDP), up on year-end 2016 due to a new loan agreement signed to fund the acquisition of CDP's equity investments in SNAM (1.12%) and Italgas (0.97%), and (ii) the bond issue for a nominal amount of 750 million euro, subscribed by institutional investors for around 412 million euro (55%) and by CDP for approximately 338 million euro (45%).

4.3.2.2 Performance of other companies not subject to management and coordination

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

AccialItalia S.p.A. in liquidazione ("AcciaItalia")

AcciaItalia is a company established on 27 June 2016 by CDP, Acciaieria Arvedi S.p.A. and Delfin S.àr.l., which were later joined by JSW Steel (UK) Limited, for the purpose of participating in the procedure launched by the special receivers of ILVA S.p.A., Ilvaform S.p.A., Taranto Energia S.r.l., Ilva Servizi Marittimi S.p.A., Tillet S.a.s. and Socova S.a.s. (the "Ilva group") in accordance with the decree issued on 4 January 2016 by the Ministry of Economic Development in implementation of Decree Law 191 of 4 December 2015 (the "Receivership Procedure").

As part of the Receivership Procedure, AcciaItalia submitted a final and binding bid on 6 March 2017 for the award of the Ilva Group. However, on 5 June 2017, the Ministry of Economic Development signed a decree authorising the special receivers of the Ilva Group in amministrazione straordinaria to award the business facilities owned by the Ilva S.p.A. Group to Am Investco Italy S.r.l., the other group of companies which had submitted a final and binding bid.

Following the signing of that decree, on 13 June 2017, CDP exercised the right of withdrawal from AcciaItalia as envisaged in its Articles of Association, and the company, following the resolutions passed by the remaining shareholders, was placed in voluntary liquidation on 25 October 2017. Following the exercise of the withdrawal option, the equity investment was reclassified under financial assets available for sale.

Elite S.p.A. ("Elite")

Elite was established in May 2016 following the transformation into a joint-stock company of the business unit of Borsa Italiana S.p.A. focused on the programme of the same name. That programme, which is now the company's core business, is aimed at supporting high-growth potential SMEs in their process of development and international expansion. In addition, Elite provides services of licensing of its brand and business model to other stock exchanges around the world and offers support to enterprises in accessing alternative sources of funding, also with the aid of advanced technological solutions.

On 31 October 2017, CDP acquired a 15% stake in Elite, through a specific capital increase that enabled CDP to become a non-controlling shareholder of the company.

Elite's results for 2017 show a loss for the year of 1.3 million euro, with respect to total revenues of 6.5 million euro.

At 31 December 2017, the Elite's share capital amounted to around 173 thousand euro, with respect to a shareholders' equity of around 22 million euro.

ENI S.p.A ("ENI")

ENI is one of the global super majors in the Oil&Gas sector, primarily engaged in the exploration, production, refinement and trading of oil and natural gas, with around 30,000 employees and an international footprint. The company is listed on both the New York Stock Exchange (NYSE) and the Italian stock market.

In 2017, ENI continued its focus on upstream activity, with production for the year totalling 1.82 million barrels per day, up on 2016 (+3.2%). This was attributable to the opening of new oilfields and the ramp up of the 2016 projects, particularly in Angola, Egypt, Ghana, Indonesia and Kazakhstan, in addition to the restart of several fields in Libya, thanks to the improvement in security conditions.

All the Group's business activities showed strong performance and achieved robust growth on the previous year, thanks to the strategy of reduction of the time-to-market of the reserves, cost efficiencies, renegotiations of gas contracts, and the optimisation of facilities in the Refining & Marketing and Chemical sectors.

At the level of consolidated financial performance, ENI reported an adjusted operating profit of 5.8 billion euro in 2017 and a net income of 3.4 billion euro (adjusted net income of 2.4 billion euro), a significant improvement on 2016, essentially owing to the recovery in the oil sector. The 2017 net income, in particular, was driven by the gains from the implementation of the Dual Exploration Model strategy (e.g. sale of 40% of the Zohr asset in Egypt), in addition to the operational strengthening.

At the level of the consolidated balance sheet, at 31 December 2017 net financial debt amounted to 10.9 billion euro, whereas equity was 48.1 billion euro.

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

EPF is a company that was established in 1995 by leading Italian financial institutions to handle applications for subsidised lending provided by the Italian government. The shareholders of the company are held as follows: UniCredit S.p.A. (39.8%), CDP (31.8%), Intesa Sanpaolo S.p.A. (16.0%), Banca Monte dei Paschi di Siena S.p.A. (10.1%) and Banco BPM S.p.A. (2.3%).

The liquidation of EPF continued in 2017, with the goal of completing all the subsidised lending related activities still in place as expeditiously as possible. The company is currently providing services, exclusively for the Ministry of Economic Development, of submission and preparation of final reports relating to the investments already made by the beneficiaries of the subsidised lending initiatives. There is uncertainty regarding the time required for the completion of these activities, because the final closure of the procedures often depends on external factors that cannot be influenced by the company.

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

In 2017, the company continued to manage the equity investments of Primo Fondo F2i and Secondo Fondo F2i, successfully pursuing investment opportunities in new sectors, in addition to sectors in which F2i already had a presence. In December 2017, the first closing of Terzo Fondo F2i was carried out through the merger of Primo Fondo F2i into Terzo Fondo F2i and the subscription of new commitments.

Fincantieri S.p.A. ("Fincantieri")

Fincantieri, an investee company of CDP through Fintecna, is one of the world's largest shipbuilders in the world and is capable of building all types of highly-complex vessels from naval to offshore vessels and from special vessels and ferries to mega-yachts. It is also engaged in ship repairs and conversions, systems and components production, and the provision of after-sales services. The company is listed on the Italian stock market.

In 2017, Fincantieri continued with the implementation of its 2016-2020 business plan. In particular, on 22 February 2017, Fincantieri, China State Shipbuilding Corporation (CSSC) and Carnival Corporation signed a binding Memorandum of Agreement (MoA) for the construction of two cruise ships, plus the option for four more, which will be the first units of this type ever built in China for the Chinese market. In 2017, Fincantieri increased its equity investment in VARD, with a view to its delisting from the Singapore Stock Exchange (investment through Fincantieri O&G of 79.74% at 31 December 2017). In 2017, Fincantieri also entered into negotiations with STX Europe AS and the French government for the acquisition of the competitor STX France.

At 31 December 2017, the Fincantieri Group had a backlog of approximately 22.1 billion euro, with 99 ships in portfolio, and a soft backlog of approximately 4.1 billion euro, resulting in a total workload of approximately 26.2 billion euro (corresponding to around 5.2 years of business). Turning to the financial highlights at 31 December 2017, the Fincantieri group had total revenues of 5,020 million euro, a gross operating margin of 341 million euro (6.8% of revenues), a negative net financial position of 314 million euro and net income of 53 million euro.

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

In 2017, FII SGR continued to manage the following promoted funds: (i) Fondo Italiano d'Investimento (ii) Fondo Italiano d'Investimento – FII Venture; (iii) Fondo Italiano d'Investimento – Fondo di Fondi; (iv) FoF Venture Capital; and (v) FoF Private Debt. In September 2017, the first closing was completed of two new direct funds: (i) Fondo Innovazione e Sviluppo and (ii) FII Tech Growth. The first of these funds is focused on strengthening the competitiveness of Italian enterprises by promoting the processes of consolidation and integration and the second is focused on investments in start-ups and small and medium enterprises in the late-stage venture capital phase. The company is continuing the fundraising phase for both funds, with the aim of attracting other investors and reaching the target size.

In November 2017, the sale was completed of the units by the Investors of Fondo Italiano d'Investimento and the consequent transfer of the management from FII SGR to a new management company.

In May 2017, the closing was completed of the purchase of 18% of FII SGR by ABI and Confindustria (9% each respectively). As a result, at 31 December 2017, CDP held a share of 43% of FII SGR. The share capital is held as follows: CDP (43.0%); UniCredit (12.5%); Intesa Sanpaolo (12.5%); Monte dei Paschi di Siena (12.5%); Nexi (12.5%); ABI (3.5%); and Confindustria (3.5%).

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

FSI SGR S.p.A. was incorporated on 25 February 2016 with the aim of generating value for investors via the management of one or more investment funds, through equity investments intended to promote the growth of the companies ("growth capital"). On 6 December 2016, the Bank of Italy, subject to Consob's favourable opinion, granted FSI SGR the authorisation to carry out asset management activities.

In July 2017, the closing was completed for the purchase of 10% of FSI SGR by Magenta 71 S.r.l. from CDP. The share capital is held as follows: Magenta 71 S.r.l. – a vehicle owned by the managers chosen to manage the initiative (51.1%); CDP (39.0%); and Poste Vita S.p.A. (9.9%).

Lastly, the first closing of the "FSI Mid-Market Growth Equity Fund" was completed on 29 June 2017. The Fund is promoted and managed by FSI SGR with the goal of investing in Italian companies with significant potential for development, with a focus on organic growth and/or growth by acquisitions, on sector/chain consolidation, and on facilitating the IPO process. Alongside

CDP - the anchor investor of the initiative - other subscribers include sovereign funds, European insurance companies and banks, foundations and asset managers. At December 2017, FSI Mid Market Growth Equity Fund had received subscriptions for capital commitments of around 1.2 billion euro.

Galaxy S.àr.l. SICAR ("Galaxy")

Galaxy, a Luxembourg-registered investment company in risk capital (SICAR), was established to make equity or quasi-equity investments in transportation infrastructure, particularly in Italy, Europe and other OECD countries, in a manner typical of a private equity fund. The subscribers of Galaxy and the current shareholders of the SICAR are CDP, which holds around 40% of the share capital, Caisse des Dépôts et Consignations ("CDC"), which holds around 40% of the share capital, and Kreditanstalt für Wiederaufbau ("KfW"), which holds around 20% of the share capital. The company completed its investment phase in July 2009.

Given that the company no longer holds investments in its portfolio, during the year, the focus was on managing the tax dispute with the Australian Taxation Office ("ATO") concerning the sale of the equity investment in Flinders Ports Holdings Pty Ltd. In this regard, following several discussions, an agreement was reached with the ATO on 14 August 2017 for the settlement of the Flinders tax dispute through the payment by Galaxy of AUD 50 million (corresponding to around 34 million euro). The payment subject of the agreement was made on 28 August 2017 using part of Galaxy's available cash. On 29 August 2017, the ATO acknowledged the transaction and subsequently closed the proceedings against Galaxy.

The company approved a half year accounting situation at 31 December 2017 that reported a loss of around 203 thousand euro and a shareholders' equity of around 10 million euro, which will be distributed to the shareholders in 2018, net of the additional costs incurred up to its closure.

Istituto della Enciclopedia Italiana Fondata da Giovanni Treccani S.p.A. ("Treccani")

Treccani was established in 1933 through a legislative act, with the aim of continuing the publication of the Italian encyclopaedia initiated by the Istituto Giovanni Treccani in 1925. Treccani's activities mainly consist of the editorial, scientific or premium production of encyclopaedias and valuable works such as such as art books and history books.

On 18 October 2017, CDP acquired a 7.4% equity investment in Treccani, through a specific capital increase for new shareholders.

The financial statements of Treccani for the year 2017 show a pre-tax profit of 342 thousand euro, up 28% on 2016, and a net operating profit of 160 thousand euro. Total revenues, which increased by 0.8 million euro on the previous financial year, amounted to 9.8 million euro.

At 31 December 2017, Treccani's share capital amounted to around 62.7 million euro, with respect to a shareholders' equity of around 67 million euro.

Istituto per il Credito Sportivo ("ICS")

At 31 December 2017, Istituto per il Credito Sportivo was still subject to the extraordinary administration procedure initiated in 2010 and entrusted to an extraordinary receiver assisted by three members of the Supervisory Committee.

It should be recalled, with regard to the equity investment in ICS, that in 2013 the Office of the President of the Council of Ministers rescinded the 2005 Articles of Association, in implementation of the Directive issued to ICS in accordance with the Law dated 24 December 2003. Accordingly, in 2014 new Articles of Association were adopted, resulting in an increase in capital from approximately 9 million euro to 835 million euro, through the conversion of the endowment fund. The equity interests held by private investors in ICS were diluted as a result of the increased stake held by the government, and in particular CDP's interest fell from 21.62% to 2.214%.

On 1 March 2018, the receivership period of ICS ended, with the consequent transition to ordinary management.

Italgas S.p.A. (“Italgas”)

Italgas is the main natural gas distribution operator in Italy and the third largest in Europe. The company is listed on the Italian stock market, in the FTSE MIB index of Borsa Italiana.

You are reminded that the spin-off of the 100% equity investment in Italgas Reti, from SNAM to Italgas (a company incorporated on 1 June 2016), was completed on 7 November 2016. Therefore, in order to enable a like-for-like comparison of the 2017 figures for the Italgas Group with the corresponding figures for 2016, the figures for the previous year have been presented for the aggregate composed of Italgas S.p.A., since its establishment (1 June 2016), and of the companies Italgas Reti S.p.A., Napoletanagas S.p.A. and ACAM Gas S.p.A. from 1 January 2016.

Total revenues in 2017 (1,124 million euro) increased by 46 million euro (+4.3%) on 2016 and the adjusted operating profit (423 million euro) increased by 64 million euro (+17.9%) on the corresponding period of 2016. This increase is the outcome of the aforesaid increase in revenues and the decrease in operating costs, partly offset by the increase in depreciation/amortisation and impairments.

At 31 December 2017, Italgas reported adjusted net income of 296 million euro, increasing by 75 million euro (+34.0%) on 2016, due not only to the increase in adjusted operating profit but also to the decrease in net financial charges and growth in net income from equity investments, partially offset by higher income taxes.

Turning to the statement of cash flows and debt, the net cash flow from operating activity in 2017 (549 million euro) covered all net investment needs (440 million euro) and resulted in a positive free cash flow before the M&A transaction of 109 million euro, which partly covered the equity cash flow for the dividend paid to shareholders (-162 million euro). The net financial debt at 31 December 2017 amounted to 3,720 million euro with an increase of 103 million euro including the effect resulting from the change in the scope of consolidation (i.e. addition of the subsidiary Enerco Distribuzione S.p.A. from 6 December 2017). The shareholders’ equity amounted to 1,186 million euro (+121 million euro).

With regard to the main events in 2017, you are reminded that the strategy of consolidation of the sector was effectively pursued also through a series of transactions including: the acquisition of 100% of the share capital of Enerco Distribuzione, the holder of 27 concessions in the provinces of Padua and Venice; the signing of a binding agreement with CPL Concordia for the acquisition of a portfolio of 7 gas concessions in Campania, Calabria and Sicily for a total of 16 municipalities; and the signing of a binding agreement with Hera for the transfer to Italgas of 100% of Medea, the company that holds the concession for the distribution and sale of gas in the town of Sassari.

In addition, the merger of Napoletanagas S.p.A. into Italgas Reti S.p.A. was completed with effect from 1 October 2017, and bids were made, in June and September 2017, respectively, for the gas distribution services contracts of Atem Torino 2 (around 190 thousand redelivery points in 48 municipalities in the Turin area) and in the Atem district of Belluno (around 45 thousand redelivery points in 74 municipalities).

Poste Italiane S.p.A. (“Poste Italiane”)

Poste Italiane is the largest Italian company in the services sector and the first in the country in terms of number of employees. The company operates in the mail and logistics sector and is one of the main players in Italy in financial services and insurance. The company is listed on the Italian stock market.

At 31 December 2017, the cumulative direct and indirect funding amounted to 506 billion euro, up 2.7% on 493 billion euro recorded at the end of 2016. This figure benefited primarily from the increase in the technical reserves of the life insurance segment, in BancoPosta direct deposits and in investment funds.

At the level of the main consolidated income statement figures, the total revenues for 2017 amounted to 10.6 billion euro, essentially stable compared to the previous financial year. The “Mail, packages and distribution” sector posted revenues from third parties of 3.6 billion euro, -5.0% on 3.8 billion euro for 2016, with revenues of the parcels segment offsetting the effects of the decline in mail volumes. The “Mobile and Digital Payments” was up, with revenues from third parties of 586 million euro (+3% on 570 million euro recorded in 2016). The “Financial Services” sector was stable, having generated revenues from third parties of 5 billion euro, while the “Insurance Services” sector, in a market scenario characterised by a fall in insurance premiums, posted revenues from third parties of 1.5 billion euro, up 17.2% on 1.2 billion euro for the previous financial year. Operating profit was up by 7.8% on the previous year (1,041 million euro) to 1,123 million euro, mainly due to the positive results posted in the Insurance Services sector. The increase was due to the already mentioned positive revenue performance combined with the sharp reduction in operating costs. Lastly, net income was 689 million euro, up from 622 million euro in the previous financial year.

The consolidated balance sheet at 31 December 2017 shows a net financial position with a surplus of 1,029 million euro, an improvement on the surplus of 893 million euro at the end of 2016.

QuattroR SGR S.p.A.(“QuattroR SGR”)

QuattroR SGR was incorporated on 4 August 2016. On 30 December 2016 it was authorised by the Bank of Italy, with Consob’s favourable opinion, to carry out asset management activities. The QuattroR SGR was established to promote and implement, through one or more funds, operations for the restructuring, support and consolidation of the financial and equity structure of Italian companies which, despite temporary financial or equity imbalances, present good industry and market prospects. At 31 December 2017, QuattroR SGR managed the QuattroR investment fund, which completed the first closing on 5 April 2017, attracting subscriptions in excess of 700 million euro, as describer further down.

CDP holds 40.0% of the shares of QuattroR SGR and the remainder (60%) is held by the managers chosen to manage the initiative.

In October 2017, CDP sold the managers of the company equity instruments totalling 600 thousand euro (equal to their nominal value). CDP currently owns equity instruments for a total amount of 400 thousand euro.

Risparmio Holding S.p.A. (“Risparmio Holding”)

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

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

On 3 July 2017, UniCredit and Amundi announced the closing of the transaction relating to the sale of Pioneer’s business activities to Amundi.

SNAM S.p.A. (“SNAM”)

SNAM is the European leader in the construction and integrated management of natural gas infrastructures. SNAM is engaged in the transportation (SNAM Rete Gas), storage (Stogit) and regasification (GNL Italia) of natural gas. In Italy it manages the national transport network. The company is listed on the Italian stock market.

You are reminded that the spin-off of the 100% equity investment in Italgas Reti, from SNAM to Italgas (a company incorporated on 1 June 2016), was completed on 7 November 2016. Accordingly, the adjusted results have been presented to enable better comparison with the 2016 results.

In 2017, SNAM recorded positive results: revenues (2,441 million euro) up by 26 million euro (+1.1%) on 2016 and adjusted operating profit (1,363 million euro) up by 27 million euro (+2.0%) on the previous financial year. This growth is essentially due to higher revenues from the transport and natural gas storage sectors and to the decrease in operating costs, partly offset by higher amortisation, depreciation and impairment in the period due to the depreciation of new infrastructures now operational.

In 2017, Italgas reported adjusted net income of 940 million euro, up by 95 million euro (+11.2%) on the pro-forma adjusted net income for 2016, also due to lower net financial charges, higher net income from equity investments and lower income taxes.

Turning to the statement of cash flows and debt, the net cash flow from operating activity (1,864 million euro) covered all net investment needs in the period (1,441 million euro) and resulted in a positive free cash flow of 423 million euro. Net of the payment of the 2016 dividend to the shareholders (718 million euro) and the outlays associated with purchasing treasury shares (210 million euro), the net financial debt was 11,550 million euro, increasing by 494 million euro on 31 December 2016.

The main events in 2017 included the successful completion in October of the repurchase of bonds from the market with a total nominal amount of 607 million euro largely financed by the repurchase price (656 million euro) through a bond issue for a nominal amount of 650 million euro.

The company continued the share buyback programme launched on 7 November 2016 (at 31 December 2017 SNAM held treasury shares representing 2.45% of the share capital with a total book value of approximately 318 million euro).

Lastly, in October 2017, SNAM finalised the acquisition from Edison of 100% of the share capital of Infrastrutture Trasporto Gas S.p.A. (ITG), the third largest Italian transporter of natural gas, and of a 7.3% stake in Terminale GNL Adriatico S.r.l. (Adriatic LNG), the leading offshore infrastructure for the discharge, storage and regasification of LNG and the largest LNG terminal in Italy.

TERNA S.p.A. (“Terna”)

Terna is an independent energy transmission grid operator and one of the largest in Europe in terms of kilometres of lines managed. The company is listed on the Italian stock market.

In 2017, Terna achieved growth in relation to the main financial indicators. In particular, revenues amounted to 2,248 million euro, up by 145 million euro (+6.9%) compared to 2016, mainly due to the growth in the scope of remunerated regulated assets. The operating profit came to 1,077 million euro, up by 41 million euro (+4.0%) on 2016, while the Group’s net income amounted to 688 million euro, up by 55 million euro on the previous financial year (+8.7%).

At the level of the cash flow statement and debt, cash flow from operating activity of 1,634 million euro covered all investment needs for the year of 1,034 million euro, resulting in positive free cash flow of 600 million euro. Consequently, considering primarily the outlay for the dividends distributed to shareholders in 2017 (418 million euro), net financial debt was 7,796 million euro at 31 December 2017, a decrease of 180 million euro compared to 2016.

The main events in 2017 included the following: in June, the signing of an agreement with the European Investment Bank (EIB) for a loan of 85 million euro to support investments in the development of the Capri-continent electrical connection and the reorganisation of the Sorrento Peninsula and the closing of the transaction with the Planova Group for the purchase of two concessions to build and run approximately 500 km of electrical infrastructure in Brazil; in July, the signing of Project Finance agreements for USD 81 million for the construction of the 500 kV transmission line that will connect the cities of Melo and Tacuarembó in Uruguay and an agreement with the EIB for a loan of 130 million euro to support the investments for the public part of the “Piemonte-Savoia” project, the 320 kV direct current electrical interconnection that will connect Italy and France; and, also in July, the launch of a 10-year bond issue for 1 billion euro. Lastly, in October, S&P Global Ratings upgraded the company’s long-term rating from “BBB” to “BBB+” with stable Outlook.

4.3.2.3 Performance of investment funds and investment vehicles

Some brief information about the activities in 2017 of each fund to which CDP has made commitments is provided below.

Inframed Infrastructure Sas à Capital Variable ("Fondo Inframed")

The Fund, which was established in 2010, has a total size of 385 million euro.

At 31 December 2017, the Fund's portfolio, for which the investment period ended on 31 December 2015, consisted of 5 greenfield investments: (i) three already operational respectively in Turkey ("LimakPort Iskenderun" and "Limak Dogalgaz") and in Jordan ("Jordan Wind Project Company"); (ii) one under construction in Egypt ("Egyptian Refining Company") and (iii) one under development in Jordan ("Lamsa Wind Project"). In July 2017, the Fund completed the process of disposal of two investments previously held in the portfolio: (i) a photovoltaic plant located in Egypt ("El Gouna"), achieving a negative domestic rate of return of -5% gross and -37% net; and (ii) a project to promote a satellite system for the provision of broadband communication services in Africa ("Broadband for Africa") with a positive rate of return of 54% gross and 31% net.

In 2017, the Fund issued two capital calls, in January and December, for a total of approximately 11.4 million euro, of which 4.4 million euro attributable to CDP. These resources were allocated, in addition to the payment of the Corporate Expenses and Management Fees for the years 2016 and 2017, respectively to: (i) a further contribution to the "Broadband for Africa" project and (ii) a follow-up investment in the "Lamsa Wind Project", for the construction of a wind farm in Jordan.

Around 239 million euro of the Fund's total commitment has been invested. Since it commenced operations, the Fund has called up approximately 325 million euro, corresponding to 84% of the total subscribers' commitments.

At 31 December 2017, the Fund's NAV was estimated at 396.7 million euro (around 33 million euro higher than the previous year).

2020 European Fund For Energy, Climate Change and Infrastructure Sicav-Fis S.A. ("Marguerite Fund")

The Fund, which was established in 2009, has a total size of 710 million euro and reached the end of its investment period in December 2017, following the extension by one year approved by the unitholders. The Marguerite Fund has invested in nineteen companies in thirteen member states, issuing total capital calls to its investors of 598.5 million euro (approximately 84% of total commitments) and has committed the total remaining amount. In addition, as part of the establishment of the Marguerite Fund II, in the fourth quarter of 2017 the sale was completed of five operational assets of Marguerite to Pantheon, a global asset manager. These consisted of an offshore wind farm in Germany (Butendiek); two photovoltaic plants in France (Toul-Rosières and Massangis); an offshore wind farm in Belgium (C-Power); and a motorway in Spain (Autovia de Arlanzon). Lastly, as part of the establishment of the Marguerite Fund II, in February 2018 the sale was completed of four assets from Marguerite to Marguerite II, consisting of: biomass plants in Portugal (Gestamp), an onshore wind farm in Sweden (Celsius), the Pedemontana-Veneta dual carriageway, and an FTTH network in France (Losange SAS). The Fund's NAV at 31 December 2017 was estimated at around 454 million euro.

The investments in 2017 included the following main transactions: (i) acquisition in a consortium with F2i, through the newly established vehicle (2i Fiber S.p.A.) respectively held 80% by F2i Secondo Fondo and 20% by Marguerite, of 94.12% of Infracom Italia S.p.A.[21] from the Abertis group, of 100% of MC-link S.p.A and of 90% of KPNQWEST Italia[22]; (ii) acquisition of a 90% stake in two biomass plants in Portugal (at Fundão and Viseu); (iii) acquisition of an onshore wind farm for a total of 48 MW in Sweden; (iv) subscription of part of the subordinated bond issued by Superstrada Pedemontana Veneta S.p.A.; and (v) acquisition of 10% of *Fraport Greece*, owner and operator of fourteen regional airports in Greece.

21 At 31 December 2017, 2i Fiber S.p.A.'s equity investment in Infracom had reached 97.33% following the purchase of several non-controlling interests.
22 The closing of the transaction took place in January 2018

European Energy Efficiency Fund SA, SICAV-SIF (“EEEF Fund”)

EEEF is a Luxembourg variable capital investment vehicle established in 2011, with total commitments of 265 million euro, of which 59.9 million euro subscribed by CDP. At 31 December 2017, the Fund’s portfolio included thirteen investments in eight countries (two in Germany, one in Holland, four in France, one in Italy, one in Romania, two in Spain, one in Great Britain and one in Portugal).

At 31 December 2017, the fund’s NAV was estimated at approximately 137 million euro, of which approximately 17 million euro attributable to CDP. In December 2015, the draw-down ratio between the various categories of the Fund’s investors was changed (“class A” units, “senior tranches” subscribed by CDP and EIB, “class B” units, “mezzanine tranches”, subscribed by CDP, EIB and Deutsche Bank, the fund’s manager, and “class C” units, “junior tranches”, subscribed by the European Commission) and the investment period solely for “class A” and “class B” units was also extended from 31 March 2016 to 31 December 2018. The commitment period relating to the “class C” units expired in March 2017, with a total capital call of around 97 million euro (compared to the original commitment of 125 million euro).

F2i - Secondo Fondo Italiano per le Infrastrutture

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

Investments were carried out: (i) acquisition in consortium with the Marguerite Fund, through the newly established vehicle (2i Fiber S.p.A.), respectively held 80% by F2i Secondo Fondo and 20% by Marguerite, of 94.12% of Infracom Italia S.p.A.[23] from the Abertis group, of 100% of MC-link S.p.A and of 90% of KPNQWEST Italia[24]; (ii) acquisition, through a newly-established vehicle controlled by F2i ER1 S.p.A., of San Marco Bionenergie S.p.A., a company owning a wood biomass power plant with a capacity of 21 MW; and (iii) purchase of six of the seven wind power companies of the Veronagest Group (253 MW). Disposals included the sale of the investment in Alerion, held by Secondo Fondo, following the acceptance of the public takeover bid made by the competing operator Fri-EL (the sale also included the stake held by Primo Fondo F2i).

Since commencement the Fund has called up approximately 685 million euro, equal to 55.1% of subscribers’ commitments, and undertaken distributions (income and redemptions) of around 134 million euro. At 31 December 2017, the Fund’s contractualised commitments amounted to 248.4 million euro.

At 31 December 2017, the Fund held total investments in portfolio of 806.7 million euro and had an NAV at year-end of approximately 848 million euro, of which approximately 68 million euro was attributable to CDP.

F2i - Terzo Fondo per le Infrastrutture

Terzo Fondo F2i completed its first closing in December 2017 through the merger by incorporation of Primo Fondo F2i, as well as the subscription of new commitments for a total of 3,142 million euro. Terzo Fondo F2i will continue the management and development of the major infrastructure platforms held by Primo Fondo and will also invest in new infrastructure projects with potential for efficiency improvement of the portfolio, with a focus on brownfield infrastructure.

At 31 December 2017, the fund held total investments in portfolio of around 2,019 million euro and had an NAV at year-end of 2,044.3 million euro, of which approximately 98 million euro was attributable to CDP.

Lastly, please note that Primo Fondo F2i, which was launched in 2007, has invested almost all its resources having called up a total of 1,823 million euro from its investors, representing 98.5% of the Fund’s total commitment.

23 At 31 December 2017, 2i Fiber S.p.A.’s equity investment in Infracom had reached 97.33% following the purchase of several non-controlling interests.
24 The closing of the transaction took place in January 2018

Fondo PPP Italia

Launched in 2006 with a total size of 120 million euro, the Fund ended its investment phase in 2013 and may carry out add-on acquisitions on existing portfolio investments until December 2018 (the fund's maturity). Since commencement, the Fund has called up approximately 106 million euro, equal to approximately 88% of subscribers' commitments, and issued gross distributions of approximately 46.6 million euro.

In 2017, the Fund made distributions to investors of approximately 9 million euro (1.3 million euro attributable to CDP). During the reporting period, the Fund did not issue additional capital calls to subscribers.

At 31 December 2017, the Fund had invested in fourteen projects, consisting of seven public-private partnerships and seven renewable energy projects. The Fund's NAV at 31 December 2017 was approximately 72 million euro, of which 10 million euro attributable to CDP.

Marguerite II SCSp ("Marguerite Fund II")

The Marguerite Fund II, the successor fund of the Marguerite Fund, completed its first closing on 30 November 2017. The Marguerite Fund II has received subscription commitments totalling 705 million euro, of which 100 million euro each from CDP and from leading European National Promotion Institutions (CDC, KfW, ICO, and BGK), for a total of 500 million euro, and 200 million euro from the European Investment Bank, of which 100 million euro from the European Fund for Strategic Investments ("EFSI). The Marguerite Fund II will pursue a similar investment strategy to the Marguerite Fund, with a focus on the greenfield segment and a pan-European approach, by promoting the launch of new infrastructure projects and the expansion of existing projects in line with the objectives of the Investment Plan for Europe. The main areas of intervention concern: the reduction of CO2 emissions to be pursued through investments in energy efficiency and renewable energy, the optimisation of transport networks and the improvement of energy supply security, and the improvement of ICT infrastructures. In addition, the Fund will finance innovative green projects contributing to the transition to a low-carbon economy.

At 31 December 2017, the Marguerite Fund II had not made any capital calls/distributions to its investors and did not have any investments in its portfolio. Lastly, as part of the establishment of the Marguerite Fund II, in February 2018 the sale was completed of four recently acquired assets from Marguerite to Marguerite II, consisting of: biomass plants in Portugal (Gestamp), an onshore wind farm in Sweden (Celsius), the Pedemontana-Veneta dual carriageway, and an FTTH network in France (Losange SAS).

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

The Sub-fund One of FIL has been operational since 2006 and had a total size of 521.9 million euro at 31 December 2017, of which 3.8% subscribed by CDP. The Fund is currently in the investment phase.

At 31 December 2017, a total of around 283.4 million euro had been called-up (corresponding to around 54% of subscribed commitments), of which 11.3 million euro attributable to CDP, and the Fund had distributed around 11 million euro, of which 0.5 million euro attributable to CDP as partial *pro rata* capital repayments.

In 2017, FIL acquired two initiatives for the development of approximately 599 apartments for a total investment of approximately 81.8 million euro. At 31 December 2017, the Fund had invested in twenty-one initiatives, for a total of 3,125 units, of which approximately 1,025 are already available, in addition to three university halls of residence, for a total of 947 beds, of which 541 have already been completed. In 2017, FIL had not made any capital calls or distributions of income or *pro rata* capital repayments.

At 31 December 2017, the value of the real estate portfolio of the Sub-fund One of the Fund amounted to around 247 million euro and the NAV was around 272 million euro, of which around 11 million euro attributable to CDP.

Fondo Investimenti per l'Abitare ("FIA")

This Fund has been operational since 2010 and had a total size of 2,028 million euro at 31 December 2017, of which 49.3% subscribed by CDP. The Fund is currently in the investment phase.

At 31 December 2017, a total of around 783 million euro had been called-up (equal to around 49% of subscribed commitments), of which 422.8 million euro attributable to CDP, and the Fund had distributed around 14.7 million euro, of which 7.4 million euro attributable to CDP as partial capital repayments.

Additional investments of approximately 137 million euro were approved in 2017, within the framework of the restructuring of certain target funds. Payments of approximately 139 million euro, called up by the underlying funds, were also undertaken during the year. At year-end investments of 1,730 million euro had been definitively authorised (approximately 85% of the subscribed amount of the Fund), whereas investments of 776 million euro had received authorisation according to dynamic allocation, in 30 local funds managed by nine management companies. On the whole, total authorisations refer to approximately 294 projects that ultimately (completion is scheduled for 2020) will yield 20,000 social housing units and accommodations for 8,500 people in temporary and student residences, in addition to local services and proximity stores. In 2017, FIA had called up 66.7 million euro attributable to CDP and distributed 7.4 million euro attributable to CDP.

Fondo Investimenti per la Valorizzazione ("FIV")

Extra Sub-fund

The Extra Sub-fund of FIV has been operational since 2013 and had a total size of 1,130 million euro at 31 December 2017, entirely subscribed by CDP. The Sub-fund is currently in the investment phase.

At 31 December 2017, a total of around 799 million euro had been called-up from CDP (71% of subscribed commitments) and 16.8 million euro had been distributed, as partial *pro rata* capital repayments.

In 2017, the Extra Sub-fund completed the acquisition of six state-owned properties as part of an extraordinary transaction with the State Property Office for a total value of around 20 million euro. In 2017, the Extra Sub-fund received commitments of 20.5 million euro and distributed 16.8 million euro attributable to CDP.

At 31 December 2017, the value of the real estate portfolio amounted to around 595 million euro and the NAV was around 612 million euro.

Plus Sub-fund

The Plus Sub-fund of FIV has been operational since 2012 and had a total size of 272.6 million euro at 31 December 2017, entirely subscribed by CDP. The Sub-fund is currently in the investment phase.

At 31 December 2017, capital calls of approximately 111.2 million euro had been issued (around 41% of commitments) and no distributions had been made.

In 2017, an additional 96 million euro was subscribed by CDP in the Plus Sub-fund. In addition, during the year, units of the Sub-fund were transferred from CDP Immobiliare to CDP, for a value of 76.6 million euro, that had been assigned to CDP Immobiliare as consideration for the transfer of fourteen properties completed in July last year. In 2017, the Plus Sub-fund called up 80.6 million euro (of which 76.6 million euro paid for the aforementioned properties transfer).

At 31 December 2017, the value of the real estate portfolio amounted to around 88 million euro and the NAV was around 100 million euro.

Fondo Investimenti per il Turismo (“FIT”)

FIT has been operational since 2016 and had a total size of 100 million euro at 31 December 2017, entirely subscribed by CDP. The Fund is currently in the investment phase.

At 31 December 2017, capital calls of approximately 63.4 million euro had been issued (around 63.4% of commitments) and no distributions had been made.

In 2017, FIT subscribed 80 million euro of FT1, the first fund operating through the resources of FIT, which in turn approved investments of around 92 million euro for the purchase of five tourist resorts. FT1 is currently in the fundraising phase. In 2017, FIT issued capital calls for 62 million euro.

At 31 December 2017, the Fund’s NAV was approximately 60 million euro.

Fondo FIA2 (“FIA2”)

FIA2 has been operational since 2017 and had a total size of 100 million euro at 31 December 2017, entirely subscribed by CDP. The Fund is currently in the fundraising phase.

At 31 December 2017, capital calls of approximately 10.9 million euro had been issued (around 10.9% of commitments) and no distributions had been made.

In 2017, FIA2 subscribed 32 million euro of the Ca’ Tron H-Campus fund, representing the first investment intervention in the innovation and training sector. In 2017, FIA2 issued capital calls for 10.9 million euro.

At 31 December 2017, the Fund’s NAV was approximately 10 million euro.

European Investment Fund

The European Investment Fund (“EIF”) is a public-private partnership under Luxembourg law held by the EIB (58.5%), the European Commission (29.7%) and 32 public and private financial institutions (11.8%).

On 3 September 2014 CDP purchased 50 units of the European Investment Fund from the EIB for a total nominal value of 50 million euro, equal to a share of 1.11% at 31 December 2017. The Fund has called up 20% of the commitments and had a residual investment commitment of 40 million euro at 31 December 2017.

In May 2017, CDP received dividends for the year 2016 paid by the EIF for an amount of around 288 thousand euro.

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

FII Tech Growth

This Fund has been operational since 21 September 2017 and had a size of 50 million euro at 31 December 2017, entirely subscribed by CDP. The Fund is currently in the fundraising phase.

At 31 December 2017, the Fund had called up approximately 4 million euro (around 8% of the total commitment) and had made an investment in a start-up.

At 31 December 2017, the fund’s NAV was approximately 3 million euro.

Fondo Italiano di Investimento

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

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

The total size of Fondo Italiano di Investimento following the demerger is 720 million euro.

After receiving several expressions of interest in the fund's portfolio in 2016, the unitholders opted, together with FII SGR, to implement a structured process to enhance the value of their units, appointing an internationally recognised advisor in November 2016 to organise and manage the competitive bidding process. The sale process attracted two separate binding offers from leading private equity operators. On 29 June 2017, the fund's investors signed a memorandum of understanding with Neuberger Berman to negotiate the terms of the contract of sale. On 30 November 2017, the closing was completed of the above-mentioned sale with Neuberger Berman.

Fondo Italiano di Investimento - Fund of Funds

The Fund was created with assets of 389 million euro through the demerger of Fondo Italiano di Investimento authorised by the Unitholders' Meeting on 5 April 2016.

At 31 December 2017, the Fund had subscribed commitments of approximately 360 million euro to sixteen private-equity funds, with an average investment of 20 million euro, of which approximately 276 million euro (71% of the total commitment) had been called up from investors. The Fund made partial early distributions, against disposals, amounting to approximately 134 million euro.

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

At 31 December 2017, the Fund's NAV was approximately 158 million euro.

Fondo Italiano di Investimento - FII Venture

The Fund was created with assets of 91.2 million euro through the demerger of Fondo Italiano di Investimento authorised by the Unitholders' Meeting on 5 April 2016.

At 31 December 2017, the Fund had subscribed commitments of approximately 80 million euro to 5 venture capital funds, with an average investment of 16 million euro, of which approximately 54 million euro (59% of the total commitment) had been called up from investors. The Fund made partial early distributions, against disposals, amounting to approximately 1 million euro.

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

At 31 December 2017, the Fund's NAV was approximately 43 million euro.

Fondo di Fondi Private Debt

The Fund has been operational since 1 September 2014 and had a size of 400 million euro at 31 December 2017, of which 250 million euro subscribed by CDP. The fundraising period ended on 30 June 2017.

At 31 December 2017, the Fund had called up approximately 114 million euro (around 28% of the total commitment) and had made partial early distributions of around 6 million euro.

At 31 December 2017, the Fund had finalised the closing of nine private debt funds for a total commitment of 290 million euro. The funds currently in the portfolio of Fondo di Fondi Private Debt have in turn reached a total size in excess of 1.1 billion euro, with a leverage effect on the market of around four times.

At 31 December 2017, the fund's NAV was approximately 112 million euro.

Fondo di Fondi Venture Capital

The fund has been operational since 1 September 2014 and had a size of euro 163 million at 31 December 2017, of which 125 million euro subscribed by CDP. The fundraising period ended on 30 June 2017.

On 19 May 2017, CDP subscribed an additional amount of 75 million euro.

At 31 December 2017, the Fund had called up approximately 18 million euro (around 11% of the total commitment) and had made partial early distributions of around 3 million euro.

At 31 December 2017, the Fund had seven investments in venture capital funds for a total commitment of approximately 97 million euro.

At 31 December 2017, the fund's NAV was approximately 12 million euro.

Fondo Innovazione e Sviluppo

The fund has been operational since 21 September 2017 and had a size of euro 190 million at 31 December 2017, of which 150 million euro subscribed by CDP. The Fund is currently in the fundraising phase.

At 31 December 2017 no investments had been made, because the Fund had only recently started operations. At 31 December 2017, the Fund had issued capital calls to the investors of around 2 million euro.

At 31 December 2017, the Fund's NAV was 0.7 million euro.

Fondo QuattroR

Fondo QuattroR is managed by QuattroR SGR and finalised the first closing on 5 April 2017, attracting subscriptions in excess of 700 million euro. The anchor investors of the Fund include, in addition to CDP (with a total commitment of 300 million euro), other leading Italian institutional investors. The Fund's aim is to re-launch medium and large-sized Italian companies which are temporarily in crisis but have solid industrial fundamentals.

At 31 December 2017, the Fund had called up approximately 38 million euro (around 5% of the total commitment) and had made one investment.

At 31 December 2017, the fund's NAV was approximately 29 million euro.

FSI Mid-Market Growth Equity Fund

On 29 June 2017, the first closing of the "FSI Mid-Market Growth Equity Fund" was completed. The Fund is promoted and managed by FSI with the goal of investing in Italian companies with significant potential for development, with a focus on organic growth and/or growth by acquisitions, on sector/chain consolidation and on facilitating the IPO process. Alongside CDP - the anchor investor of the initiative - other subscribers include sovereign funds, European insurance companies and banks, foundations and asset managers. At December 2017, FSI Mid Market Growth Equity Fund had received subscriptions for capital commitments of around 1.2 billion euro.

At 31 December 2017, the Fund had called up approximately 9 million euro (around 1% of the total commitment) and had made one investment.

At 31 December 2017, the fund's NAV was estimated at approximately 4 million euro.

Vertis Venture 3 Technology Transfer

The fund has been operational since 30 August 2017 and had a size of euro 40.4 million at 31 December 2017, of which 20 million euro subscribed by CDP. The Fund is currently in the fundraising phase.

Vertis Venture 3 Technology Transfer is the first fund launched by the ITAtech Platform and has therefore been subscribed by the European Investment Fund for an amount equal to the subscription by CDP.

At 31 December 2017 no investments had been made, because the Fund had only recently started operations.

At 31 December 2017, the Fund had issued capital calls to the investors of around 0.4 million euro.

At 31 December 2017, the Fund's NAV was estimated at 0 million euro.

Fondo Atlante

Incorporated in April 2016 with a commitment of 4,249 million euro, Fondo Atlante was promoted by Quaestio Capital SGR S.p.A. to invest in: (i) banks with capital ratios that are below the minimum thresholds set by the SREP[25], which therefore must proceed, upon request of the Supervisory Authority, with initiatives to strengthen their capital through share capital increases; and (ii) transactions involving NPLs originating from Italian banks.

During the period ended on 31 December 2017, the Fund invested in Banca Popolare di Vicenza S.p.A. (99.33% of capital) and Veneto Banca S.p.A. (97.64% of capital) and also invested, via the Italian Recovery Fund (former Fondo Atlante II), in the NPLs[26] of Nuova Banca dell'Etruria e del Lazio S.p.A., Nuova Cassa di Risparmio di Chieti S.p.A., Nuova Banca delle Marche S.p.A., Nuova Cassa di Risparmio di Ferrara S.p.A., Cassa di Risparmio di Rimini S.p.A., Cassa di Risparmio di San Miniato S.p.A. and Cassa di Risparmio di Cesena S.p.A.

At 31 December 2017, the Fund had called up approximately 3,916 million euro, equal to 92.2% of subscribers' commitments.

On 25 June 2017, having realised that precautionary recapitalisation was not feasible, the Government and the Bank of Italy decided to initiate the compulsory administrative liquidation proceedings set out in the Consolidated Law on Banking and in Decree Law No. 99 of 25 June 2017. The decree provided for the compulsory administrative liquidation of Banca Popolare di Vicenza S.p.A. and Veneto Banca S.p.A. and the concurrent sale to Intesa Sanpaolo of certain related assets and liabilities, with exception to a few items. By this solution, the cost of the crisis will be covered primarily by the shareholders and the holders of the two banks' subordinated bonds. In fact, the foregoing parties maintain their rights in the liquidation proceedings, with such rights to be satisfied only if the Government recovers in full its outlays in support of the intervention and if the claims of all other creditors are satisfied.

At 31 December 2017, the Fund's NAV, as communicated by Quaestio, was approximately 523 million euro.

Italian Recovery Fund (former Fondo Atlante II)

Incorporated in October 2016, Fondo Atlante II was promoted by Quaestio Capital SGR S.p.A. to invest in transactions involving NPLs originating from Italian banks. The fundraising for the Fund was extended in 2017 until 31 December 2017 to enable investors to increase Fund's resources. In December 2017, an additional closing of the Fund was completed, which increased the total commitment to 2,480 million euro.

On 27 October 2017, the Unitholders' Meeting of the Fund changed its name from Fondo Atlante II to Italian Recovery Fund.

25 Supervisory Review and Evaluation Process
26 Non-Performing Loans

During the period ended on 31 December 2017, the Fund invested in the NPLs of Nuova Banca dell'Etruria e del Lazio S.p.A., Nuova Cassa di Risparmio di Chieti S.p.A., Nuova Banca delle Marche S.p.A., Nuova Cassa di Risparmio di Ferrara S.p.A., Cassa di Risparmio di Rimini S.p.A., Cassa di Risparmio di San Miniato S.p.A. and Cassa di Risparmio di Cesena S.p.A.

At 31 December 2017, the Fund had called up approximately 1,264 million euro, equal to 51.0% of subscribers' commitments.

At 31 December 2017, the Fund's NAV, as communicated by Quaestio, was approximately 1,258 million euro.

4.4 Income statement and balance sheet results

4.4.1 CDP S.p.A.

During the year, in its role as National Promotion Institution, CDP has continued to provide services of general economic interest and recording a significant improvement, notwithstanding the modest growth prospects and the uncertainty related to interest rates, which recorded a modest increase. In this context, CDP has successfully pursued its objectives of economic and financial balance, improving profitability and strengthening its financial structure and capital base.

Net income for the year was 2,203 million euro, a significant increase compared with 2016, mainly due to higher net interest income and lower cost of credit and equity risk, and despite the decision to increase the capitalisation of its subsidiaries by increasing the share of net income not distributed to the Parent Company.

4.4.1.1 Reclassified income statement

The economic performance of CDP was analysed using the income statement layout reclassified on the basis of management criteria.

RECLASSIFIED INCOME STATEMENT

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Net interest income	**2,965**	**2,369**	**596**	**25.2%**
Dividends	1,355	1,571	(216)	-13.8%
Gains (losses) on equity investments	(53)	(564)	511	-90.6%
Net commission income (expense)	(1,471)	(1,484)	13	-0.9%
Other net revenues (costs)	22	31	(9)	-29.7%
Gross income	**2,817**	**1,922**	**895**	**46.5%**
Net recoveries (impairment)	(4)	(163)	159	-97.6%
Overheads	(150)	(142)	(8)	5.8%
- of which: administrative expenses	*(143)*	*(135)*	*(8)*	*6.1%*
Operating income	**2,673**	**1,627**	**1,046**	**64.3%**
Provisions for risks and charges	0.1	(1)	1	n/s
Income taxes	(463)	44	(507)	n/s
Net income for the year	**2,203**	**1,663**	**541**	**32.5%**

Net interest income was 2,965 million euro, up sharply on 2016, mainly due to active ALM and, in particular, active treasury management and the (modest) increase in interest rates. The managerial actions taken during the year have enabled CDP to continue: (i) the funding diversification process with new bond issues and (ii) the acquisition of hedges on assets, to minimise CDP's exposure to interest rate risk. Looking at the net interest income components in more detail we can see that (i) interest income came to 7,463 million euro, up sharply on 6,723 million euro for 2016, with the core component, relating to loans and debt securities, accounting for around 70%; and (ii) interest expense amounted to 4,499 million euro, essentially stable compared to 2016 (around +3%) despite the already mentioned continuation of the funding diversification process.

The decrease in dividends (1,355 million euro, -14% compared with 2016) is mainly due to: (i) the decision to increase the capitalisation of the subsidiary SACE by increasing the share of net income that is not distributed to the Parent Company, (ii) the advance on the CDP RETI dividend on the 2015 profits collected in the first months of 2016, only partly offset by the Poste Italiane dividend.

The contribution from "Gains (Losses) on equity investments" was negative by 53 million euro, driven by the recognition of impairment losses on Fondo Atlante in the valuation component of the equity investment portfolio, partly offset by the gains (i) from CDP's transfer to CDP RETI of the 1.12% interest in SNAM and the 0.97% interest in Italgas, which had been posted to CDP's assets following the merger by incorporation of CDP Gas into CDP and (ii) generated by mutual funds.

Net commission expense was equal to -1,471 million euro, slightly down on 2016 (1,484 million euro), reflecting the increase in commission income, primarily on Export Bank.

Other net revenues (costs) were equal to 22 million euro, slightly down on the 31 million euro reported in 2016. This item mainly includes profits (losses) on trading activities, fair value adjustments in hedge accounting and gains (losses) on disposal or repurchase of loans and securities.

Net impairment losses/recoveries were around -3.9 million euro, significantly down from the previous year (-163 million euro in 2016), due to the loan portfolio benefiting from the lower risk of performing loans and exposures related to some sectors financed by CDP.

Overhead costs include staff costs and other administrative expenses, in addition to net adjustments to/recoveries on property, plant and equipment and intangible assets, as shown in the table below:

BREAKDOWN OF OVERHEAD COSTS

(thousandss of euro; %)	31/12/2017	31/12/2016	Change (+/-)	(%) change
Staff costs	**85,918**	**80,891**	**5,027**	**6.2%**
Other administrative expenses	**55,794**	**53,648**	**2,146**	**4.0%**
Professional and financial services	12,748	12,475	273	2.2%
IT costs	22,083	22,312	(229)	-1.0%
General services	10,228	8,933	1,296	14.5%
Publicity and marketing expenses	2,511	2,417	94	3.9%
Information resources and databases	1,195	1,194	2	0.1%
Utilities, taxes and other expenses	6,730	6,037	693	11.5%
Corporate bodies	299	282	17	6.1%
Total net administrative expenses	**141,712**	**134,539**	**7,173**	**5.3%**
Expenses charged back to third parties	1,728	594	1,134	191.0%
Total administrative expenses	**143,440**	**135,133**	**8,308**	**6.1%**
Amortisation, depreciation and write-downs of property, plant and equipment and intangible assets	6,902	7,022	(121)	-1.7%
Grand total	**150,342**	**142,155**	**8,187**	**5.8%**

Total staff costs for 2017 amounted to approximately 86 million euro, up on 2016. The increase was chiefly a result of the budgeted plan to boost headcount in a manner consistent with CDP's new role as National Promotion Institution. The extent and complexity of the change in CDP's scope of operations has required a significant reinforcement of its internal skill set and adjustments to its processes and systems. Within this framework, the development of internal resources and the ability to recruit top external talent are fundamental, also to create a Group culture oriented towards results and innovation.

Other administrative expenses increased by 2.1 million euro (+4% on the previous financial year). In conjunction with the aforementioned skill set strengthening, key elements of the Plan were (i) the redesign of the governance rules and main processes of CDP and the Group, (ii) the modernisation and completion of the IT architecture and (iii) the increased presence of CDP at the local level.

Lastly, income tax for the year amounted to 463 million euro. This figure reflects, among other things, (i) IRES, IRES surcharge and IRAP taxes for the year, and (ii) a decrease in deferred tax assets, mainly due to the recognition of the impairment on receivables and commitments, loans and mutual fund units, as well as to the use of the provisions for risks and for charges related to personnel and tax losses carried forward.

As a result of the above, the net income for the year was 2,203 million euro, up by approximately 33% from 1,663 million euro in 2016.

4.4.1.2 Reclassified balance sheet

Assets

Assets in CDP's reclassified balance sheet at 31 December 2017 included the following items:

RECLASSIFIED BALANCE SHEET

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Assets				
Cash and cash equivalents	175,280	161,795	13,486	8.3%
Loans	101,773	102,969	(1,196)	-1.2%
Debt securities	48,031	48,971	(940)	-1.9%
Equity investments	32,298	32,551	(253)	-0.8%
Assets held for trading and hedging derivatives	895	941	(46)	-4.9%
Property, plant and equipment and intangible assets	317	281	36	12.9%
Accrued income, prepaid expenses and other non-interest-bearing assets	7,829	9,084	(1,254)	-13.8%
Other assets	843	1,118	(276)	-24.7%
Total assets	**367,265**	**357,710**	**9,556**	**2.7%**

Total assets amounted to over 367 billion euro, up by approximately 3% compared to the end of the previous year, when total assets stood at approximately 358 billion euro. This was mainly due to increased cash and cash equivalents from short-term investments.

Cash and cash equivalents exceeded euro 175 billion, up (+8%) compared to the figure recorded at the end of 2016. This item includes a treasury account balance of around 148 billion euro, basically in line with the figure for the previous financial year.

Loans and receivables with customers and banks, totalling around 102 billion euro, were slightly down compared to the end of 2016, despite an increase in loans for infrastructure, to companies and to support international expansion, which offset, though only in part, the decline in loans to public entities.

Debt securities exceeded 48 billion euro, a small decrease (-2%) compared to the figure recorded at the end of 2016, as a result of the maturing of securities in the HTM portfolio, only partly offset by new purchases in the AFS portfolio.

At 31 December 2017, equity investments and equity securities were approximately 32.3 billion euro, down by 1% compared to the end of 2016. This decrease reflects the merger of CDP Gas into CDP and the subsequent transfer to CDP RETI of the 1.12% equity investment in SNAM and the 0.97% equity investment in Italgas.

Assets held for trading and hedging derivatives were slightly down compared to the end of 2016 (-5%). This item includes the fair value (where positive) of hedging derivative instruments, including management hedges that do not qualify as hedges for accounting purposes.

Total property, plant and equipment and intangible assets amounted to 317 million euro, of which 306 million euro relating to property, plant and equipment and the remainder to intangible assets. Specifically, the increase in the item was due to considerable investments during the year, which exceeded the depreciation and amortisation of existing assets during the same period. Expenditures on investments continued during the year, primarily in connection with one-off renovations of owned properties.

Accrued income, prepaid expenses and other non-interest bearing assets decreased compared to 2016, amounting to approximately 7.8 billion euro (9.1 billion euro at 31 December 2016). This was mainly due to a decrease in the amount of past-due loans.

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 843 million euro, was slightly down from 1,118 million euro recorded in 2016.

Liabilities

At 31 December 2017, the liabilities in CDP's reclassified balance sheet were as follows:

RECLASSIFIED BALANCE SHEET

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Liabilities and equity				
Funding	340,498	331,806	8,691	2.6%
of which:				
- *postal funding*	*252,754*	*250,800*	*1,953*	*0.8%*
- *funding from banks*	*36,225*	*26,947*	*9,278*	*34.4%*
- *funding from customers*	*34,052*	*42,534*	*(8,482)*	*-19.9%*
- *bond funding*	*17,467*	*11,525*	*5,942*	*51.6%*
Liabilities held for trading and hedging derivatives	747	1,053	(307)	-29.1%
Accrued expenses. deferred income and other non-interest-bearing liabilities	495	511	(16)	-3.2%
Other liabilities	835	877	(42)	-4.8%
Provisions for contingencies, taxes and staff severance pay	256	255	2	0.6%
Shareholders' equity	24,435	23,207	1,228	5.3%
Total liabilities and Shareholders' equity	**367,265**	**357,710**	**9,556**	**2.7%**

Total funding at 31 December 2017 exceeded 340 billion euro (+3% compared to the end of 2016), as the diversification of funding sources continued.

Within this item, Postal Funding increased, with interest accrued more than offsetting net outflows for about 2 billion euro. The balance of such funding, which includes the balances of postal passbook savings accounts and postal savings bonds, was around 253 billion euro.

Funding from banks increased to more than 36 billion euro in December 2017, from about 27 billion euro in 2016, mainly due to an increase in repurchase agreements (around 28 billion euro), up compared to the figure recorded at the end of 2016 (around 19 billion euro), which has offset the organic decrease in OPTES transactions recorded in the last months of the year.

Funding from customers, which stood at over 34 billion euro, was down by 20% on the end of 2016. This decrease was chiefly attributable to reduced funding from OPTES transactions of 23 billion euro (33 billion euro at the end of 2016), only partly offset by higher balances held by Group companies of 6.8 billion euro (4.5 billion euro at the end of 2016).

Bond funding increased by approximately 52% on the figure recorded at the end of 2016, exceeding 17 billion euro (around 12 billion euro at the end of 2016), mainly as a result of the new EMTN/DIP lines and the increase in Commercial Papers. Particularly noteworthy, within the EMTN/DIP programme, is the issue of the first "Social Bond" for 0.5 billion euro to support the SMEs located in economically deprived areas or in areas hit by natural disasters.

Liabilities held for trading and hedging derivatives amounted to 747 million euro, compared to 1,053 million euro at the end of 2016. This item includes the fair value (where negative), of hedging derivative instruments, including management hedges that do not qualify as hedges for accounting purposes.

Accrued expenses, deferred income and other non-interest bearing liabilities stood at 495 million euro, essentially unchanged from 511 million euro in 2016.

With regard to other significant items, there was (i) a slight decline in other liabilities (835 million euro, slightly down by 5%), while (ii) provisions for contingencies, taxes and staff severance pay were basically unchanged (256 million euro, against 255 million euro in 2016).

Lastly, equity amounted to over 24 billion euro at 31 December 2017, up on the figure recorded at the end of 2016 (+5%), mainly as a result of net income for the year, which more than offset the profit distributed during the year.

4.4.1.3 Indicators

Main indicators (reclassified data)

	31/12/2017	31/12/2016
Structure ratios (%)		
Loans/Total assets	27.7%	28.8%
Loans/Postal Funding	40.3%	41.1%
Equity investments/Final equity	132.2%	140.3%
Securities/Equity	196.6%	211.0%
Funding/Total liabilities	92.7%	92.8%
Equity/Total liabilities	6.7%	6.5%
Postal Savings/Total funding	74.2%	75.6%
Performance ratios (%)		
Net interest income/Gross income	105.3%	123.2%
Net commissions/Gross income	-52.2%	-77.2%
Dividends and gains (losses) on equity investments/Gross income	46.2%	52.4%
Commission expense/Gross income	-56.1%	-82.3%
Spread on interest-bearing assets and liabilities	1.0%	0.8%
Cost/income ratio	5.3%	8.1%
Net income/Opening equity (ROE)	9.5%	8.5%
Net income/Average equity (ROAE)	9.3%	7.8%
Risk ratios (%)		
Coverage of bad loans (*)	62.0%	64.5%
Net non-performing loans/Net loans to customers and banks (**) (***)	0.215%	0.196%
Net adjustments to loans/Net exposure (***)	0.003%	0.136%
Productivity ratios (millions of euro)		
Loans/Employees	140.2	153.9
Funding/Employees	469.0	496.0
Operating income/Employees	3.7	2.4

(*) Provision bad loans / Gross exposure to bad loans.
(**) Exposure includes Loans to Banks and Customers and disbursement commitments.
(***) Net exposure is calculated net of the provision for non-performing loans.

Structural indicators show that efforts to diversify funding were effective, as emphasised by the decline in postal funding as a percentage of the total compared to 2016 (74% against 76% in 2016). With regard to the asset structure, the assets related to the core business (loans and equity investments) were basically unchanged, even if investments in government securities continue to have a large weight.

An analysis of profitability indicators shows that there was an increase in the spread between lending and funding rates, from about 83 basis points in 2016 to about 99 basis points at 31 December 2017, mainly due to the improved returns on assets and decreased funding costs, as a result of an active ALM and treasury management.

The improvement in net financial income has allowed CDP to further reduce the cost/income ratio (5.3%). This ratio falls well within the specified target range, notwithstanding the budgeted increase in overhead costs, mainly due to the headcount strengthening plan included in the 2016-2020 Business Plan. Return on equity (ROE) was 9.5%, up compared to 2016 due to the increase in net income for the year.

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

Productivity ratios continue to be very high, with loans and receivables per employee equal to 143 million euro and funding per employee equal to 480 million euro. Due to the improvement in financial performance, operating income per employee was approximately 3.8 million euro.

4.4.1.4 Outlook of operations

In 2018, CDP will continue to implement and apply the guidelines of the 2016-2020 Business Plan.

In the first two years of the Plan, the company has achieved the economic and financial balance objectives specified. In 2018, we expect profits to remain at the levels reached in the two-year period 2016-2017, consolidating the recovery of profitability and the capital strengthening process.

4.4.2 Group companies

The CDP Group's accounting situation at 31 December 2017 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 has also been appended in the interest of completeness of information.

4.4.2.1 Reclassified consolidated income statement

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

RECLASSIFIED INCOME STATEMENT

(millions of euro; %)	31/12/2017	31/12/2016 (*)	Change (+/-)	% change
Net interest income	**2,761**	**2,106**	**655**	**31.1%**
Gains (losses) on equity investments	1,059	(555)	1,614	n/s
Net commission income (expense)	(1,468)	(1,463)	(5)	0.3%
Other net revenues (costs)	(277)	25	(302)	n/s
Gross income	**2,075**	**113**	**1,962**	**n/s**
Profit (loss) on insurance business	865	332	533	n/s
Profit (loss) on banking and insurance operations	**2,940**	**445**	**2,495**	**n/s**
Net recoveries (impairment)	(141)	(478)	337	-70.5%
Administrative expenses	(6,842)	(6,188)	(654)	10.6%
Other net operating income (costs)	11,122	10,179	943	9.3%
Operating income	**7,079**	**3,958**	**3,121**	**78.9%**
Net provisions for risks and charges	(74)	(108)	34	-31.5%
Net adjustments to PPE and intangible assets	(1,937)	(1,857)	(80)	4.3%
Net adjustments of goodwill		(1)	1	n/s
Other	591		591	n/s
Income taxes	(1,197)	(767)	(430)	56.1%
Net income for the year	**4,462**	**1,225**	**3,237**	**n/s**
Net income (loss) for the year pertaining to non-controlling interests	1,519	975	544	55.8%
Net income (loss) for the year pertaining to the Parent Company	**2,943**	**250**	**2,693**	**n/s**

(*) The 2016 figure was restated as a result of the purchase price allocation of Poste Italiane.

The Group's net income for the year ended 31 December 2017 was equal to 4,462 million euro, with a strong increase on 2016. This increase was mainly due to the increase in net interest income, the good performance of subsidiaries accounted for using the equity method and the sale of a 30% stake in FSIA.

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Interest expense on payables to customers	(3,994)	(3,876)	(118)	3.0%
Interest expense on payables to banks	(133)	(156)	23	-14.7%
Interest expense on securities issued	(649)	(762)	113	-14.8%
Interest income on debt securities	1,302	1,258	44	3.5%
Interest income on financing	6,122	5,411	711	13.1%
Interest on hedging derivatives	(26)	128	(154)	n/s
Other net interest	139	103	36	35.0%
Net interest income	**2,761**	**2,106**	**655**	**31.1%**

Net interest income was 2,761 million euro, up considerably on the previous year, and relates mainly to the Parent Company, whose contribution 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 1,059 million euro, against a loss of 555 million euro reported in 2016. This value mainly reflects the result of the measurement with the equity method of:

- ENI (693 million euro, against -581 million euro in 2016);
- Poste Italiane (302 million euro against the 32 million euro reported in 2016; this company was consolidated with the equity method only in the fourth quarter of this year, having been included in the scope of the CDP Group in October 2016). The result of the measurement of Poste Italiane for 2016 with the equity method was restated following the conclusion of the purchase price allocation activities: this has resulted in the recognition of a higher net income pertaining to the CDP Group (97 million euro);
- SAIPEM (-63 million euro, against -264 million euro in 2016);
- unrealised gains on the equity portfolio of the SNAM Group (121 million euro, against 144 million euro in 2016).

Net commission expense (essentially attributable to the Parent Company) amounted to 1,468 million euro, basically unchanged with respect to the previous financial year.

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Net gain (loss) on trading activities	(244)	321	(565)	n/s
Net gain (loss) on hedging activities	8	2	6	n/s
Gains (losses) on disposal or repurchase financial transactions	(12)	(275)	263	-95.6%
Net gain (loss) on financial assets and liabilities carried at fair value	(29)	(23)	(6)	26.1%
Other net revenues (costs)	**(277)**	**25**	**(302)**	**n/s**

Other net revenues/costs were down by about 302 million euro, mainly as a result:

- of the lower contribution of profits (losses) on trading activities of the Group's insurance companies, which was -227 million euro compared to 296 million euro in the previous financial year. The change in the insurance group's result is due to the negative contribution of exchange rate differences, equal to -138 million euro (54 million euro in 2016) and derivative transactions (-16 million compared to 269 million euro in 2016) concluded for hedging and effective management purposes, for which hedge accounting has not been adopted;
- of the improvement in terms of gains (losses) on disposal or repurchase of financial assets and liabilities, equal to -12 million euro (-275 million euro in 2016). The 2016 loss was mainly due to a bond buyback transaction carried out by the SNAM Group, which produced a loss of 329 million euro, as a result of the bondholders being paid for the buyback of the bonds on the market a higher value than their amortised cost value.

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Gross Premiums	881	614	267	43.5%
Change in premium reserve	130	(16)	146	n/s
Premiums paid in reinsurance	(171)	(179)	8	-4.5%
Effect of consolidation	(33)	(42)	9	-21.4%
Net premiums for the period	**807**	**377**	**430**	**n/s**
Net other income (expense) from insurance operations	63	(41)	104	n/s
Effect of consolidation	(5)	(4)	(1)	25.0%
Profit (loss) on insurance business	**865**	**332**	**533**	**n/s**

Net income from insurance operations of 865 million euro includes net premium income and other income and expense for the companies operating in the insurance sector. There was a significant increase in this item compared to 2016, with premiums increasing to 881 million euro (from 614 million euro in 2016), along with the provision for unearned premiums. The balance of reinsurance premiums was basically unchanged. The change in other net income (expense) from insurance operations compared to the previous financial year is attributable to claims accrued and paid during the year, equal to 79 million euro. The balance derives mainly from the change in the provision for outstanding claims which, during the last financial year, had contributed to generate a negative value of accrued claims equal to 29 million euro.

Overall, the banking and insurance components resulted in net income for the period of 2,940 million euro, up considerably on the same period of the previous financial year (445 million euro).

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Profit (loss) on banking and insurance operations	**2,940**	**445**	**2,495**	**n/s**
Net recoveries (impairment)	(141)	(478)	337	-70.5%
Administrative expenses	(6,842)	(6,188)	(654)	10.6%
Other net operating income (costs)	11,122	10,179	943	9.3%
Operating income before adjustments to PPE and intangible assets	**7,079**	**3,958**	**3,121**	**78.9%**
Net adjustments to PPE, intangible assets and goodwill	(1,937)	(1,857)	(80)	4.3%
Operating income after adjustments to PPE and intangible assets	**5,142**	**2,101**	**3,041**	**n/s**

Administrative expenses increased to 6,842 million euro. This was mainly due to:

- the Fincantieri Group (4,603 million euro, compared to 4,132million euro in 2016), as a result of increased production volumes during the year;
- the companies operating in the gas transport, distribution, re-gasification and storage sector (1,265 million euro, compared to 1,155 million euro in 2016), partly as a result of business combinations carried out during the year;
- the companies of the Terna Group (607 million euro, compared to 546 million euro in the previous financial year).

Other net operating income (costs) of around 11.1 billion euro mainly includes the revenues from the core business of the SNAM, Italgas, Terna and Fincantieri groups. The 943 million euro increase in this item is mainly due to the higher turnover of the four companies and, precisely, of Fincantieri for 544 million euro, SNAM and Italgas for 257 million euro and Terna for 136 million euro.

There was a slight increase in net adjustments to property, plant and equipment and intangible assets, mainly attributable to the SNAM, Terna, Fincantieri and Italgas groups.

The item Other includes the effect of the restatement at fair value of the investment in FSIA for 455 million euro and the net capital gain from the sale of the 30% stake for 139 million euro (offset by the net losses on disposal of investments of the Group). Following the sale of 30% of the equity investment in FSIA to Poste Italiane and pursuant to the governance agreements signed with the new shareholder, the CDP Group has lost control over FSIA, which it now jointly controls. In accordance with the IFRS rules on loss of control, the assets and liabilities of the former subsidiary were therefore removed from the consolidated balance sheet. The residual equity investment was measured at fair value and the valuation was then adjusted using the equity method.

The CDP Group's effective tax rate for 2017 was 21.2%.

4.4.2.2 Reclassified consolidated balance sheet

Consolidated assets

The asset side of the reclassified consolidated balance sheet at 31 December 2017 is presented below, next to the restated figures as at 31 December 2016:

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(millions of euro; %)	31/12/2017	31/12/2016 (*)	Change (+/-)	% change
Assets				
Cash and cash equivalents	178,780	165,452	13,328	8.1%
Loans	108,222	112,380	(4,158)	-3.7%
Debt securities, equity securities and units in collective investment undertakings	55,682	55,144	538	1.0%
Equity investments	19,770	21,007	(1,237)	-5.9%
Trading and hedging derivatives	1,109	1,399	(290)	-20.7%
Property, plant and equipment and intangible assets	43,865	43,094	771	1.8%
Reinsurers' share of technical reserves	671	613	58	9.5%
Other assets	11,435	11,433	2	0.0%
Total assets	**419,534**	**410,522**	**9,012**	**2.2%**

(*) The 2016 figure was restated as a result of the purchase price allocation of Poste Italiane.

The Group's total assets of over 419 billion euro were up by 2.2% (9 billion euro) on 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), were basically unchanged compared to the previous financial year (+1%). In addition to government securities purchased by the Parent Company for primarily short-term treasury purposes, the item also includes the investments in the funds and investment vehicles described, for the Parent Company, in section 4.3.1.2.

The item also includes, albeit to a lesser extent, securities and investments held by SACE, the portfolios of which are composed of bonds and other debt securities (of which assets held to maturity of 1.5 billion euro) and units in collective investment undertakings investing primarily in bonds and equities (0.5 billion euro).

The decrease in equity investments was driven by opposing trends. The 2016 balance was 21 billion euro, including the higher value, for 97 million euro, of the equity investment in Poste Italiane, as a result of the conclusion of the purchase price allocation process on the investee company (the entry in the share capital has taken place on 20 October 2016), as described in more detail in the Notes to the consolidated financial statements.

The changes during the year were primarily due to:
- the restatement at fair value of the residual equity investment in FSIA Investimenti, equal to 70% of the share capital of this company. This revaluation (equal to 455 million euro) had become necessary after the loss of sole control and the acquisition of joint control on the investee company, following an agreement with Poste Italiane, now holding the other 30% share;
- the measurement with the equity method of ENI, which has resulted, mainly because of the decrease in the valuation reserves of the investee company, in a decrease of 1,484 million euro in the value of the equity investment;
- the purchase from Leonardo of an additional 15% stake in Ansaldo Energia, as a result of the exercise of the put&call option subscribed at the time of the entry in the share capital of the investee company. The transaction, also taking into account the value of the option, has involved the recognition of a higher value of the equity investment (153 million euro);
- the acquisition of a 19.98% stake in BF S.p.A., as a result of the conversion, in November 2017, of the bond issue subscribed about eight months earlier, for 50 million euro, by the subsidiary CDP Equity.

Assets held for trading and hedging derivatives decreased by 20.7% (0.3 billion euro), on the previous financial year, falling from 1.4 billion euro to 1.1 billion euro. This item includes the fair value (where positive) of hedging derivative instruments, including management hedges that do not qualify as hedges for accounting purposes. The decrease in the item at 31 December 2017 mainly reflects the decrease in the positive fair value of the hedging derivatives held by Terna, only partly offset by a higher value of the hedging derivatives held by CDP and Fincantieri.

Property, plant and equipment and intangible assets totalled 44 billion euro, recording a slight increase (0.8 billion euro) compared to the previous financial year. This change was primarily due to investments made by the Terna, SNAM, Italgas and Fincantieri groups, offset by the decreases associated with the related purchase price allocation processes.

At 31 December 2017, the reinsurers' share of technical provisions was 0.7 billion euro, marking a 9.5% increase compared to the previous financial year. This increase was due to amendments made to the reinsurance agreement in relation to risk concentration with the Ministry of the Economy and Finance, aimed at allowing the development of the business.

Other assets were unchanged compared to the previous year: the item mainly includes the contribution of Fincantieri (4.1 billion euro), SNAM (2.3 billion euro), Terna (1.6 billion euro), and Italgas (0.9 billion euro).

Consolidated liabilities

The liability side of the reclassified consolidated balance sheet at 31 December 2017 is presented below, next to the restated figures as at 31 December 2016:

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(millions of euro; %)	31/12/2017	31/12/2016 (*)	Change (+/-)	% change
Liabilities and Shareholders' equity				
Funding	364,023	355,990	8,033	2.3%
of which:				
- *postal funding*	*252,755*	*250,800*	*1,955*	*0.8%*
- *funding from banks*	*45,746*	*38,206*	*7,540*	*19.7%*
- *funding from customers*	*27,765*	*38,876*	*(11,111)*	*-28.6%*
- *bond funding*	*37,757*	*28,108*	*9,649*	*34.3%*
Liabilities held for trading and hedging derivatives	853	1,259	(406)	-32.2%
Technical reserves	2,408	2,794	(386)	-13.8%
Other liabilities	9,943	8,164	1,779	21.8%
Provisions for contingencies, taxes and staff severance pay	6,386	6,539	(153)	-2.3%
Total Shareholders' equity	35,921	35,776	145	0.4%
Total liabilities and Shareholders' equity	**419,534**	**410,522**	**9,012**	**2.2%**

(*) The 2016 figure was restated as a result of the purchase price allocation of Poste Italiane.

The CDP Group's total funding amounted to nearly 364 billion euro at 31 December 2017, up by 2.3% on the end of 2016.

Postal funding was essentially unchanged due to interest accrued, which entirely offset net outflows of approximately 2 billion euro. Postal funding levels at year-end, which were attributable solely to the Parent Company and were composed of the balances of passbook savings accounts and postal savings bonds, stood at 252.8 billion euro.

(millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	% change
Due to central banks	**2,499**	**2,475**	**24**	**1.0%**
Due to banks	**43,247**	**35,731**	**7,516**	**21.0%**
Current accounts and demand deposits	1,498	1,650	(152)	-9.2%
Fixed-term deposits	1,107	910	197	21.6%
Repurchase agreements	27,759	18,696	9,063	48.5%
Other loans	12,712	14,139	(1,427)	-10.1%
Other payables	171	336	(165)	-49.1%
Funding from banks	**45,746**	**38,206**	**7,540**	**19.7%**

The following components contributed to funding levels, albeit to a more moderate extent:

- funding from banks, the increase in which was primarily tied to the Parent Company's dealings in repurchase agreements;
- funding from customers, the decrease in which was mainly due to the decrease in the balance held by the Parent Company through OPTES transactions, equal to 23 billion euro (33 billion euro at the end of 2016);
- bond funding, mainly composed of bonds issued under the EMTN programme, retail bond issues, "Stand alone" issues of the Parent Company guaranteed by the Government and bonds issued by SNAM, Terna and Italgas. The total increase of 9.6 billion euro was mainly due:
  - for 5.9 billion euro, to the Parent Company, which, in 2017, activated new EMTN/DIP lines and increased the issues of commercial paper. Within the EMTN/DIP programme, worthy of note is the issue of the first "Social Bond" for 0.5 billion euro to support the SMEs located in economically deprived areas or in areas hit by natural disasters;
  - for 2.7 billion euro, to the bond issues of the subsidiary Italgas, for a total nominal value of 2,650 million euro;
  - for 1 billion euro, to the value of the net issues of the subsidiary SNAM, which, in March 2017, successfully placed an equity-linked bond issue with a nominal value of 400 million euro, through five-year, non-interest-bearing bonds issued at par.

Liabilities held for trading and hedging derivatives totalled 0.9 billion euro, down by 0.4 billion euro compared to the previous financial year. This item includes the fair value (where negative), of hedging derivative instruments, including management hedges that do not qualify as hedges for accounting purposes. This item is mainly attributable to the Parent Company (0.7 billion euro), to which the 0.3 billion euro decrease compared to the previous financial year can be attributed.

Technical provisions refer solely to the SACE group and include provisions 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 2017, the item in question was around 2.4 billion euro, down by 0.4 billion euro compared to the previous financial year, mainly as a result of the decrease in the provision for outstanding claims.

Other liabilities, which totalled approximately 9.9 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 (5.1 billion euro) and contract work in progress (1.4 billion euro). The increase by 1.8 billion euro may be attributed to Fincantieri for 1 billion euro, as a result of increased production volumes, and therefore increased trade payables and payables for work in progress, to SNAM for 0.5 billion euro and to Terna for 0.3 billion euro.

Provisions for contingencies, taxes and staff severance pay stood at approximately 6.4 billion euro at 31 December 2017, slightly down from 6.5 billion euro in 2016.

Equity amounted to approximately 35.9 billion euro at 31 December 2017. A comparison between the restated figures at 31 December 2016 and the originally published figures is provided below. The restatement, carried out as a result of the conclusion of the purchase price allocation process on the equity investment in Poste Italiane, acquired by the Parent Company in the fourth quarter of 2016, has involved an increase in Group equity for approximately 97 million euro.

Equity, both the share pertaining to the Group and that pertaining to non-controlling interests, was basically unchanged with respect to the previous financial year, because:

- there were no significant changes in terms of equity investments and the scope of consolidation;
- with reference to non-controlling interests, the decrease due to the payment of the dividends was offset by net income for the year;
- with regard to the Group equity, net income for the year was offset by a negative change in the valuation reserve and dividend payments.

(millions of euro; %)	31/12/2017	31/12/2016 (*)	Change (+/-)	% change
Equity attributable to the shareholders of the Parent Company	23,061	22,625	436	1.9%
Non-controlling interests	12,860	13,151	(291)	-2.2%
Total Shareholders' equity	**35,921**	**35,776**	**145**	**0.4%**

(*) The 2016 figure was restated as a result of the purchase price allocation of Poste Italiane.

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

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

RECLASSIFIED INCOME STATEMENT BY BUSINESS SEGMENT

	Support for the economy	Companies subject to management and coordination		Total (*)	Companies not subject to management and coordination	Total
(millions of euro)		International expansion	Other segments			
Net interest income	**3,002**	**123**	**(5)**	**3,120**	**(359)**	**2,761**
Dividends	1,355	7	641	5		5
Gains (losses) on equity investments			(11)	(11)	1,065	1,054
Net commission income (expense)	(1,456)	28	6	(1,422)	(46)	(1,468)
Other net revenues (costs)	22	(226)	(19)	(223)	(54)	(277)
Gross income	**2,923**	**(68)**	**612**	**1,469**	**606**	**2,075**
Profit (loss) on insurance business		865		865		865
Profit (loss) on banking and insurance operations	**2,923**	**797**	**612**	**2,334**	**606**	**2,940**
Net recoveries (impairment)	(109)	(26)	(6)	(141)		(141)
Administrative expenses	(147)	(132)	(88)	(367)	(6,475)	(6,842)
Other net operating income (costs)	25	(22)	(116)	(113)	11,235	11,122
Operating income	**2,692**	**617**	**402**	**1,713**	**5,366**	**7,079**
Net provisions for risks and charges		8	34	42	(116)	(74)
Net adjustment to property, plant and equipment and intangible assets	(7)	(5)		(12)	(1,925)	(1,937)
Other			(1)	(1)	592	591
Income (loss) for the year before tax	**2,685**	**620**	**435**	**1,742**	**3,917**	**5,659**
Income taxes						(1,197)
Net income for the year						**4,462**

(*) 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)	Support for the economy	Companies subject to management and coordination		Total	Companies not subject to management and coordination	Total
		International expansion	Other segments			
Loans and cash and cash equivalents	278,453	2,917	1,631	283,001	4,001	287,002
Debt and equity securities and units in collective investment undertakings	53,168	2,282	185	55,635	47	55,682
Equity investments		8	79	87	19,683	19,770
Property, plant and equipment/technical investments	306	99	21	426	35,388	35,814
Other assets (including Inventories)	117	153	1,487	1,757	8,018	9,775
Funding	334,403	1,407	1,254	337,064	26,959	364,023
- *of which bonds*	*17,774*	*532*	*416*	*18,722*	*19,035*	*37,757*

The figures above have been prepared by considering the contributions provided by the four segments identified, net of the effects of consolidation entries and before eliminating dividends, which are included in the column in which the three segments “Support for the economy”, “International expansion” and “Other segments” are combined. The contributions of the three combined segments, which present a profit before tax of 1.7 billion euro, is collectively represented by the Parent Company and the companies subject to management and coordination, the latter considered net of their investments, included in companies not subject to management and coordination. The latter had a profit before tax of 3.9 billion euro.

RECLASSIFIED INCOME STATEMENT AND KEY RECLASSIFIED BALANCE SHEET FIGURES

	Support for the economy	
(millions of euro)	2017	2016
Net interest income	**3,002**	**2,420**
Dividend	1,355	1,571
Gains (losses) on equity investments		
Net commissions	(1,456)	(1,474)
Other net revenues	22	39
Gross income	**2,923**	**2,556**
Profit (loss) on insurance business		
Profit (loss) on banking and insurance operations	**2,923**	**2,556**
Net writedowns	(109)	(456)
Administrative expenses	(147)	(137)
Other operating income (expenses)	25	(5)
Operating income	**2,692**	**1,958**
Net provisions		(1)
Writedown of property, plant and equipment and intangible assets	(7)	(7)
Writedown of goodwill		
Other		
Pre tax profit for the period	**2,685**	**1,950**
Loans and receivables and cash and cash equivalents	278,453	269,921
Debt and equity securities and units in collective investment undertakings	53,168	52,004
Equity investments		
Property, plant and equipment/Technical investments	306	273
Other assets (including inventories)	117	122
Funding	334,403	328,092
- *of which: bonds*	*17,774*	*11,938*

The segment Support for the economy is represented by the Parent Company.
The sector gave a substantial contribution, mainly in terms of net interest income. Net commissions were unchanged: these mainly consist of distribution costs for postal saving products.

	International expansion	
(millions of euro)	2017	2016
Net interest income	**123**	**135**
Dividend	7	
Gains (losses) on equity investments		
Net commissions	28	37
Other net revenues	(226)	305
Gross income	**(68)**	**477**
Profit (loss) on insurance business	865	332
Profit (loss) on banking and insurance operations	**797**	**809**
Net writedowns	(26)	(14)
Administrative expenses	(132)	(129)
Other operating income (expenses)	(22)	9
Operating income	**617**	**675**
Net provisions	8	65
Writedown of property, plant and equipment and intangible assets	(5)	(6)
Writedown of goodwill		
Other		
Pre tax profit for the period	**620**	**734**
Loans and receivables and cash and cash equivalents	2,917	3,954
Debt and equity securities and units in collective investment undertakings	2,282	2,931
Equity investments	8	8
Property, plant and equipment/Technical investments	99	101
Other assets (including inventories)	153	135
Funding	1,407	1,637
- *of which: bonds*	*532*	*532*

The segment International expansion is represented by the SACE group.
The sector gave a positive contribution, mainly in terms of net income from insurance operations. thanks to a good performance in terms of premiums paid. Net income from financial operations (included under Other net revenues) bucked the trend compared to the previous financial year.

RECLASSIFIED INCOME STATEMENT AND KEY RECLASSIFIED BALANCE SHEET FIGURES

	Other business segments	
(millions of euro)	2017	2016
Net interest income	**(5)**	**(16)**
Dividend	641	420
Gains (losses) on equity investments	(11)	(5)
Net commissions	6	8
Other net revenues	(19)	1
Gross income	**612**	**408**
Profit (loss) on insurance business		
Profit (loss) on banking and insurance operations	**612**	**408**
Net writedowns	(6)	(4)
Administrative expenses	(88)	(89)
Other operating income (expenses)	(116)	(158)
Operating income	**402**	**157**
Net provisions	34	(44)
Writedown of property, plant and equipment and intangible assets		(2)
Writedown of goodwill		
Other	(1)	
Pre tax profit for the period	**435**	**111**
Loans and receivables and cash and cash equivalents	1,631	2,161
Debt and equity securities and units in collective investment undertakings	185	205
Equity investments	79	81
Property, plant and equipment/Technical investments	21	29
Other assets (including inventories)	1,487	1,605
Funding	1,254	1,188
- *of which: bonds*	*416*	*416*

The other business segments are represented by Group companies subject to management and coordination, with the exception of the SACE group.
The increase in net income for the year is due to the substantial increase in dividends compared to the previous financial year.

	Companies not subject to management and coordination	
(millions of euro)	2017	2016 (*)
Net interest income	**(359)**	**(433)**
Dividend		
Gains (losses) on equity investments	1,065	(554)
Net commissions	(46)	(34)
Other net revenues	(54)	(319)
Gross income	**606**	**(1,340)**
Profit (loss) on insurance business		
Profit (loss) on banking and insurance operations	**606**	**(1,340)**
Net writedowns		(4)
Administrative expenses	(6,475)	(5,833)
Other operating income (expenses)	11,235	10,333
Operating income	**5,366**	**3,156**
Net provisions	(116)	(128)
Writedown of property, plant and equipment and intangible assets	(1,925)	(1,842)
Writedown of goodwill		(1)
Other	592	
Pre tax profit for the period	**3,917**	**1,185**
Loans and receivables and cash and cash equivalents	4,001	1,796
Debt and equity securities and units in collective investment undertakings	47	4
Equity investments	19,683	20,917
Property, plant and equipment/Technical investments	35,388	34,756
Other assets (including inventories)	8,018	7,439
Funding	26,959	25,073
- *of which: bonds*	*19,035*	*15,222*

(*) The 2016 figure was restated as a result of the purchase price allocation of Poste Italiane.

The significant increase in net income for the year in the “Companies not subject to management and coordination” sector compared to the previous financial year reflects the positive results achieved by some subsidiaries accounted for using equity method (ENI, Poste), the profits produced by industrial companies (Terna, SNAM, Fincantieri and Italgas), as well as the positive effect, reported under “Other”, of the sale of a 30% share in FSIA and the restatement at fair value of the residual equity investment.

4.4.2.4 Consolidated statement of reconciliation

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

RECONCILIATION BETWEEN EQUITY AND NET INCOME OF THE PARENT COMPANY AND CONSOLIDATED EQUITY AND NET INCOME

(millions of euro)	Net income for the year	Share capital and reserves	Total
Parent Company's financial data	**2,203**	**22,232**	**24,435**
Balance from financial statements of fully consolidated companies	3,000	26,332	29,332
Consolidation adjustments:			
- Carrying amount of directly consolidated equity investments		(20,071)	(20,071)
- Differences of purchase price allocation	(255)	7,120	6,865
- Dividends from fully consolidated companies	(1,056)	1,056	
- Measurement of equity investments accounted for with the equity method	959	5,768	6,727
- Dividends of companies measured with the equity method	(942)	(8,833)	(9,775)
- Elimination of intercompany transactions	(77)	(40)	(117)
- Reversal of measurements in the separate financial statements	140	170	310
- Value adjustements	(22)	(152)	(174)
- Deferred tax assets and liabilities	116	(2,070)	(1,954)
- Other adjustments	395	(52)	343
- Non-controlling interests	(1,518)	(11,342)	(12,860)
Group's financial data	**2,943**	**20,118**	**23,061**

5. Corporate Governance

Communications

In 2017, Communications activities focused on nine objectives:

1. Implementing the new Identity: mission, values and logo
2. Strengthening the Group culture via internal and external communications
3. Implementing the Sustainability process (CSV)
4. Focusing on the Communication of the Business Plan, concentrating on the four pillars
5. New positioning and establishing the digital presence for the bonds and passbook accounts together with Poste Italiane
6. Strengthening the presence in Italian and international online and offline media
7. Engaging online and offline opinion makers and influencers
8. Strengthening the social media presence
9. Strengthening the guidelines for the management of sponsorships and social investments.

1. Following the development of the new Brand Identity in 2016, consisting of a coordinated Mission, Values and Visual Identity for all the Group companies (CDP, CDP Equity S.p.A., CDP Immobiliare S.r.l., CDP Investimenti SGR S.p.A., CDP RETI S.p.A., SACE S.p.A., SIMEST S.p.A., and Fintecna S.p.A.), in 2017 all the updates of the internal and external communication materials were implemented through a shared communication plan adopted across all the Group companies.
2. The strengthening of the Group identity, implemented alongside the 2016–2020 Business Plan, was achieved both through internal communications (strengthening of the coordinated management of the various intranets of the Group companies) and external communications (events, digital initiatives, and media relations) aimed at raising awareness among all the internal and external stakeholders of the corporate and business initiatives carried out by the Group companies.
3. The establishment of CDP's positioning in terms of Corporate Social Responsibility, initiated in 2016, is linked to CDP's Mission and its status as a National Promotion Institution. CDP has also initiated a process of integration of the principles of the Corporate Shared Value (CSV) into all its organisational and business activities. The CSV envisages the adoption of a Sustainability strategy capable of reconciling the financial objectives, which create value for the business, with the social and environmental objectives, which create value for the communities where the CDP Group operates. Following an international benchmarking study conducted on operators in the financial sector and other industrial sectors, accompanied by consultation with the Group's main internal and external stakeholders, a materiality matrix was produced that highlights the priorities of the sustainability strategy for the CDP Group. This materiality matrix will enable the identification of the Group's strategic positioning principles in relation to sustainable development, in line with international standards and best practice, using the United Nations Sustainable Development Goals (SDGs) as a frame of reference.
4. The need to promote the achievement of the 2016–2020 Business Plan stimulated the integration of communication through the traditional media channels with the implementation of the activities on the digital channels and social properties. This activity was carried by hiring journalists and opinion makers, with whom in-depth studies on the various aspects of the Plan were conducted, and through specific meetings between the top management and the media community on the progress of the Business Plan.
5. Strengthening of the role of Postal Savings Bonds ("Bonds) and Passbook Savings Accounts ("Passbook Accounts") among the leading products for Italian investors. CDP has initiated a process of repositioning of the Bonds and Passbook Accounts, with increased investment in technology, communications, promotion and training, in order to reach an increasingly wide range of investors, for whom these products represent an opportunity for savings and investment.
6. Qualitative and quantitative increase in press and social media articles aimed at a national and international target audience with interviews with top management and executives discussing the products and investment activities. Analysis of the insights generated.
7. Creation of specific lists divided according to subject areas in order to enhance awareness and discussion of matters relating to the Group's business, with a particular focus on the sentiment generated.
8. Editorial guidelines established per channel, with a specific focus on the context and features of the individual social media. Over 180% growth in the cross-channel fan base.

9. The implementation procedures for sponsorship and investments with social impacts have been further strengthened, in relation to three areas of intervention – culture, education and social welfare – in addition to several assessment guidelines, such as the involvement of young people and the consistency of the actions with the business activities envisaged in the Business Plan.

Institutional Relations

In 2017, relations with institutions and stakeholders contributed to the finalisation of measures and projects of Cassa depositi e prestiti and the Group companies of particular importance to the achievement of the business objectives. Relations also continued to be developed and managed with national and local institutions, regulatory authorities, stakeholders, universities, think tanks, trade associations and institutional investors.

In particular, to support fund raising activities, meetings were organised and managed with representatives from the pension and social security sectors and other institutional investors, in addition to guidance and information sessions held at bank foundations. Particular attention was paid to initiating relations at local level, through the promotion of a coordinated approach between the activities of the CDP Group and local institutional activities, to generate synergies and value in the different business areas.

During the reporting period, support was provided to the CDP Group's representatives by managing relations with the Parliamentary Supervisory Committee on postal savings and the Parliamentary Committees during specific hearings examining matters such as the progress of CDP's Industrial Plan and postal funding, the "Juncker Plan", infrastructure, sustainable development, and social housing. In addition, approximately 300 parliamentary audits involving the Group were managed, in collaboration with the organisational units concerned.

National, legislative, regulatory and institutional initiatives (including round tables, surveys, and promotional initiatives) of interest to CDP and the Group companies were systematically monitored, with over 350 reports of legislative and implementing measures in their areas of interest.

During the last government budget package, numerous regulatory proposals of interest to the CDP Group were made to its institutional partners and stakeholders, aimed at improving the existing instruments designed to support Italy's economy and development, in addition to creating new instruments, in line with the objectives of the 2016–2020 Business Plan. These included the following particularly significant provisions: the approval of the measure that allows CDP to grant cash advances to local authorities; CDP's new advisory role in the management of the Ministry of Infrastructure and Transport Fund for the planning of priority public works for Italy, as well as the planning of works by local authorities for securing the safety of public buildings and public facilities; the financing of infrastructure under the Public Contracts Code; the allocation of CDP's resources to the Guarantee Fund for small and medium enterprises; and the strengthening of instruments supporting exports.

Human resource management

During 2017, human resource management mainly focused on redefining internal processes and on the introduction of new roles to support the 2016-2020 Business Plan. The performance assessment process was managed in line with the previous years, inspired by the values of cooperation, transparency, leadership and innovation.

Training focused even greater attention on the needs of the corporate areas and showed an ongoing commitment towards compulsory training. During 2017, greater emphasis was given to technical and specialist training initiatives with staff taking part in a number of external off-the-shelf courses in the field of finance, administration, legislation and ITC or by attending seminars and workshops that were organised in-house. In line with shared training plans, compulsory training concentrated on areas of Health and Safety within the company. Particular attention was paid to the subject of Anti-Money Laundering to provide the latest updates on regulations and operating tools for those who have to deal with this legislation on a daily basis due to the nature of their work. In addition to the above and in continuity with previous years, other managers and professionals were involved in the initiative dedicated to topics on managerial development.

In 2017, there was a continuation of the programme of international exchanges with European entities which have a similar history and professional mission to CDP, such as Caisse des Dépôts (CDC), Kreditanstalt für Wiederaufbau (KfW), Instituto de Crédito Oficial (ICO) and Bank Gospodarstwa Krajowego (BGK), aimed at ensuring the reciprocal transfer of knowledge and the evaluation of new opportunities for working together.

Finally, with a view to leveraging existing professional expertise and increasing job rotation both within the Parent Company and across Group Companies, various mobility processes were organised and managed in 2017, aimed at sharing skills and experience, enabling the colleagues involved to further develop their professional profile and to spread their managerial values, culture and styles.

Industrial relations

The year began with the formal signing of the Supplementary Company Agreement on 31 January, marking a successful conclusion of the negotiations which took place during the second half of 2016.

In general, 2017 passed smoothly, in a climate of cooperation and sharing of corporate policies in line with the intention of consolidating the positive relations with the Company Union Representative Bodies.

Regarding relations with the other companies of the Group, considering that the reference collective agreement is the same (except for SACE, which applies the Insurance industry agreement) and that the Company Union Representative Bodies belong to the same Trade Union Federations, there were a number of meetings during the year with the department managers of the subsidiaries.

Assessment of remuneration of directors with specific responsibilities

The policy adopted in compliance with the applicable legal requirements[27] for the remuneration of the Chairman of the Board of Directors and of the Chief Executive Officer remained unchanged during 2017. Therefore, the details shown in the previous financial statements are reproduced below.

In its meeting of 27 January 2016, the Board of Directors — given the respective functions attributed to the Chairman of the Board of Directors and to the Chief Executive Officer by the Articles of Association and by the Board of Directors in its meeting of 13 July 2015 — approved the draft resolution of the Remuneration Committee of 19 January 2016 (regarding the subdivision of powers, tasks and responsibilities between the Chief Executive Officer and the General Manager, in light of the separate roles played by Mr Fabio Gallia at Cassa depositi e prestiti) in order to determine the related remuneration in a proportionate and differentiated manner.

Subsequently, on 23 March 2016, the Board of Directors approved the draft resolution of the Remuneration Committee of 15 March 2016 with which it proposed, while keeping the respective total annual remuneration unchanged, as determined and resolved by the Board of Directors on 3 August 2015, to:
- redetermine the remuneration of Mr Fabio Gallia, in view of the different powers assigned to him in his capacity as Chief Executive Officer and General Manager;
- to change the allocation of the remuneration paid to the Chairman of the Board of Directors pursuant to Article 2389, paragraph 3, of the Italian Civil Code, in light of the powers set forth in the Articles of Association of Cassa depositi e prestiti.

27 In particular, in line with the previous term, the Company continued to comply with the provisions of Article 84-*ter* of Decree Law no. 69 of 21 June 2013 ("*Remuneration for directors of companies controlled by General Government Entities*") and of the directive of the Ministry of Economy and Finance of 24 June 2013 (which includes the recommendation for directors "*to adopt remuneration policies that adhere to international best practices, but take into account company performance, and in any case are based on criteria of transparency and moderation, in light of the general economic conditions of the Country, also envisaging a correlation between the total remuneration of directors with specific responsibilities and the company average*").

As a consequence, the following remuneration components were recognised:

CHAIRMAN OF THE BOARD OF DIRECTORS

(euro)	Annual remuneration for 2015-2017
Fixed remuneration: remuneration for the office - Article 2389, paragraph 1	70,000
Fixed remuneration: remuneration for specific responsibilities - Article 2389, paragraph 3	225,000
Annual variable component	
Three-year incentive component (annual share)	

CHIEF EXECUTIVE OFFICER[28]

(euro)	Annual remuneration for 2015-2017
Fixed remuneration: remuneration for the office - Article 2389, paragraph 1	35,000
Fixed remuneration: remuneration for specific responsibilities - Article 2389, paragraph 3	132,698
Annual variable component	50,000
Three-year incentive component (annual share)	25,425

Annual variable component: according to the powers assigned, the annual variable component, set with reference to the target incentive level (100%), is paid to the extent of 80% on achieving the gross operating income stated in the budget for the year in question, CDP's lending and managed resources and CDP Group's lending and managed resources (qualitative 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 qualitative and quantitative objectives set for the year in question have been achieved.

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

Benefits: in continuity with the previous term, the Chief Executive Officer receives benefits and insurance coverage equal to those provided for executives, including for the risk of death and permanent disability.

IT Systems and Internal Projects

In 2017, CDP's ICT function continued the process of evolution and extensive renewal of its technological architectures. This included the following:

- the definition and implementation of the new infrastructure management strategy, through the gradual convergence towards open platforms based on a progressive insourcing model, which has considerably increased service quality;
- a considerable reduction in technological obsolescence through the implementation of a significant programme of decommissioning of obsolete platforms, which has brought the obsolescence rate down from 50% to 15% in one year;

28 In compliance with the above-mentioned Article 84-*ter* of Decree Law no. 69 of 21 June 2016, the total annual remuneration due to Mr Fabio Gallia, in his capacity as Chief Executive Officer and General Manager, is equal to 823,123.00 euro.

- a major impetus to the use of the Enterprise Data Hub infrastructure, through the convergence of all corporate Master Plan projects onto this platform;
- the implementation of new developments using entirely open source technological frameworks.

During the year, high usability applications were developed, including the new system for classifying and managing Problem Positions, in compliance with the supervisory regulations and the new Management Control system, through the creation of reporting tools, instrument panels and dashboards developed in highly innovative business analytics systems and technologies, based on EDH data.

In the Business products area, the main developments included new support systems for the renegotiation operations of the Municipalities, Provinces and Metropolitan Areas, for the management of the financial resources of the Ministry of the Environment and Protection of the Land and Sea allocated to International Cooperation, and for the management of Ordinary Loans to Local Authorities for the financing of projects eligible for EU funding (ROP, NOP, and European subsidised funds).

In terms of Compliance, the updates required by the regulations applicable to CDP have been completed. This primarily involved the activation, in accordance with applicable provisions, of the Central Credit Register reporting to the Bank of Italy, both as contributors to and users of the information relating to the global banking system. Other work included the updating of the systems to enable access to the new Bank of Italy – Abaco procedure and the adaptation of the document management systems to the new regulations, in addition to the implementation and re-engineering of the data registry for rating and credit status management.

In the Infrastructure area, a large number of initiatives were implemented, including the creation of the new Proxy infrastructure and a new platform for the rapid and automatic deployment of applications within self-sufficient containers, together with tools for speeding up, standardising and automating the procedures for the installation, configuration, modification and release of departmental systems. Numerous obsolete infrastructure decommissioning and infrastructure migration projects were also completed.

In 2017, the ICT function continued its work towards achieving the objectives of the company Master Plan. In particular, in addition to the completion of the projects mentioned above, significant progress was achieved on the following fronts:
- the creation of CDP's new loan system, with the aim of decommissioning technologically obsolescent platforms, reducing maintenance costs and continuing towards the automation of the business processes (Galileo Project);
- the migration and upgrade of the support systems for the operations of the Finance unit and the development of new features;
- the creation of a system designed for the structural management of the operating ALM (Asset and Liability Management), the ITRs (Internal Transfer Rates) and liquidity;
- the integration of the group's technological infrastructure, with the creation of a group WAN and an integrated intra Group authentication system.

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

Internal Control System

CDP has developed an internal control system consisting of a set of rules, procedures, and organisational structures designed to ensure compliance with applicable regulations, in accordance with corporate strategies and the achievement of targets set by company management.

More specifically, first level controls (line controls) are conducted by operational and administrative units. These controls are built into organisational procedures and are designed to ensure that operations are carried out correctly.

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

Lastly, third level controls are implemented 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 CDP's governance, risk management and control processes, by means of professional and systematic supervision.

The Board of Directors, in its role as the supervisory body, gives authority to the Internal Audit function, which reports to the Chief Audit Officer, ensuring its independence. The Internal Audit function reports hierarchically to the Board of Directors through its Chairman and regularly informs the Governing Bodies and Board of Statutory Auditors on the work carried out and the results achieved.

The Internal Audit function promotes the Company's risk and control culture and measures for the continuous improvement of the effectiveness and efficiency of the organisation. Based on the nature and intensity of the risks detected, it notifies Management, the Risk Committee[29], the Board of Statutory Auditors, the Supervisory Body, and the Board of Directors of improvements that can be made to the risk management policies, the instruments used to measure risk, and the various company procedures.

The Internal Audit function prepares an Annual Work Plan that reflects the regulatory requirements and the risks associated with the company objectives, together with the instructions given by Top Management and the Corporate Bodies.

Based on the Audit Plan, the Internal Audit function conducts an independent and objective assessment of the completeness, adequacy, performance (in terms of effectiveness and efficiency) and reliability of the overall internal control system and the organisational structure in general.

The Internal Audit function also performs audits on the companies subject to management and coordination, in some case under specific service agreements with the Parent Company for internal audit activities.

The Internal Audit function also supports the audit work conducted by the Manager responsible for preparing the Company's financial reports.

It also provides support to the work of the Supervisory Body, envisaged by Article 6, paragraph 1, of lett. B), of Legislative Decree 231/2001.

Financial and operational risk management systems

In 2017, CDP continued the process of strengthening and updating the risk management methods and systems.

To measure credit risk, CDP uses a proprietary model for calculation of portfolio credit risks, taking into account Separate Account exposures to public entities. The model is a "default mode" model, i.e. it considers credit risk based on the losses associated with the possible default of borrowers rather than the possible deterioration in credit quality indicated by an increase in spreads or rating changes. Since it adopts a default mode approach, the model is multi-period and simulates the distribution of losses from default over the entire life of outstanding transactions. This makes it possible to capture the effect of moving between credit quality classes other than that of default. This credit model enables the calculation of a variety of

29 The extraordinary Shareholders' Meeting of 10 July 2015 approved a number of changes to the Articles of Association, including the establishment of a Risk Committee within the Board of Directors, tasked with providing support to the Board of Directors in relation to risks and the Internal Control System.

risk metrics (VaR, TCE[30]) for the entire portfolio and for individual borrowers or business lines. The model is used for assessing the risk-adjusted performance in the Ordinary Account and for loans in the Separate Account to private individuals, excluding the funds in support of the economy.

CDP has a series of rating models developed by specialized external providers. Specifically, CDP uses rating models for the following classes of loans:

- public entities (shadow rating quantitative model);
- banks (shadow rating quantitative model);
- small and medium enterprises (quantitative model based on historical default data);
- large enterprises (shadow rating quantitative model);
- project finance (qualitative/quantitative scorecards calibrated on a shadow rating basis).

These models act as a benchmark against the rating allocated by the analyst; specific rules have been established to manage any discrepancies between the results obtained through the instrument used and the final rating. Alongside the external benchmark models, CDP has produced, for certain classes of counterparty, internal scoring models that enable counterparties to be ordered based on creditworthiness, by using specific indicators drawn from financial statement figures. Furthermore, the Electronic Rating Application (PER - *Pratica Elettronica di Rating*) system makes it possible to retrace the process that resulted in the assignment of a certain value for each name, and also view archived documentation concerning the assessment, based on the nature of the counterparty (Public Entities, Bank Counterparties, Corporate and Project Finance). The Electronic Monitoring Application (PEM – *Pratica Elettronica Monitoraggio*) system, implemented in 2017, ensures prompt identification, through an early warning engine, of potential credit problems based on which the management Watch List classes are assigned. The 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 electronic loan application procedure.

Internal ratings play an important role in the credit granting and monitoring process, as well as in the definition of the decision-making process; in particular, the concentration limits are adjusted according to the rating and may lead to a review of the loan also by the Chief Risk Office (hereinafter also referred to as the "CRO") and the Risk Committee, the need to submit a proposal to the Board of Directors to grant a specific exemption or, in some cases, the inadmissibility of the transaction. The internal rating is normally updated on a yearly basis, unless events or information cause the need for a prompt change to the allocated rating.

The process of assignment of Loss Given Default to the single transactions, which is needed to calculate the expected loss, follows a standardised procedure, which is also outlined in the corporate systems. The Loss Given Default is assigned on the basis of internal estimates in relation to the probable recovery time, in consideration of the characteristics of the counterparty, the nature of the transaction and the guarantees associated with the loan.

Interest rate and inflation risk are measured using the AlgoOne suite produced by Algorithmics (IBM Risk Analytics), mainly adopted to analyse the possible changes in the value of financial statement items as a result of interest rate movements. The system can carry out sensitivity analyses and stress tests, in addition to calculating the VaR in the banking book. For postal funding products, CDP uses models that produce investor behaviour scenarios.

To monitor liquidity risk, the Risk Management Area (hereinafter also referred to as "RM") 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 activities are monitored via proprietary tools that show the current (taking into account the net mark-to-market and collateral guarantees) and potential credit exposure.

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

For the various risk elements associated with derivatives, positions in securities and securities financing transactions, RM uses the Murex front office application. In addition to specific monitoring of positions and the mark-to-market calculation also for the exchange of collateral, the system provides a variety of sensitivity and scenario analyses, which have numerous applications with regard to interest rate risk, counterparty risk, the analysis of the securities portfolio and hedge accounting.

As far as operational risks are concerned, CDP has developed a proprietary application (LDC) for the collection of internal data relating to both operating losses already occurred in the company and recorded in the income statement, as well as operational risk events that do not generate a loss (near miss events).

CDP has developed an IT procedure to define the profile of the risk of money laundering and financing of terrorism attributable to each customer (so-called “customer profiling”). Furthermore, it adopted the main applications and database available on the market for the due diligence of the counterparties and monitoring of the subjective profiles. Moreover, during 2017, an application was introduced to monitor customers’ transactions and flag up any anomaly indicators. In order to comply with the recording requirements pursuant to Article 36 of Legislative Decree no. 231/2007, CDP has set up a single computerised database for the central storage of all information acquired in performing customer due diligence requirements in accordance with the principles set out in the decree. CDP uses an outsourcer to create, keep and manage the single database, to which the CDP’s Anti-Money Laundering function has direct and immediate access.

Compliance System pursuant to Legislative Decree no. 231/01

In January 2006 CDP adopted a Compliance System pursuant to Legislative Decree 231/2001, which identifies the company areas and operations that are most exposed to the risk of criminal activity as defined in the decree, along with the principles, rules and regulations for the control system introduced to supervise significant operating activities.

The current version of the Compliance System was approved by the Board of Directors in the meeting held on 25 November 2014. This version was amended in part (i.e. General Part and sections covering offences relating to: receipt of stolen goods, money laundering and use of money, goods or benefits of unlawful provenance, including self-laundering, and workplace health and safety) on 27 February 2017, in view of the significance of the regulatory, organisational and business developments. Several changes were made to the “Code of ethics of Cassa depositi e prestiti S.p.A. and the companies subject to its management and coordination” on the same date.

In June 2017, the project work was initiated for the overall review of CDP’s Compliance System, which was presented in January 2018.

The Supervisory Body is tasked with overseeing the functioning and observance of the Compliance System and with updating its content and assisting the competent corporate bodies in correctly and effectively implementing the Compliance System.

In February 2017, the Board of Directors assigned the functions of the Supervisory Body of CDP to the Board of Statutory Auditors, a collegiate body composed of five standing members appointed by the shareholders’ meeting. The causes of ineligibility and forfeiture envisaged for statutory auditors by the applicable regulations apply to the members of the Supervisory Body.

The Supervisory Body has drawn up its own internal rules and methods to be used for supervising the Compliance System, with the aid of Chief Audit Officer (“CAO”) unit, in order to ensure ongoing, independent monitoring of the proper functioning of company processes and the overall Internal Control System pursuant to Legislative Decree 231/01.

The “Code of Ethics of Cassa depositi e prestiti S.p.A. and the companies subject to its management and coordination” and the “Principles of the Compliance System pursuant to Legislative Decree no. 231/2001” of CDP are available in the “Governance/Company info” section of the company’s website.

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[31], accurate[32], dependable[33] and timely regarding Financial Reporting and the ability of relevant Company processes on this point to produce this information in compliance with the applicable accounting standards.

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

The Company's control system is structured to comply with the model adopted in the CoSO Report[34], an international reference model for the establishment, update, analysis and assessment of the internal control system. This model requires the achievement of the business objectives as a result of the integrated presence and correct operation of the following elements that, based on their characteristics, operate at organisational unit level and/or operating/administrative process level:

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

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

A risk-based approach has been chosen for the internal control system applied to financial reporting, in which the focus is on the key administrative and accounting procedures of said financial reporting. In the CDP Group, in addition to administrative and accounting procedures in the strict sense, business, management, control and support processes with a significant impact on the accounts are also taken into consideration.

The control model is based on an initial company-wide analysis of the control system in order to verify that the environment is, generally speaking, organised to reduce the risk of error or improper conduct with regard to the disclosure of accounting and financial information.

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

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

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

The process level analysis is structured as follows:

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

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

The CDP monitoring phase is structured as follows:

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

In order to ensure that the system described above is effective, the cooperation of multiple units/functions has been established, in particular with regard to the Parent Company: the Organisation and Processes organisational unit is responsible for process design and formalisation; the function headed by the Manager in charge with preparing the Company's financial reports is involved during the risk assessment phase and the Internal Auditing organisational unit is responsible for the monitoring and assessment phase.

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

To enable the Manager in charge with preparing the Company's financial reports and the management bodies delegated by the Parent Company to issue the certification pursuant to Article 154-*bis* of the Consolidated Law on Finance, a flow of information to the Manager in charge with preparing the financial reports of the Parent Company was established, comprising (i) the final report on the internal control system applied to the financial reporting process from the managers in charge with preparing the Group companies' financial reports to their respective boards of directors and (ii) the intra-Group "chain" certification system, which use the standard certification established by Consob and adopted by the Parent Company, CDP.

Independent Auditors

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

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

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

Manager in charge with preparing the Company's financial reports

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

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

Article 24 CDP's Articles of Association

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

In order to ensure that the Manager in charge with preparing the Company's financial reports has resources and powers commensurate with the nature and complexity of the activities to be performed and with the size of the Company, and to ensure that such manager is able to perform the duties of the position, including in relations with other corporate bodies, in July 2007 the Board of Directors approved the "Internal Rules for the Function of the Manager in charge with preparing the Company's financial reports". In October 2011, following the start of management and coordination activities for the subsidiaries of CDP, it was decided to update the rules of the function, using the same approval process.

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

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

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

- access without restriction all company information considered relevant to the performance of his duties;
- interact on a regular basis with the Company's management and control Bodies;
- audit any company process that impacts the reporting process;
- undertake, in the case of companies included in the scope of consolidation and subject to management and coordination by the Parent Company, specific initiatives necessary or useful to the performance of activities associated with the performance of the Manager's duties at the Parent Company;
- make use of other company units to design and amend processes (Organisation and Processes) and check the adequacy and effective application of procedures (Internal Auditing);

- have at his disposal dedicated personnel and independent powers of expenditure within an approved budget.

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

The Manager in charge with preparing the Company's financial reports informs without delay the Board of Statutory Auditors about possible anomalies, deficiencies and critical issues regarding the administrative/accounting system, when deemed to be particularly relevant. Moreover, upon request of the Board of Statutory Auditors, he/she provides information[35] and assistance by taking part in the meeting of the Board when invited.

Always upon request, he reports on the activity performed and on the relevant results to the Supervisory Body pursuant to Legislative Decree 231/01, in order to establish a fruitful exchange of information with said body and improve the control actions in the areas deemed to be under greater potential risk. The Manager in charge with preparing the Company's financial reports liaises with the Independent Auditors in order to establish constant communication and exchange the information regarding the assessment and effectiveness of the controls regarding the administrative and accounting processes.

Furthermore, the Manager in charge with preparing the Company's financial reports interfaces and coordinates his/her action with the activities of the corporate bodies and managers of the companies included in the scope of consolidation, in particular with regard to the activities relating to the administrative and accounting controls and procedures.

The Manager in charge with preparing the Company's financial reports is supported by the Internal Auditing function in periodic testing activities aimed at assessing the actual application and adequacy of the controls included in the administrative and accounting procedures, and/or in specific test plans, for the preparation of the Parent Company financial statements, the consolidated financial statements and the half-yearly report.

Registro Insider

During 2017, Cassa depositi e prestiti S.p.A. (CDP) adapted the "Register of persons with access to CDP inside information" (hereinafter the "Register") in compliance with the requirements of European Regulation no. 596/2014 (and the related implementing regulations), which includes the new regulatory framework concerning market abuse.

The Register – established in 2009 in its capacity as issuer of debt securities issued on regulated markets – lists the persons who, owing to their positions on duties that the perform on a regular or occasional basis, have access to inside information directly or indirectly concerning CDP or the related financial instruments. The Register is divided into separate sections, one for each piece of inside information. A new section is added to the Register every time a new piece of inside information is identified. Each section of the Register only reports the details of the people with access to the inside information contemplated in the section. The Register is computerized and password protected, and the notes pertaining to each section are in chronological order. Each note is tracked and cannot be changed.

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

The Register is held by the Compliance Unit and the Keeper of the Register is the Head of the Compliance Unit, who can appoint one or more substitutes.

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

Code of Ethics

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

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

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

In 2017, as far as HR is concerned, there were no breaches of the Code of Ethics by CDP employees or associates.

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 committees established pursuant to the Articles of Association, or composed of one or more board directors.

The company's organisational structure also consists of **13 Managerial Committees of CDP and/or 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 2017.

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 21 meetings in 2017.

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.

The Committee held 11 meetings in 2017.

Related Parties Committee

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

Composition and responsibilities

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

The preliminary, non-binding opinion of the Related Parties Committee 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 Party Committee has 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 4 meetings in 2017.

Remuneration Committee

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

Composition and responsibilities

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

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

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

The Committee held 2 meetings in 2017.

2. Managerial Committees of CDP and/or the Group

The Managerial Committees of CDP and/or 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 13 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 2016 the MEF, with Decree dated 12 May 2016, pursuant to Article 17-*quater* of Decree Law no. 18 of 14 February 2016, converted by Law no. 49 of 8 April 2016, reviewed the method of remuneration of the treasury current account no. 29814, which since 1 January 2016 has equalled the weighted average (using weightings at 20% and 80%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs.

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

Agreements with the MEF

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

The first agreement, renewed on 23 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 of the transformation date, resulting from the Postal Savings Bonds transferred to the MEF (Article 3.4.c) under the abovementioned Ministerial Decree). Based on this agreement, in addition to settling cash flows and managing relations with Poste Italiane, CDP provides the following services to the MEF:
- financial reporting;
- periodic provision of information, both actual information and forecasts, on bond redemptions and stocks;
- monitoring and management of the Treasury accounts established for the purpose.

The second agreement, which was 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 2017 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 four 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, par. 387, of Law no. 190 of 23 December 2014 (Stability Law 2015 - Provisions for the annual and multiannual state budget). The Fund's management methods are governed by the "Agreement for the management of the Government Securities Amortisation Fund" signed by CDP and the MEF on 30 December 2014, approved and made effective with decree of the Treasury Department no. 3513 of 19 January 2015. On 24 March 2016, CDP and the MEF signed the "Agreement amending the agreement for the management of the Government Securities Amortisation Fund" with which the mechanism for the calculation of the remuneration of the existing deposits on the Fund was reviewed.

On 23 December 2015, a new agreement was finalised for the financial, administrative and accounting management of the off-balance sheet Revolving Fund for Cooperation and Development through which the MEF assigned CDP:

- the financial, administrative and accounting management of the Revolving Fund, pursuant to Article 26 of Law 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

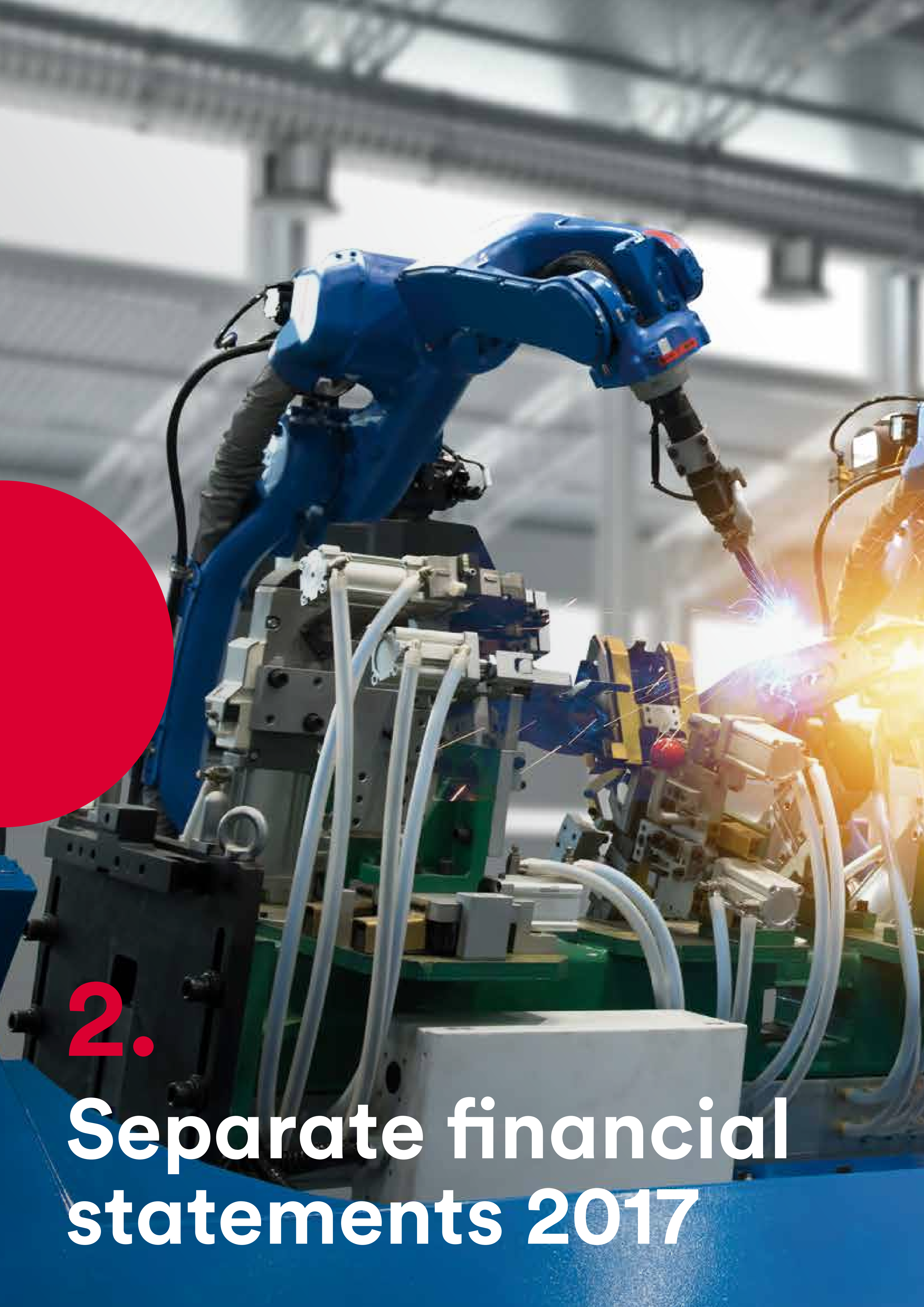
The main assets managed are the loans granted by CDP and transferred to the MEF, the residual debt of which came to 5,295 million euro at 31 December 2017, compared with 6,573 million euro at the end of 2016. In addition, there are the cash advances granted for the payment of Public Administration trade 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 6,101 million euro at 31 December 2017, compared with 6,273 million euro at the end of 2016. The liabilities include the management of Postal Savings Bonds assigned to the MEF, which at year-end totalled 68,243 million euro, compared with 69,841 million euro at 31 December 2016.

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 2,691 million euro at 31 December 2017 on the dedicated current accounts; the natural gas infrastructure programme for the South, which was allocated resources totalling 198 million euro; and the territorial agreements and area contracts, which had funds amounting to 487 million euro.

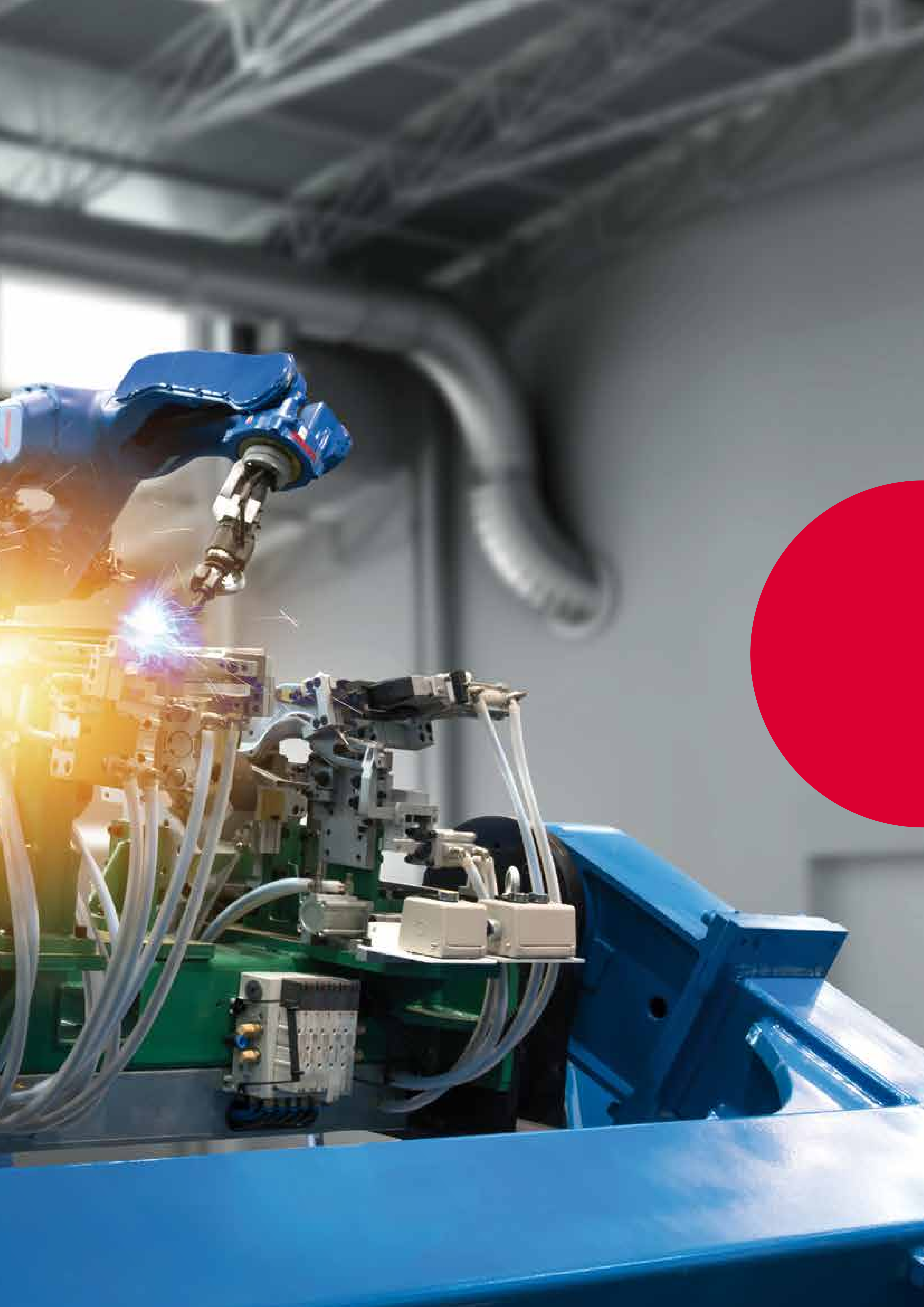
7. Disclosure on consolidated non-financial statement of the CDP Group

For information regarding the consolidated non-financial statement pursuant to Legislative Decree no. 254 of 30 December 2016, see the specific separate document "2017 Consolidated non-Financial Statement of the CDP Group", approved by the Board of Directors and published together with this annual report.



2.

Separate financial statements 2017



Form and content of the separate financial statements at 31 December 2017

The separate financial statements at 31 December 2017 have been prepared in accordance with applicable regulations and are composed of the:

- Balance Sheet
- Income Statement
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Separate Financial Statements

The Notes to the Separate Financial Statements are composed of:

- Introduction
- Part A - Accounting policies
- Part B - Information on the balance sheet
- Part C - Information on the income statement
- Part D - Comprehensive income
- Part E - Information on risks and related hedging policies
- Part F - Capital
- Part G - Business combinations
- Part H - Transactions with related parties
- Part I - Share-based payments
- Part L - Operating segments

The following are also included:

- Annexes
- Report of the Board of Statutory Auditors
- Report of the Independent Auditors
- Certification pursuant to Article 154-*bis* of Legislative Decree no. 58/98

The following paragraphs have been added to the “Annexes” section, which is an integral part of the annual report:

1. Annexes to the separate financial statements:
   - 1.1 the “Accounting separation statements” showing the contribution of the Separate Account and the Ordinary Account to CDP’s results;
2. Annexes to the report on operations
   - 2.1 the “Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP S.p.A.” aimed at providing criteria for the preparation of the reclassified balance sheet and reclassified income statement provided in the report on operations compared to the financial statements;
   - 2.2 the “Details of alternative performance indicators - CDP S.p.A.”.

Contents of the separate financial statements

Separate financial statements at 31 December 2017

BALANCE SHEET

(euros) Assets	31/12/2017	31/12/2016
10. Cash and cash equivalents	6,741	3,093
20. Financial assets held for trading	93,568,293	207,650,392
40. Financial assets available for sale	11,682,664,088	9,596,393,260
50. Financial assets held to maturity	29,236,673,374	32,268,680,348
60. Loans to banks	38,599,568,670	23,964,631,584
- *of which: segregated asset pool*		*446,324,638*
70. Loans to customers	255,280,626,453	258,642,911,172
80. Hedging derivatives	842,595,854	733,272,511
90. Fair value change of financial assets in hedged portfolios (+/-)	(41,503,409)	
100. Equity investments	30,411,137,574	30,896,644,341
110. Property, plant and equipment	305,538,163	272,567,177
120. Intangible assets	11,882,566	8,570,519
130. Tax assets:	630,739,071	972,786,595
a) current tax assets	331,378,247	628,099,980
b) deferred tax assets	299,360,824	344,686,615
- *of which: for purposes of L. 214/2011*		
150. Other assets	211,771,045	145,602,272
Total assets	**367,265,268,483**	**357,709,713,264**

(euros) Liabilities and shareholders' equity	31/12/2017	31/12/2016
10. Due to banks	16,626,997,896	14,487,457,832
20. Due to customers	306,499,360,318	305,798,520,321
30. Securities issued	17,364,495,113	12,031,653,582
40. Financial liabilities held for trading	126,255,780	183,286,348
50. Financial liabilities designated at fair value	501,551,155	
60. Hedging derivatives	588,083,435	831,894,069
70. Fair value change of financial liabilities in hedged portfolios (+/-)	32,400,026	38,206,204
80. Tax liabilities:	213,992,947	210,911,533
a) current tax liabilities	56,735,458	93,877,881
b) deferred tax liabilities	157,257,489	117,033,652
100. Other liabilities	834,676,174	877,150,145
110. Staff severance pay	1,019,223	1,004,783
120. Provisions for risks and charge:	41,363,654	42,813,434
b) other provisions	41,363,654	42,813,434
130. Valuation reserves	950,928,999	946,536,992
160. Reserves	14,908,258,103	14,225,165,606
170. Share premium reserve	2,378,517,244	2,378,517,244
180. Share capital	4,051,143,264	4,051,143,264
190. Treasury shares (-)	(57,220,116)	(57,220,116)
200. Net income (loss) for the period	2,203,445,268	1,662,672,023
Total liabilities and shareholders' equity	**367,265,268,483**	**357,709,713,264**

INCOME STATEMENT

(euros) Items		31/12/2017	31/12/2016
10.	Interest income and similar revenues	7,463,425,025	6,722,913,263
20.	Interest expense and similar expense	(4,498,739,270)	(4,354,350,232)
30.	**Net interest income**	**2,964,685,755**	**2,368,563,031**
40.	Commission income	108,116,186	96,954,952
50.	Commission expense	(1,579,499,602)	(1,581,159,760)
60.	**Net commission income**	**(1,471,383,416)**	**(1,484,204,808)**
70.	Dividends and similar revenues	1,354,720,829	1,570,768,905
80.	Profits (losses) on trading activities	(8,824,895)	5,665,777
90.	Fair value adjustments in hedge accounting	13,170,610	756,687
100.	Gains (losses) on disposal or repurchase of:	42,657,150	24,605,589
	a) loans	20,969,204	19,139,789
	b) financial assets available for sale	21,621,995	5,463,955
	c) financial assets held to maturity	65,951	1,845
110.	Profits (losses) on financial assets and liabilities designated at fair value	(1,529,630)	
120.	**Gross income**	**2,893,496,403**	**2,486,155,181**
130.	Net impairment losses/recoveries on:	(109,346,583)	(457,112,014)
	a) loans	(5,715,973)	(163,235,538)
	b) financial assets available for sale	(183,776,242)	(215,948,520)
	d) other financial transactions	80,145,632	(77,927,956)
140.	**Financial income (expense), net**	**2,784,149,820**	**2,029,043,167**
150.	Administrative expenses:	(144,969,654)	(136,162,728)
	a) staff costs	(85,135,767)	(80,533,141)
	b) other administrative expenses	(59,833,887)	(55,629,587)
160.	Net accruals to the provisions for risks and charge	83,221	(1,157,601)
170.	Net adjustments to/recoveries of property, plant and equipment	(4,374,801)	(4,556,613)
180.	Net adjustments to/recoveries of intangible assets	(2,526,902)	(2,465,725)
190.	Other operating income (costs)	5,207,597	3,752,011
200.	**Operating costs**	**(146,580,539)**	**(140,590,656)**
210.	Gains (losses) on equity investments	28,631,108	(270,010,000)
240.	Gains (losses) on disposal of investments	(5,181)	(3,835)
250.	**Income (loss) before tax from continuing operations**	**2,666,195,208**	**1,618,438,676**
260.	Income tax for the period on continuing operations	(462,749,940)	44,233,347
270.	**Income (loss) after tax on continuing operations**	**2,203,445,268**	**1,662,672,023**
290.	**Income (loss) for the period**	**2,203,445,268**	**1,662,672,023**

STATEMENT OF COMPREHENSIVE INCOME

(euros) Items		31/12/2017	31/12/2016
10.	**Income (loss) for the period**	**2,203,445,268**	**1,662,672,023**
	Other comprehensive income net of taxes transferred to the income statement		
90.	Cash flow hedges	(3,708,169)	(2,024,469)
100.	Financial assets available for sale	8,100,176	8,091,468
130.	**Total other comprehensive income net of taxes**	**4,392,007**	**6,066,999**
140.	**Comprehensive income (items 10 + 130)**	**2,207,837,275**	**1,668,739,022**

STATEMENT OF CHANGES IN EQUITY: CURRENT FINANCIAL YEAR

(euros)	Balance at 31/12/2016	Changes in opening balance	Balance at 01/01/2017	Allocation of net income for previous year	
				Reserves	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	14,225,165,606		14,225,165,606	675,771,147	
b) other					
Valuation reserves:					
a) available for sale	757,468,785		757,468,785		
b) cash flow hedges	21,496,205		21,496,205		
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)	1,662,672,023		1,662,672,023	(675,771,147)	(986,900,876)
Equity	**23,206,815,013**		**23,206,815,013**		**(986,900,876)**

STATEMENT OF CHANGES IN EQUITY: PREVIOUS FINANCIAL YEAR

(euros)	Balance at 31/12/2015	Changes in opening balance	Balance at 01/01/2016	Allocation of net income for previous year	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	3,500,000,000		3,500,000,000		
b) preference shares					
Share premium reserve					
Reserves:					
a) income	14,184,832,430		14,184,832,430	40,333,176	
b) other					
Valuation reserves:					
a) available for sale	749,377,317		749,377,317		
b) cash flow hedges	23,520,674		23,520,674		
c) other reserves					
- revaluation of property	167,572,002		167,572,002		
Equity instruments					
Treasury shares	(57,220,116)		(57,220,116)		
Net income (loss)	892,969,789		892,969,789	(40,333,176)	(852,636,613)
Equity	**19,461,052,096**		**19,461,052,096**		**(852,636,613)**

Changes for the period								Equity at 31/12/2017
	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 for 2017	
								4,051,143,264
								2,378,517,244
7,321,350								14,908,258,103
							8,100,176	765,568,961
							(3,708,169)	17,788,036
								167,572,002
								(57,220,116)
							2,203,445,268	2,203,445,268
7,321,350							**2,207,837,275**	**24,435,072,762**

Changes for the period								Equity at 31/12/2016
	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 for 2017	
	551,143,264							4,051,143,264
	2,378,517,244							2,378,517,244
								14,225,165,606
							8,091,468	757,468,785
							(2,024,469)	21,496,205
								167,572,002
								(57,220,116)
							1,662,672,023	1,662,672,023
	2,929,660,508						**1,668,739,022**	**23,206,815,013**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(euros)	31/12/2017	31/12/2016
A. OPERATING ACTIVITIES		
1. Operations	6,604,956,335	3,967,596,711
Net income (loss) for the year (+/-)	2,203,445,268	1,662,672,023
Gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	22,523,832	(8,391,435)
Gains (losses) on hedging activities (-/+)	(14,585,574)	(857,663)
Net losses (recoveries) on impairment (+/-)	121,089,278	458,071,723
Net adjustments to/recoveries on property, plant and equipment and intangible assets (+/-)	6,901,702	7,022,338
Net accruals to the provisions for the risks and charges and other costs/revenues (+/-)	12,958,058	13,841,644
Outstanding charges, taxes and tax credits (+/-)	462,749,940	(44,233,347)
Net adjustments to/recoveries on equity investments (+/-)	5,806	270,010,000
Other adjustments (+/-)	3,789,868,025	1,609,461,428
2. Cash flow generated by/used in financial assets	(12,676,016,116)	(6,755,055,503)
Financial assets held for trading	93,109,423	1,242,716
Financial assets available for sale	(2,307,954,981)	(2,250,389,606)
Loans to banks: other	(14,239,218,187)	454,517,588
Loans to customers	3,519,492,840	(5,027,498,269)
Other assets	258,554,789	67,072,068
3. Cash flow generated by/used in financial liabilities	5,340,547,416	6,210,629,382
Due to banks: other	2,135,614,428	149,263,364
Due to customers	(2,256,338,343)	8,520,343,632
Securities issued	5,436,588,719	(2,375,877,415)
Financial liabilities held for trading	(57,030,568)	13,714,708
Financial liabilities at fair value	500,000,000	
Other liabilities	(418,286,820)	(96,814,907)
Cash flow generated by/used in operating activities	(730,512,365)	3,423,170,590
B. INVESTMENT ACTIVITIES		
1. Cash flow generated by	25,338,760,346	30,454,264,086
Sale of equity investments	235,882,786	1,530,000
Sale of financial assets held to maturity	25,102,877,560	30,452,734,086
2. Cash flow used in	(22,290,013,499)	(38,390,440,855)
Purchase of equity investments	(59,726,533)	(96,355,100)
Purchase of financial assets held to maturity	(22,186,869,589)	(38,263,833,173)
Purchase of property, plant and equipment	(37,345,787)	(24,565,610)
Purchase of intangible assets	(6,071,590)	(5,686,972)
Cash flow generated by/used in investing activities	3,048,746,847	(7,936,176,769)
C. FINANCING ACTIVITIES		
Dividend distribution and other allocations	(986,900,876)	(852,636,613)
Cash flow generated by/used in financing activities	(986,900,876)	(852,636,613)
NET CASH FLOW GENERATED/USED IN THE PERIOD	1,331,333,606	(5,365,642,792)

Reconciliation

Items (*)	31/12/2017	31/12/2016
Cash and cash equivalents at beginning of period	**148,208,871,592**	**153,574,514,384**
Total cash generated/used in the period	1,331,333,606	(5,365,642,792)
Cash and cash equivalents: effects of changes in exchange rates		
Cash and cash equivalents at end of period	**149,540,205,198**	**148,208,871,592**

(*) The cash and cash equivalents reported in the statement of cash flows comprise the balance of item 10 “Cash and cash equivalents”, the balance on the current account held with the Central State Treasury reported under item 70 “Loans to customers”, and the positive balance on bank accounts reported under item 60 “Loans to banks”, net of current accounts with a negative balance reported under item 10 “Due to banks” of liabilities.

Notes to the separate financial statements

Introduction

Form and content of the financial statements

As in previous years, CDP's separate financial statements have been prepared in accordance with the regulations of the Bank of Italy, which are set out in its circular on "Banking and financial service supervision" of 22 December 2005, updated to 15 December 2015, which establishes the formats and rules for preparation of banks' financial statements, incorporating the introduction of International Financial Reporting Standards (IFRS) for bank financial reporting.

With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2006 financial year, to adopt the 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 the interpretation sources adopted by the International Financial Reporting Interpretations Committee ("IFRIC", formerly SIC - Standard 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 reported under item 70 "Loans to customers", and the positive balance on bank accounts reported under item 60 "Loans to banks", net of current accounts with a negative balance reported under item 10 "Due to banks" of liabilities.

Comparison and disclosure

As detailed below, the notes to the financial statements provide all of the information required by law, 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 have been numbered in accordance with the parts and sections specified in Annex "A" of the supervisory instructions issued by the Bank of Italy.

For the purposes of comparison, the tables in the notes to the separate financial statements present the figures for both the 2017 and 2016 financial years.

Tables with no amounts for both 2017 and 2016 have been omitted.

CDP separate asset pools

KfW separate asset pool

On 29 October 2014, the Board of Directors approved the establishment of a separate asset pool, called “KfW separate asset pool”, exclusively intended to satisfy all current, potential and future rights and claims that Kreditanstalt für Wiederaufbau (KfW) has or will have with respect to CDP, in connection with the loan agreement entered into between CDP and KfW on 28 October 2014 involving a loan to CDP for a maximum amount of 300 million euro (the “Loan Agreement”).

By subsequent resolution of the Board of Directors on 29 October 2015, the increase in the funding was approved for a total amount of 100 million euro, bringing it to a total of 400 million euro, in addition to the extension to 18 December 2015 of the period within which CDP could use the loan. The related consequent modifying addendum to the loan agreement was signed between CDP and KfW on 16 November 2015.

This funding was used to finance small and medium Italian enterprises (SMEs) through the banking system and as part of the Separate Account.

CDP has allocated to this separate asset pool certain loans to banks provided by CDP under the “Fourth Agreement” and the “Fifth Agreement” entered into between CDP and ABI on 1 March 2012 and 5 August 2014, respectively, in addition to the loans that these banks have granted to the SMEs, which were transferred to CDP as guarantee for the above loans.

The funding of 400 million euro provided under the Loan Agreement and fully disbursed was fully repaid in advance by CDP on 30 June 2016.

As of 20 October 2017, all assets and legal relationships allocated to the KfW separate asset pool are definitely no longer segregated with all the legal consequences entailed thereby.

Auditing of the financial statements

CDP’s financial statements are audited by the independent auditing firm PricewaterhouseCoopers S.p.A. pursuant to Legislative Decree no. 39/2010, following award of the audit engagement for the 2011-2019 period by the Shareholders’ Meeting of 25 May 2011.

Annexes

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.

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 2017 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 2017 and endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Journal of the European Communities L. 243 on 11 September 2002.

To the extent applicable, these financial statements have been prepared on the basis of Circular no. 262 of the Bank of Italy of 22 December 2005 (as amended on 18 November 2009, 21 January 2014, 22 December 2014, and 15 December 2015), which establishes the mandatory financial statement formats and compilation procedures, and also the contents of the notes to the financial statements.

The IFRSs 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:
- the Framework for the Preparation and Presentation of Financial Statements, issued by the International Accounting Standards Board (IASB) in 2001;
- Implementation Guidance, Basis for Conclusions, and any other documentation prepared by the IASB or IFRIC to supplement the IFRS issued;
- interpretation documents concerning the application of the IFRSs 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.

Where the information required by the IFRSs and the regulations of the Bank of Italy is deemed to be inadequate to give truthful and fair representation, the notes to the separate 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: 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, 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 has prepared these 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.

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.

The main areas in which management is required to make subjective assessments are:
- the measurement of impairment losses on loans, equity investments and, in general, other financial assets;
- the use of measurement techniques to determine the fair value of financial instruments not quoted on an active market;
- the calculation of provisions for employees and provisions for risks and charges;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets and interpretive issues concerning tax treatment;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products.

The 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 separate financial statements and their approval by the Board of Directors on 28 March 2018, no events occurred that would require an adjustment to the figures presented in the financial statements at 31 December 2017 nor did any significant events occur that would have required providing additional information.

Section 4 - Other issues

IFRS endorsed at 31 December 2017 and in force since 2017

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 2017, are provided below.
- Commission Regulation (EU) 2018/182 of 7 February 2018, published in Official Journal L. 34 of 8 February 2018, amending Regulation (EC) 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 12: this amendment, in addition to clarifying the scope of this IFRS also for interests held by the entity classified in accordance with IFRS 5, does not establish the obligation, for the entity, to disclose the financial information for those interests classified in accordance with IFRS 5;
- Commission Regulation (EU) 2017/1990 of 6 November 2017, published in Official Journal L. 291 of 9 November 2017, 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 7: the amendments are intended to improve the information provided on liabilities arising from financing activities;
- Commission Regulation (EU) 2017/1989 of 6 November 2017, published in Official Journal L. 291 of 9 November 2017, 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 12: these amendments clarify the accounting for deferred tax assets related to debt instruments measured at fair value.

The adoption of the changes to the above-mentioned standards did not result in any significant impact on the Company's financial statements.

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 2018)

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 2017 (unless, where permitted, it is chosen to adopt them in advance):
- Commission Regulation (EU) 2018/400 of 14 March 2018, published in Official Journal L. 72 of 15 March 2018, 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 40: the aim of the amendments is to strengthen the principle according to which an entity only transfers a property to, or from, investment property when, and only when, there is a change in use of the property and provides examples that prove the change in use of the property;

- Commission Regulation (EU) 2018/289 of 26 February 2018, published in Official Journal L. 55 of 27 February 2018, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 2: the amendments aim to clarify how companies should apply the standard in some specific instances;
- Commission Regulation (EU) no. 2018/182 of 7 February 2018, published in Official Journal L. 34 of 8 February 2018, 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 Standard 28 and International Financial Reporting Standard 1, the main amendments concern:
  - IAS 28 – "Investments in associates and joint ventures". The document seeks to clarify that the choice of measurement at fair value, instead of the equity method, must be made separately for each associate or joint venture, or for each investment entity associate or joint venture held by an entity other than an investment entity;
  - IFRS 1 – "First-time Adoption of International Financial Reporting Standards". The amendments remove the short-term exemptions from IFRSs;
- Commission Regulation (EU) 2016/2067 of 22 November 2016, published in Official Journal L. 323 of 29 November 2016, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 9: the aim is to improve the financial reporting of financial instruments by addressing concerns that arose in this area during the financial crisis. In particular, IFRS 9 addresses the call to move to a more forward-looking model for the recognition of expected losses on financial assets
- Commission Regulation (EU) 2016/1905 of 22 September 2016, published in Official Journal L. 295 of 29 October 2016, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 15: the aim is to improve the financial reporting of revenue and, therefore, to improve the comparability of revenue in financial statements;
- Commission Regulation (EU) 2017/1988 of 3 November 2017, published in Official Journal L. 291 of 9 November 2017, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 4: this amendment seeks to address the temporary accounting consequences of the different effective dates of IFRS 9 and the new standard for insurance contracts IFRS 17 that will replace IFRS 4;
- Commission Regulation (EU) 2017/1987 of 31 October 2017, published in Official Journal L. 291 of 09 November 2017, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 15: these amendments aim to clarify some requirements of the new standard and provide additional transitional relief for companies that are implementing the new standard.

In the second half of 2016, CDP started a specific implementation project for the new accounting rules, the main elements of which are described in the corresponding section of the consolidated financial statements.

IFRS 9: Financial Instruments

From 1 January 2018, the new standard IFRS 9, issued by the IASB in July 2014 and endorsed by the European Commission in 2016, has replaced IAS 39, and governs the classification and measurement of financial instruments.

The changes introduced by the new Standard mainly concern three aspects: "classification and measurement", "impairment", and "hedge accounting". Revision of the rules for macro hedge accounting still has to be completed, for which the IASB has decided to undertake a project separate from IFRS 9.

In extreme summary, the main innovations wrought by the new standard involve:

- the classification and measurement of debt instruments, based on the contextual analysis of the adopted business model and the characteristics of the contractual cash flows generated by the instrument, into three accounting categories: financial assets measured at amortised cost, financial assets measured at fair value through profit and loss ("FVTPL"), and financial assets measured at fair value through other comprehensive income ("FVOCI"). In contrast with the current IAS 39, the portfolios of financial assets available for sale and financial assets held to maturity, and the possibility of separating the embedded derivatives from hybrid contracts for financial assets alone, are eliminated. Instead, the current classification and measurement rules for financial liabilities as given in IAS 39 are confirmed;
- the classification of equity instruments in the FVTPL category, unless the option is exercised to classify the equity instruments not held for trading in the FVOCI category;
- the recognition of "own credit risk" (i.e. the change in value of the financial liabilities designated under the fair value option attributable to the change in the entity's own credit quality) through other comprehensive income, instead of in the income statement as currently provided by IAS 39;
- 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 immediate recognition of losses than the present "Incurred Loss" model envisaged in IAS 39, according

to which the losses have to be recognised if evidence is found of impairment losses after initial recognition of the asset. In detail, the new model envisages that the financial assets be allocated in three distinct "stages" in increasing order of deterioration of the credit quality:
- stage 1: this involves the performing financial assets for which no significant credit impairment was recognised in comparison with the date of initial recognition. These assets are recognised on the basis of an expected loss one year out;
- stage 2: this involves the performing financial assets whose credit quality has deteriorated significantly since initial recognition. These financial assets are also measured based on their lifetime expected credit loss;
- stage 3: this involves the non-performing financial assets which, having suffered a significant increase in their credit risk since initial recognition, are measured based on their lifetime expected credit loss;

- hedge accounting, with the aim of guaranteeing greater alignment between accounting hedges and operating (or economic) hedge relationships established;
- the impossibility of voluntarily interrupting a hedge accounting relationship if the aim of the hedge remains.

IFRS 15: Revenue from Contracts with Customers

The standard, published by the IASB on 28 May 2014, has introduced a single model for measuring all revenue deriving from contracts with customers and replaces the previous standards/interpretations on revenue (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18, SIC 31). According to this model, the entity has to recognise revenue according to the consideration to which it expects to be entitled in exchange for the goods or services provided, determined according to the following five steps:
1) identification of the contract, defined as an agreement having commercial substance between two or more equal parties that can generate rights and obligations;
2) identification of the performance obligations contained in the contract;
3) determination of the transaction price, i.e. the consideration expected for the transfer of goods or services to the customer;
4) allocation of the transaction price to each of the performance obligations, by reference to their standalone selling prices;
5) recognition of the revenue allocated to the individual obligation when it is satisfied, i.e. when the customer obtains control of the goods and services. This recognition acknowledges the fact that certain services may be provided at a specific time or over a period of time.

See the corresponding section of the consolidated financial statements regarding the assessment of the possible impacts.

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 2019)

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 2017 (unless, where permitted, it is chosen to adopt them in advance):
- Commission Regulation (EU) 2018/498 of 22 March 2018, published in Official Journal L. 82 of 26 March 2018, amending Commission Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 9: it clarifies the application of the classification rules for financial assets, with regard to early termination, and also introduces transitional provisions regarding the application of prepayment features with negative compensation;
- Commission Regulation (EU) 2017/1986 of 31 October 2017, published in Official Journal L. 291 of 9 November 2017, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 16.

IFRS 16: Leases

On 13 January 2016, the IASB published IFRS 16 (Leases), which is intended to replace the current accounting standard IAS 17, and the interpretations IFRIC 4 (Determining whether an Arrangement contains a Lease), SIC 15 (Operating Leases – Incentives), and SIC 27 (Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The new standard gives a new definition of lease and introduces a principle based on control ("right of use") of an asset, to distinguish finance leases from service agreements, by identifying the following as discriminating elements: identification of the asset, the right to substitute the asset, the right to obtain substantially all economic benefits resulting from use of the asset and the right to direct the use of the asset underlying the agreement. The aim is to ensure greater comparability between financial statements due to the different accounting principles applied to operating leases and finance leases. The standard establishes a single model for recognition and measurement of leases by the lessee, which entails recognition of the leased asset, including those held under an operating lease, on the assets side of the balance sheet, with a balancing entry for the financial liability, while also offering the possibility of not recognising as finance leases those agreements whose objects are "low-value assets" and leases whose term is 12 months or less. In contrast, the new standard does not envisage significant changes for the lessors.

Accounting standards, amendments and interpretations that have not yet been endorsed by the European Union at the reporting date of these financial statements

Certain accounting standards, interpretations and amendments had been issued by the IASB but not yet endorsed by the European Union at the approval date of these financial statements:
- IFRS 14: Regulatory deferral accounts (issued on 30 January 2014);
- IFRS 17: Insurance contracts (issued on 18 May 2017);
- IFRIC 22: Foreign currency transactions and advance consideration (issued on 8 December 2016);
- IFRIC 23: Uncertainty over Income Tax Treatments (issued on 7 June 2017);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017);
- Annual improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017);
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018).

Bank of Italy Circular no. 262/2005 – 5th update of 22 December 2017

On 22 December 2017, the Bank of Italy published the 5th update to circular no. 262/2005 (Bank financial statements: presentation formats and rules), containing the following main changes:
- incorporation of IFRS 9 “Financial instruments”, as well as the consequent amendments introduced in other international accounting and financial reporting standards, including IFRS 7 “Financial instruments: disclosures”;
- incorporation of the new IFRS 15 “Revenue from contracts with customers”;
- inclusion, within the notes to the financial statements, of the disclosure requirements established by Principle 8 “Disclosure”, contained in the EBA document “Guidelines on credit institutions’ credit risk management practices and accounting for expected credit losses” (document EBA/GL/2017/06 of 20 September 2017).

This update to circular no. 262/2005 is applicable from financial years beginning from 1 January 2018.

The tax consolidation mechanism

At 31 December 2017, the Parent Company CDP, in its capacity as the consolidating entity, had the “tax consolidation mechanism” in place, as introduced by Legislative Decree no. 344 of 12 December 2003. The tax consolidation scope, which consisted of the Parent Company and eight companies in 2015, was extended in 2016 to other subsidiaries subject to management and coordination. In 2017, CDP’s tax consolidation therefore included: i) CDP Equity S.p.A. – former Fondo Strategico Italiano S.p.A. (for the three-year period 2015-2017); 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., and CDP Investimenti SGR S.p.A. (for the three-year period 2016-2018); and iii) Fintecna S.p.A. and CDP Immobiliare S.r.l. (for the three-year period 2017-2019).

Other information

The Board of Directors’ meeting of 28 March 2018 approved CDP’s draft financial statements for 2017 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 accounts

The separate financial statements at 31 December 2017 have been prepared by applying the same accounting standards as those used for preparation of the financial statements for the previous financial year, reflecting the amendments endorsed and in force with effect from the financial year 2017, as described in Section 4 – Other issues, A.1 General Information.

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

1 - Financial assets held for trading

This item consists of financial assets, regardless of their technical form (debt securities, equity securities, units in UCIs, loans, derivatives) having the following characteristics:
- they are purchased for resale in the short-term to realise gains resulting from price changes;
- they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- they are derivatives (except for derivatives designated as hedging instruments for accounting purposes).

These also include the derivative contracts having a positive fair value, which are not part of effective accounting hedge relationships, but are operationally linked to interrelated financial assets/liabilities at fair value whose changes in value are recognised through profit or loss, on the basis of the option granted to the company ("Fair value option").

This item also includes the derivatives embedded in financial instruments, or other contracts, which have been split off from the host instrument and recognised separately in the accounts because:
- they have financial characteristics and risks not strictly correlated to the host instrument;
- the embedded instruments, even when separated, meet the definition of derivative; and
- the hybrid instruments that they belong to are not measured at fair value through profit or loss.

In the event of accounting separation, the host instruments are accounted for in their own specific category.

If the conditions exist for splitting off an embedded derivative, but it is not possible to determine separately the value of the embedded derivative from the host instrument, the entire hybrid instrument is treated as a financial asset or liability at fair value.

Financial assets held for trading are initially recognised on the execution date for derivative contracts, at the settlement date for debt securities, equities, and units of UCIs, and the disbursement date for loans. An exception is represented by those securities whose delivery is governed by conventions on the market concerned, for which initial recognition is at the subscription date.

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

Subsequent measurement is at fair value, with recognition of the measurement results in the item "Profits (losses) on trading activities" in the income statement. The fair value is determined based on the official prices as of the reporting date if the financial instruments are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses. If the fair value of a financial asset becomes negative, it is recognised in the item "Financial liabilities held for trading" of the balance sheet.

No reclassifications to other items of financial assets are allowed, except for specific cases envisaged by laws and regulations. In some cases debt and equity securities that are no longer held for trading may be reclassified to other categories established by IAS 39 ("Financial assets held to maturity", "Financial assets available for sale", "Loans and Receivables") when the conditions for their recognition are no longer met. The transfer value is represented by the fair value at the time of reclassification.

Dividends on equity instruments that are held for trading are recognised as "Dividends and similar revenues" in the income statement, when the right to receive payment is established.

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

The profits and losses realised on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under "Profits (losses) on trading activities" of the income statement. An exception is represented by the derivative contracts connected with the "Fair value option", whose changes in fair value are recognised in the income statement item "Profits (losses) on financial assets and liabilities designated at fair value".

2 - Financial assets available for sale

This item consists of bonds (including the host contracts of hybrid instruments after the embedded derivative has been split off), equities (represented by equity investments not held for trading and not qualifying as subsidiaries, associates and joint operations, including private equity investments and investments in private equity funds), units of UCIs, and loans.

These investments represent assets maintained for an indefinite period of time and that can be sold for example due to liquidity needs and changes in interest rates, exchange rates and market prices. Pursuant to IAS 39, the item in question represents a residual category that does not cover derivatives and financial assets classified as "Loans and Receivables", "Financial assets held to maturity", "Financial assets held for trading", and "Financial assets designated at fair value".

Financial assets available for sale are initially recognised on the settlement date for debt securities, equities, and units of UCIs, or on the disbursement date for loans.

The financial assets are initially recognised at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction. Where the amount paid is different from the fair value, the financial asset is nonetheless recognised at fair value, and the difference between the two amounts is recognised through profit or loss.

The financial instruments are measured subsequently at fair value based on the official prices as of the reporting date if they are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, and values recorded in recent similar transactions. If the fair value of equity instruments not listed on active markets cannot be reliably determined, these instruments are measured at cost and written down in the event of impairment.

Unrealised gains or losses on financial assets available for sale are recorded in a specific equity reserve named the "Valuation reserve", net of tax effects and also shown in the statement of comprehensive income, until the financial asset is eliminated or impairment is recognised. Interest on the debt instruments and on loans receivable is recognised in the income statement according to the amortised cost method, which is based on the effective interest rate, i.e. the rate that exactly discounts the estimated future receipts during the expected life of the financial instrument at the net carrying value of the financial asset.

Financial assets available for sale undergo impairment testing, at every annual or interim reporting date, to determine whether there is objective evidence of impairment.

When there is objective evidence that the financial asset available for sale might be impaired, the accumulated loss that was initially recognised in the "Valuation reserves" in Equity, is transferred to "Net impairment losses/recoveries on financial assets available for sale" in the income statement. Where the reduction in the fair value of an equity instrument with respect to its initial cost value is significant or prolonged, an impairment is recognised through profit or loss. CDP considers a reduction in fair value to be significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of over 24 months.

The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of a financial asset available for sale exceeds its fair value estimated at the reference date. Consequently, the amount transferred to the income statement is equal to the difference between the carrying value of the asset and the estimate of its current fair value.

Reclassifications are allowed exclusively to the category "Financial assets held to maturity" and the category "Loans and Receivables" if the conditions for their recognition are met. The transfer value is represented by the fair value at the time of reclassification.

If, after impairment is recognised in the income statement, the fair value of a financial asset available for sale increases as a result of an improvement in the counterparty's credit rating, a reversal of impairment loss is recognised for the corresponding amount under the income statement item "Net impairment/reversals on financial assets available for sale". Any reversals of investments in equity instruments are not recognised in the income statement but in an equity reserve, while any reversals of investments in debt instruments go through the income statement. The value of the instrument after the reversal shall in any event not exceed the amortised cost that the instrument would have had in the absence of the prior adjustments.

Dividends on equity instruments that are available for sale are recognised as "Dividends and similar revenues" in the income statement when the right to receive payment is established.

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

Where an available-for-sale security is disposed of or eliminated, the related cumulative unrealised change in value recorded in equity is recognised in the income statement under "Gains (losses) on disposal of financial assets available for sale". In the event of a partial disposal, the valuation reserve is reversed to profit or loss on a FIFO basis.

3 - Financial assets held to maturity

Financial assets held to maturity include financial assets listed on regulated markets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. They also include the host components of hybrid instruments after the separation of the respective embedded derivatives, but do not include the derivative contracts.

If a change in intention or ability leads to premature sales or reclassifications to another asset portfolio of a significant portion of the financial assets held to maturity as compared with the portfolio as a whole, the entire portfolio has to be reclassified under "Financial assets available for sale" and that portfolio cannot be used for at least two years ("Tainting rule").

The sole exceptions allowed by the tainting rule are as follows:
a) financial assets close to maturity, for which fluctuations in market rates could not cause significant changes in price;
b) financial assets that are sold after substantially full repayment of the principal has already occurred (planned or premature repayment);
c) financial assets whose sale depended on isolated, unplanned events beyond the control of the company.

Financial assets held to maturity are initially recognised on the settlement date for debt securities and equities or on the disbursement date for loans.

Initial recognition is at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is recognised in the income statement.

After initial recognition, these assets are recognised at their amortised cost, equal to the initial recognition amount, net of principal repayments and amortisation of the difference between the initial amount and the amount repayable on maturity calculated by using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future payment flows for the expected duration of the financial asset, in order to obtain the precise net carrying amount upon initial recognition, which includes directly attributable transaction costs, as well as the fees paid or received by the contracting parties.

When there is objective evidence that the asset is impaired, the amount of that impairment is recognised in the income statement item "Net impairment losses/recoveries on financial assets held to maturity". This loss is measured as the difference between the carrying value of the asset and the discounted value of the estimated future cash flows, discounted at the original effective interest rate of the financial asset. If, in a subsequent year, the amount of the impairment diminishes and the reduction is due to improvement in the solvency of the counterparty after it was recognised, the previous recognised impairment is reversed. However, the reversal of impairment never results in a carrying value higher than what would result from application of the amortised cost if no impairment had occurred, and it is recognised in the same item on the income statement.

If the financial asset held to maturity is a hedged instrument used in a hedging relationship, only the credit risk and exchange rate risk may be hedged.

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

4 - Loans and receivables

"Loans and receivables" refer to the portfolio of financial instruments contracted with customers and banks, having fixed or determinable payments, and which are not listed on an active market. This item also includes the debt instruments having the same characteristics, while excluding derivative contracts.

As envisaged in Circular no. 262 of the Bank of Italy, updated on 15 December 2015, the item in question is divided between "Loans to banks" and "Loans to customers".

The item "Loans to customers" includes unlisted financial assets in respect of customers (loans, repo transactions, debt securities, operating receivables, etc.) that are allocated to the "Loans and Receivables" portfolio. The item also contains the liquidity represented by the balance on the current account held with the Central State Treasury. It also includes receivables due from Italian post offices and variation margins with clearing houses in respect of derivatives transactions.

The item "Loans to banks" includes unlisted financial assets in respect of banks (current accounts, repo transactions, security deposits, debt securities, operating receivables, etc.) that are allocated to the "Loans and Receivables" portfolio. This also includes the amounts receivable from Central Banks other than free deposits (such as the reserve requirement).

Loans are recognised when the contract is executed, i.e. upon the unconditional acquisition of a right to payment of the amounts agreed, while debt instruments are recognised at the settlement date. If the contract date and the disbursement date are not the same, a commitment to disburse funds is recognised, and it terminates when the disbursement is made. Where the net amount disbursed does not equal the loan's fair value because the interest rate is lower than the market rate or the rate normally applied for similar loans, initial measurement is carried out by discounting the future cash flows using an appropriate rate.

The initial recognition value is the fair value, corresponding to the amount disbursed inclusive of the transaction costs and commissions directly attributable to the disbursement or purchase as can be determined from the beginning of the transaction.

The loans granted to public entities and public-law bodies 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 in accordance with international accounting standards.

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

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

After initial recognition at fair value, the relationships classified under the loan portfolio are measured at amortised cost, equal to the initial recognition amount plus or minus principal repayments, write-downs and write-backs, and amortisation of the difference between the amount disbursed and the amount repayable on maturity calculated using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future payment flows for the expected duration of the loan, in order to obtain the precise net carrying amount upon initial recognition which includes both directly attributable transaction costs and fees paid or received by the contracting parties. The economic effect of the transaction costs and commissions is spread out over the entire expected life of the loan.

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

Loans are periodically monitored to identify non-performing positions, namely those that have objective evidence of impairment that can give rise to a reduction in their expected realisable value. The non-performing exposures are classified into the different risk categories (bad debt, unlikely to pay, and non-performing past-due exposures) based on the provision of the Bank of Italy Circular no. 272 of 30 July 2008, updated on 28 December 2017.

The amount of the adjustment is determined based on an individual or collective assessment of the level of impairment of the loans.

Impaired loans are measured individually. The impairment loss to be recorded on the loan is determined as the difference between the carrying value of the loan at the time of measurement and the present value of the expected future cash flows, calculated by applying the original effective interest rate. However, for certain loans that are insignificant when considered individually, a portfolio measurement may be permitted. The expected future cash flows take account of estimated recovery time, the value of any guarantees and the expenses for the recovery of the loan.

Performing loans are not subject to analytical testing (because they do not show objective signs of loss or because they are for an insignificant amount), but they do undergo collective/portfolio measurement. This type of measurement is used for uniform categories of exposures in terms of credit risk whose scope has been extended in the financial year, and the method used for collective testing is based on the internal parameters used for pricing loans. The estimate of the incurred loss for the portfolio is determined by applying a number of corrective parameters to the 1-year expected loss. These corrective parameters are determined by considering the degree of concentration of the loan portfolio ("concentration adjustments") and the expected time between the default event and the emergence of confirmation of default ("loss confirmation period").

The specific and portfolio adjustments are recognized in the income statement under the item "Net impairment losses/recoveries on loans".

When the solvency of the counterparty improves to the extent that there is reasonable certainty of greater expected recovery of the loan and/or receipts exceeding the value of the previously recognised loan, the previously recognised impairment is reversed. Reversals are made up to the amount of the amortised cost that the loan would have had in the absence of impairment. In any event, given the method used to measure impairment losses, as the due dates for credit collection approach with the passing of time, the value of the loan is reversed (time value), given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans. Recovery of all or a part of previously impaired loans is recognised as a reduction to "Net impairment losses/recoveries on loans".

Loans are derecognised when payment is received, when the contractual rights to the cash flows expire, when they are considered definitively irrecoverable or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

6 - Hedging transactions

Hedging transactions are executed to neutralise contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, should that particular risk effectively materialise.

In accordance with IAS 39, hedging instruments are derivatives or (limited to the hedging of foreign currency risk) non-derivative financial assets or liabilities whose fair value or cash flows are expected to offset the changes in fair value or cash flows of a designated hedged position (paragraphs 72-77 and Annex A, paragraph AG94). A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that:
a) exposes the company to the risk of a change in fair value or future cash flows; and
b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101).

The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk are offset by the change in fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105 - AG113).

When a financial instrument is classified as an accounting hedge, the following are to be formally documented:
- the relationship between the hedging instrument and the hedged item, including the risk management objectives;
- the hedging strategy, which must be in line with established risk management policies;
- the methods to be used in order to verify the effectiveness of the hedge.

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged item.

An accounting hedge is deemed to be highly effective if the changes in fair value of the hedged item or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.

At each annual or interim reporting date, the effectiveness is assessed through specific prospective and retrospective tests capable, respectively, of demonstrating the expected effectiveness and the level of effectiveness achieved.

If the hedge is not effective as described above, the hedging instrument is reclassified under financial instruments held for trading, while the hedged item continues to be measured in accordance with the criteria defined for its category. Hedge accounting also ceases when the hedging instrument expires, is sold or exercised or when the hedged item expires, is sold or is repaid.

Hedging derivatives are initially recognised at their fair value on the contract date. In particular:
- for fair value hedges, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is accounted for by recognising the changes in value through profit or loss, in the item "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 available for sale; if there were no hedging, this change would be recognised in equity.
- for cash flow hedges, the changes in fair value of the derivative are recognised net of the tax effect, in a specific "Valuation reserve" of equity, for the effective portion of the hedge, and are only recognised through profit or loss when there is a change in the cash flows to be offset for the hedged item. The amount of the gain or loss of the hedging instrument considered ineffective is recognised through profit or loss, in the item "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 recognized in the "Valuation reserves" of equity is immediately reversed to profit or loss. Conversely, if the hedging instrument is transferred or no longer qualifies as an effective hedge, the portion of the item "Valuation reserves" representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the manifestation of the financial effects of the transaction originally hedged.

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

For macro hedges, IAS 39 allows the object of a fair value hedge against interest rate risk to be not only an individual financial asset or liability, but also a monetary amount, containing multiple financial assets and liabilities (or their portions), so that a set of derivatives may be used to reduce the fair value fluctuations of the hedged items in response to changes in market interest rates. Net amounts resulting from the mismatch of assets and liabilities cannot be designated as subject to macro hedging. In the same way as for micro fair value hedges, a macro hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the monetary amount hedged are offset by changes in the fair value of the hedge derivatives and if the actual results are within a range of 80% to 125%. The positive or negative amount of the fair value changes, respectively, of the assets and liabilities subject of fair value macro hedges measured with reference to the risk hedged is recognised in Items 90 of the balance sheet assets or 70 of the balance sheet liabilities, with a balancing entry under "Fair value adjustments in hedge accounting" in the income statement.

The ineffectiveness of the hedge consists of the difference between the change in fair value of the hedging instruments and the change in fair value of the monetary amount hedged. The ineffective portion of the hedge is in any case included 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 write-back/write-down recognised in Items 90 of balance sheet assets or 70 of balance sheet liabilities is recognised through profit or loss under interest income or expense, over the remaining lifetime of the hedged financial asset or liability.

If these assets and liabilities are sold or redeemed, the amount of fair value not amortised is recognised immediately in "Gains (Losses) on disposal or repurchase" in the income statement.

7 - Equity investments

"Equity investments" means investments in subsidiaries (IFRS 10), in associates (IAS 28) and in joint arrangements (IFRS 11).

Subsidiaries are companies in which CDP holds, either directly or indirectly, more than half of the voting rights in the Shareholders' meeting or, in any event, when CDP exercises the power to determine financial and operating policies (including situations of de facto control).

Associates are companies in which CDP holds, either directly or indirectly, at least 20% of the voting rights or, even with a lower voting interest, companies over which CDP has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either exclusive control or joint control.

Joint ventures involve companies where control is contractually shared between CDP and one or more parties, or when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Equity investments are initially recognised and subsequently carried at the purchase cost, at the settlement date of the transaction, including costs and revenues that are directly attributable to the transaction.

The equity investments are tested for impairment at every annual or interim reporting date.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies, differs where these involve investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of any impairment losses.

The following are possible indicators of impairment:
- the recognition of losses or significantly lower results than budgeted or forecast in multi-year plans;
- the announcement or commencement of insolvency proceedings or restructuring plans;
- the receipt of a dividend that exceeds the total comprehensive income of the investee for the year or its accumulated income from previous years;
- a carrying value of the equity investment in the separate financial statements that exceeds the amount, in the consolidated financial statements, of the corresponding portion of equity, including any goodwill.

In addition, for equity investments in listed companies, the CDP Group also considers the following as evidence of impairment:
- equity higher than market capitalisation;

- a reduction in the market price exceeding the carrying value by over 40% or for more than 24 months.

The recoverable amount is the higher of the fair value of the unit, less costs of disposal and its value in use, being the present value of the future cash flows that the equity investment may generate, including the final disposal value of the investment.

If this value is lower than the carrying value, the difference is recognised in the income statement as an impairment loss. If the reasons causing the adjustment cease to exist, the impairment losses are reversed. These reversals have to be recognised in the income statement up to the amount of the previous impairment. Consequently, the reduction in the previously recognised impairment 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 adjustments and the reversals of impairment are recognised in the income statement at "Gains (losses) on equity investments".

The investor's interest in any losses of the investee that exceed the carrying 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 on equity instruments that are available for sale are recognised in "Dividends and similar revenues" when the right to receive payment is established.

Equity investments are derecognised 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.

8 - Property, plant and equipment

"Property, plant and equipment" includes the assets used in operations governed by IAS 16 and investment property (land and buildings) governed by IAS 40. These include assets under finance leases (for the lessor) and operating leases (for the lessor). In order to determine whether a contract contains a lease, the provisions of IFRIC 4 are applied. The item includes the leasehold improvement costs, which can be separated from the assets and have their own functionality and utility.

In the separate financial statements of CDP, this item is composed only of operating property, plant and equipment represented by real estate, plant, machinery, land, and buildings owned for use in the production or provision of goods and services, or for administrative purposes, which are expected to be used for more than one year.

Property, plant and equipment are recognised for the first time at purchase cost including incidental expenses directly related to the purchase, non-deductible VAT and costs for bringing the asset to working condition, increased by revaluations carried out under the provisions of specific laws. Borrowing costs directly attributable to the acquisition, construction or production of an asset have to be added to the value of the asset itself and capitalised pursuant to IAS 23.

Special maintenance and repair costs, incurred after initial recognition, which result in an increase in the future economic benefits, are recognised as an addition to the value of the assets. Instead, ordinary maintenance costs that do not generate future economic benefits are recognised in the income statement.

Property, plant and equipment are subsequently recognised at their purchase cost net of depreciation and impairment (which are governed by IAS 36).

Newly acquired non-current assets are depreciated from the period in which they enter service and are, therefore, ready for use. They are depreciated on a straight-line basis over their residual life.

Therefore, the depreciation allowances for each year charged to the income statement are calculated at the rates listed below, which are considered adequate to represent the residual useful life of each asset.

	Minimum rate	Maximum rate
Buildings	3.0%	10.0%
Movables	12.0%	15.0%
Electronic systems	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 interim reporting date, the recognised book value of the asset is tested for impairment. If signs of impairment are present, the carrying value 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 item "Net adjustments to/recoveries on property, plant and equipment". If the reasons for which impairment was recognised cease to exist, the value of the asset 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. Therefore, with the transition to the IAS, the value of the land has been separated from that of the buildings. This was done by using the value determined in appraisals previously used in 2005 for the revaluation of corporate real estate carried on the balance sheet in 2004, pursuant to the 2006 Italian National Budget Act.

Each item of property, plant and equipment that has a significant value compared to the overall value of the asset it belongs to is recognised and depreciated separately.

"Assets under construction and advances" are composed of advances or expenses incurred in respect of 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 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.

9 - Intangible assets

The item "Intangible assets" includes, pursuant to IAS 38, non-monetary assets that are identifiable and do not have physical substance. They are held to be used for a multi-year period or an indefinite period. Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a transaction related to a business combination and the fair value of identifiable net assets acquired.

An intangible asset is recognised if the following conditions are satisfied:
- the asset is identifiable, i.e. it is separable from the rest of the enterprise;
- the asset is controlled, i.e. it is subject to the control of the enterprise;
- the asset generates future economic benefits.

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 intangible assets in CDP's financial statements essentially consist of software.

The intangible assets are initially recognised at purchase or development cost, including directly attributable transaction costs.

After initial recognition, the intangible assets with a finite useful life are measured at cost, net of amortisation and any impairment.

The amortisation is charged based on the estimated useful life of the asset. This estimate of its useful life is assessed, at the end of each financial year, to check the adequacy of the estimate.

Costs incurred for the purchase and development of software by third parties are amortised, usually on a straight-line basis, over the residual useful lives of the assets, which is no greater than 5 years.

Costs incurred for software development before the year in which the project is completed are capitalised when the development/implementation of the project is likely to be successful and the utility of the product extends over more than one year. In this case, the costs are amortised over a period of no more than 5 years. In the year in which the software is completed, the costs incurred and not yet amortised are allocated to the asset and the cost is amortised over 5 years.

In addition, on an annual basis, or when there is objective evidence that the intangible asset is impaired, a test is performed to determine the adequacy of the carrying amount of the asset. Consequently, the carrying amount of the intangible asset is compared with its recoverable amount, the higher of the fair value less costs to sell, and its value in use (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement 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.

11 - Current and deferred taxation

Tax assets and liabilities are recognised in the balance sheet respectively under Asset Item 130 “Tax assets” and Liability Item 80 “Tax liabilities”.

The accounting entries related to current and deferred taxation include: i) current tax assets, consisting of tax paid in advance and receivables for withholding taxes incurred; ii) current tax liabilities, consisting of tax payables to be settled according to applicable tax regulations; iii) deferred tax assets, consisting of the amounts of tax recoverable in future years in view of temporarily deductible differences; and iv) deferred tax liabilities, consisting of the amounts of tax to be paid in future periods as a result of taxable temporary differences.

Current taxes, consisting of corporate income tax (IRES), the Additional IRES tax and the regional tax on business activities (IRAP), are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year and are calculated on the basis of the tax rates currently in force, amounting, for 2017, to 24% for IRES tax, 3.5% for the Additional IRES tax and 5.57% for IRAP tax. The 2016 Stability law, in Article 1 paragraphs 65 and 66, established a reduction in the IRES tax rate to 24% and the application of an additional rate of 3.5% with effect from 2017 for credit and financial institutions.

Deferred tax assets and liabilities are recognised according to the tax rate that, under the legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation.

The term “deferred” tax refers, in particular, to the recognition, in terms of tax, of the temporary differences between the value assigned to an asset or liability for statutory accounting purposes and the corresponding value for tax purposes.

Deferred taxes are recognised: i) under Tax assets, if they relate to “deductible temporary differences”, which means the differences between statutory and tax values that will give rise to deductible amounts in future financial years, to the extent that they are likely to be recovered; and ii) under Tax liabilities, if they relate to “taxable temporary differences” representing liabilities because they are related to accounting entries that will become taxable in future tax periods.

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

12 - Provisions for risks and charges

This item consists of the allowances set aside to cover specific types of liabilities whose existence is certain or probable, but whose amount or accrual date were uncertain at the reporting date.

Therefore, the allowances are recognised only when:
- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable/expected that a cost will have to be incurred to meet an obligation, or use of resources capable of producing economic benefits, and
- a reliable estimate can be made of the amount of the obligation.

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

Contingent – not probable – liabilities are not provided for. However, they are disclosed in the notes of the financial statements, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The allowances are used only to cover the costs for which they were originally recognised, and they are reversed in the income statement when the obligation is settled or when it is no longer probable that an outflow of resources will be required to settle the present obligation.

This item does not include the impairment resulting from impairment of the commitments to disburse funds, of the guarantees granted, and the credit derivatives assimilated to them pursuant to IAS 39, to the extent that they are included, if applicable, in “Other liabilities”.

This item also includes the company pensions 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 comments of the “Staff severance pay” in paragraph 14 “Other information”.

13 - Debt and securities issued

“Due to banks” and “Due to customers” include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans, repo transactions) other than “Financial liabilities held for trading”, “Financial liabilities designated at fair value", and debt securities under "Securities issued". This includes operating payables. In particular, CDP includes in these items the amounts still to be disbursed for loans being repaid, as well as liabilities in respect of postal funding products.

Postal savings bonds issued by CDP are reported under "Due to banks" and "Due to customers", including those that have matured but have not yet been redeemed at the reporting date. These instruments are zero-coupon securities (where the interest accrued is paid when the principal is redeemed) with a step-up interest structure (the interest rate increases as the period for which the bond is held increases) and with principal and interest redeemed in a single payment upon maturity, although the bonds can be redeemed upon request of the underwriter at any time prior to their contractual maturity, with principal and interest paid in accordance with the period for which the bond was held. For financial instruments such as postal savings bonds, IAS 39 calls for the adoption of the amortised cost method and states that the effective interest rate to be used in calculating amortised cost must be equal to the internal rate of return of the estimated (not contractual) cash flows throughout the expected (and not contractual) life of the instrument. Given the aforementioned option of early redemption, the expected life of postal savings bonds is, on average, less than their contractual life. CDP has therefore developed a statistical model for forecasting early redemption of postal savings bonds based on a time series of redemptions, which is used to price the new issues. The forecasting model used at the time of the bond issue is also used to determine the initial estimated amortisation plan for each series of postal savings bonds. Based on these estimated flows, the effective interest rate and the amortised cost to be recognised in the balance sheet are then calculated. Differences between the actual early redemptions and these estimates result in an adjustment to the remaining amortisation schedule. In such cases, the IFRSs state that the amortised cost of the instrument being measured is to be equal to the present value of the new estimated future cash flows using the unchanging effective interest rate calculated upon issuing each series of postal savings bonds as the discount rate. The effective rate for floating-rate interest-bearing postal savings bonds is updated every time the estimated cash flows are revised due to changes in the benchmark indices and the review of the flow of redemptions.

"Securities issued", both listed and unlisted, are measured net of repurchased securities. The item does not include the portion of the company's own debt securities issued but not yet placed with third parties.

These liabilities are recognised for the first time on the date the raised funds are received or the debt instruments are issued. These items are recognised at their fair value upon first-time recognition. That value normally corresponds to the amount received or the issue price, inclusive of the costs directly attributable to the individual fund-raising operations or the costs incurred for the issue.

The financial liabilities are subsequently measured at amortised cost using the effective interest rate method, as defined in the preceding paragraphs. An exception is represented by short-term financial liabilities, which are recognised at the received value, given the negligible effect of the time factor.

In hybrid debt instruments (indexed to equity instruments, indices, foreign currencies, etc.) the embedded derivative is separated from the host contract, when the criteria for separation envisaged in IAS 39 apply, and is recognised at its fair value under financial assets/liabilities held for trading. The related changes in value are recognised in the income statement. The host contract is instead allocated an initial value corresponding to the difference between the total amount of the proceeds received and the fair value allocated to the embedded derivative. The contract is recognised and measured according to the criteria envisaged by the classification portfolio.

The amounts under "Due to banks", "Due to customers", and "Securities issued" are eliminated when they mature or are extinguished. The elimination also takes place when there is a repurchase of previously issued bonds, with simultaneous recalculation of the residual payable only for the securities issued. The difference between the carrying value of the liability and the amount paid to purchase it is recognised in the income statement.

14 - Financial liabilities held for trading

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

In particular, this category of liabilities includes the negative value of the trading derivatives, which are not part of effective accounting hedges but are held to meet operating hedging requirements where the company wishes to standardise the measurement criterion between related assets and liabilities.

They also include the derivatives embedded in financial instruments or other contracts, which have financial and risk characteristics that are not strictly correlated with the host instrument or which meet the requirements to be classified themselves as derivatives. They are, therefore, recognised separately, after the embedded derivative has been separated from the host contract, which instead follows the accounting rules for its classification category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transaction costs or revenues. When the amount paid differs from the fair value, the financial liability is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is 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 the measurement results through profit or loss. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial liability are retained, the 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" (Item 80) in the income statement. The income components are recognised following the results of the measurement of the financial liability held for trading.

15 - Financial liabilities designated at fair value

This item includes debt securities issued for which the fair value option has been exercised in accordance with the requirements established by IAS 39 for recognition in said item.

This classification is made when one of the following conditions applies:
- the designation eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring assets or liabilities on different bases;
- the liabilities consist of a group of financial liabilities, or of financial assets and liabilities, which is managed and whose 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.

These financial liabilities are recognised for the first time on the date these debt instruments are issued.

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.

After initial recognition, these financial liabilities are recognised at fair value, with allocation of the realised gains and losses (due to repayment or sale) and/or valuations (due to the change in fair value) to the item "Profits (losses) on financial assets and liabilities designated at fair value" in the income statement.

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.

16 - Transactions in a foreign currency

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

In preparing the annual or interim financial statements, assets denominated in a foreign currency are accounted for as follows:
- monetary instruments are translated at the spot exchange rate quoted at the preparation date of the financial statements, by recognising exchange rate differences under "Profits (losses) on trading activities" in the income statement (except for financial assets and liabilities at fair value, those subject to fair value and cash flow hedges, and the related hedges, whose exchange rate differences are recognised in item 110 of the income statement and item 90 of the income statement, respectively);
- non-monetary instruments, which are carried at cost, are translated at the exchange rate quoted on the date of the original transaction;
- non-monetary instruments, 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.

17 - Other information

Staff severance pay

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements.

In accordance with IAS 19, staff severance pay is treated as a "Post-employment benefit" and is classified as:
- a "Defined benefit plan" for the portion of staff severance pay accrued by employees until 31 December 2006,
- a "Defined contribution plan" for the portion of staff severance pay accrued by employees beginning 1 January 2007.

This accounting standard requires the staff severance pay amounts to be recognised based on the actuarial value of the accruing and accrued obligations (these obligations are, respectively, the actuarial value of the expected future payments related to benefits accrued during the current financial year and the actuarial value of future payments resulting from amounts accrued in previous financial years).

It should be noted that the provision for staff severance pay is negligible given that employees on staff prior to the transformation of CDP into a joint-stock company maintained their participation in the INPDAP pension scheme after the transformation; therefore, contributions are paid to that institution. As such, the amount shown for staff severance pay is related solely to employees hired after the date of transformation (under the INPS pension scheme) for amounts accrued until 2006, given that the amounts accrued subsequently were not applied to this fund, but to the supplemental pension fund or to INPS in accordance with the applicable legislation.

Accordingly, in view of the insignificance of the effects of adopting IAS 19, the staff severance pay continues to be calculated on the basis of Italian statutory provisions (Article 2120 of the Italian Civil Code).

Interest income and expense

Interest income and expense is recognised in the income statement, on a pro-rated basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

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 measured using the fair value option.

Commission income and expense

Commissions income for revenues from services provided and commission expense for the costs of services received are recognised, based on the existence of contractual agreements, on an accrual basis, i.e. in the periods when the services are provided.

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.

Profits (losses) on trading activities

The item includes the following profit and loss components:
- the profits and losses realised on the derecognition of derivatives, except for derivatives connected to the fair value option and derivatives not designated as accounting hedges;
- the valuation gains and losses recognised on the change in fair value of derivatives, which will be realised after the time of their derecognition, except for derivatives connected to the fair value option and derivatives not designated as accounting hedges;
- the positive and negative differentials and margins of financial derivatives not designated as accounting hedges and derivatives connected to the fair value option; and
- the positive and negative exchange differences relating to financial assets and liabilities denominated in foreign currencies, other than those designated 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.

Fair value adjustments in hedge accounting

This item shows the balance resulting from the application of the hedging relationships (see paragraph “6 - Hedging Transactions” for more details).

More specifically, this item includes the following components:
- the change in fair value of derivatives designated as fair value hedges for accounting purposes;
- the change in fair value of hedged financial assets and liabilities in fair value hedge accounting relationships, attributable solely to the risk hedged;
- the positive and negative exchange rate differences relating to financial assets and liabilities denominated in currency being hedged in fair value and cash flow hedge accounting relationships, and the related hedging derivatives.

A.4 - Disclosures on fair value measurement

Qualitative disclosures

This section contains the disclosures on fair value measurement in accordance with the requirements of IFRS 13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The assumption is that this refers to an ordinary transaction between independent counterparties that have a reasonable degree of knowledge of market conditions and the relevant facts related to the item being traded.

In the definition of fair value, a key assumption is that an entity is fully operational and does not have the urgent need to liquidate or significantly reduce a position. Among other factors, the fair value of an instrument reflects its credit quality as it incorporates the default risk associated with the counterparty or the issuer.

The international accounting standards have established three levels of classification for a financial instrument (known as the "hierarchy of fair value inputs"); the level of fair value measurement assigned depends on the observability and significance of the inputs used in the valuation model.

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1). An instrument is considered to be traded on an active market if prices are readily and regularly available on regulated markets, organised trading facilities, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions executed close to the valuation date. When there are no published prices on an active market or when, in reference to several indicators (e.g. the possibility of performing transactions at the quoted price and their number, the bid-ask spread, the effective trading volumes), it cannot be held that the price represents an active and regularly functioning market, the fair value of the financial instruments is determined by using measurement models and techniques whose purpose is to establish the price at which the asset or liability would be exchanged between market operators in an arm's length transaction at the valuation date. The fair value of unlisted financial instruments is classified under Level 2 or 3 according to whether or not the inputs used in the valuation model are observable and their significance within that model.

The Level 2 inputs are prices available on active markets or inputs based on observable market data, such as interest rates, credit spreads, or yield curves. If they are used in the pricing of an instrument, they must be available for the entire residual life of the instrument. The fair value of a financial instrument measured with techniques that use Level 2 inputs is classified in the same level for the fair value hierarchy.

The level 2 inputs may need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it (through the use of statistical or "expert-based" techniques by those carrying out the measurement), the fair value measurement is classified under Level 3, if the inputs are not observable in the market or not directly available. This category also includes the parameters estimated on the basis of proprietary models or historic data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

Valuation techniques used for Level 2 and Level 3 measurements are validated by the Risk Management 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 integrated into the corporate systems of CDP.

The market parameters used as inputs for Level 2 valuations are selected on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments listed on active markets.

Specifically, the financial statements of CDP use fair value measurements assigned to level 2 for bonds receivable or payable whose measurement depends exclusively on observable market parameters, and the measurement of interest rate, currency, and plain vanilla equity derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them.

For derivatives and bonds, CDP has developed a reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based.

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. However, in view of the generalised use of framework netting arrangements that provide for the exchange of collateral, and considering the frequency of exchange of the collateral and the fact that it is established in the form of cash deposits, as well as the minimum ratings required from the counterparties, no adjustments of this kind have been made at 31/12/2017. With regard to the embedded derivatives in postal savings bonds which are separated out, the adjustment for the joint credit risk of CDP and the Italian Government is considered to be nil. An adjustment of this type, if made, would result in a reduction in the fair value of those liabilities.

With regard to the assets and liabilities measured at fair value on a recurring basis, the following are classified as Level 3 in the financial statements of CDP:
- the valuations of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- certain bonds whose valuation depends on the conditions of use by CDP established from time to time and/or spreads that are not directly observable or representative of the creditworthiness of the issuer/debtor;
- equity interests and other unlisted equity instruments that are measured using non-market parameters.

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 derivatives - Equity		(29,623)	Option pricing models	Redemption profiles (ratio of expected principal at maturity to remaining payable)
Equity securities	11,085		Equity multiple	Equity multiple
Units in collective investment undertakings	1,875,437		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 Market Risk and ALM department, within the Risk Management Area. The valuations are performed through internal systems used by CDP for the management of securities and derivatives and subject to standard controls. The valuation process and related controls are subject to third-level checks on a regular basis

Description of non-observable inputs used the valuation process for the fair value measurement on a recurrent basis of instruments classified at Level 3 and the sensitivity of the fair value to changes in those inputs

Fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted to obtain a range of possible and reasonable alternative valuations. In general, the impact of unobservable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

Redemption profiles

The redemption of postal savings bonds is a central estimate of the nominal amount of the bonds that will be redeemed within a series of future dates, between the valuation date and the final maturity date. The estimate is made by CDP through statistical analyses and expert-based valuations. This non-observable figure is significant for the Level 3 measurement of the fair value of the options separated out from the postal savings bonds linked to the performance of the Dow Jones Euro Stoxx 50 index. If the investor 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 granted 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.

The sensitivity analysis considered changes of 10% in the remaining principal, applied to the relevant expected percentage for the expiry of each option. If redemptions are lower than estimated, a condition has been established that the current level of remaining principal shall not be exceeded.

SENSITIVITY ANALYSIS TO THE REDEMPTION PROFILE

(millions of euro)

Change in fair value resulting from the use of possible reasonable alternatives	+10% (higher redemptions)	-10% (lower redemptions)
Embedded options in Premia and Europa bonds	2	(2)

Equity multiple

Equity investments in unlisted companies are valued by applying a multiplication factor to the equity in line with what is estimated would be applied for a market transaction. At 31 December 2017, all the multiples, set based on expert appraisal, were 100%. Given that this parameter acts directly on the final fair value on the final fair value in a proportional manner, no sensitivity analysis has been reported.

NAV Adjustment

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. An increase in NAV coincides with an increase in fair value. For funds classified in Level 3, fair value adjustments may be needed to take account of certain specific characteristics; such adjustments would result in a transaction being priced below NAV. At 31 December 2017 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)	31/12/2017			31/12/2016		
Assets/liabilities at fair value	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets held for trading		93,568			207,650	
2. Financial assets at fair value						
3. Financial assets available for sale	9,796,142		1,886,522	7,941,919		1,654,474
4. Hedging derivatives		842,596			733,273	
5. Property, plant and equipment						
6. Intangible assets						
Total	**9,796,142**	**936,164**	**1,886,522**	**7,941,919**	**940,923**	**1,654,474**
1. Financial liabilities held for trading		96,633	29,623		84,240	99,046
2. Financial liabilities at fair value		501,551				
3. Hedging derivatives		588,083			831,894	
Total		**1,186,267**	**29,623**		**916,134**	**99,046**

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 held for trading	Financial assets at fair value	Financial assets available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance			**1,654,474**			
2. Increases			**873,542**			
2.1 Purchases			747,400			
2.2 Profits taken to:			126,142			
2.2.1 Income statement			23,402			
- *of which: capital gains*			*23,402*			
2.2.2 Equity	X	X	102,740			
2.3 Transfers from other levels						
2.4 Other increases						
3. Decreases			**641,494**			
3.1 Sales			139,371			
3.2 Repayments			168,375			
3.3 Losses taken to:			333,748			
3.3.1 Income statement			183,776			
- *of which: capital losses*			*183,776*			
3.3.2 Equity	X	X	149,972			
3.4 Transfers from other levels						
3.5 Other decreases						
4. Closing balance			**1,886,522**			

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	**99,046**		
2. Increases	**62,473**		
2.1 Purchases	2		
2.2 Losses taken to:	62,471		
2.2.1 Income statement	62,471		
- *of which: capital losses*	*12,220*		
2.2.2 Equity	X	X	
2.3 Transfers from other levels			
2.4 Other increases			
3. Decreases	**131,896**		
3.1 Sales	110,995		
3.2 Repayments			
3.3 Profits taken to:	20,901		
3.3.1 Income statement	20,901		
- *of which: capital gains*	*15,377*		
3.3.2 Equity	X	X	
3.4 Transfers to other levels			
3.5 Other decreases			
4. Closing balance	**29,623**		

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)	31/12/2017				31/12/2016			
Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financial assets held to maturity	29,236,673	31,743,079			32,268,680	35,184,576		
2. Loans to banks	38,599,569	973,890		37,997,746	23,964,632			24,450,043
3. Loans to customers	255,280,626	781,145	9,350,282	255,425,212	258,642,911	463,313	9,676,646	258,949,687
4. Investment property, plant and equipment								
5. Non current assets and disposal groups held for sale								
Total	**323,116,868**	**33,498,114**	**9,350,282**	**293,422,958**	**314,876,223**	**35,647,889**	**9,676,646**	**283,399,730**
1. Due to banks	16,626,998			16,503,174	14,487,458			14,405,347
2. Due to customers	306,499,360			306,499,360	305,798,520			305,798,520
3. Securities issued	17,364,495		14,912,323	2,774,010	12,031,654		12,350,551	
4. Liabilities associated with assets held for sale								
Total	**340,490,853**		**14,912,323**	**325,776,544**	**332,317,632**		**12,350,551**	**320,203,867**

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 or paid could in principle be recognised through profit or loss under the appropriate items, generating a “day one profit/loss”.

Such difference may only be recognised through profit or loss if it is generated by a change in the factors on which market participants base their valuations in determining prices (including the time effect).

If the instrument has a specified maturity and a model that monitors changes in the factors on which operators base prices is not immediately available, the day one profit/loss can be recognised through profit or loss over the life of the financial instrument.

CDP has not recognised any “day one profit/loss” on financial instruments in accordance with the provisions of 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)	31/12/2017	31/12/2016
a) Cash	7	3
b) Free deposits with central banks		
Total	**7**	**3**

Section 2 - Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown by type

(thousands of euro)	31/12/2017			31/12/2016		
Items	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets						
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities						
3. Units in collective investment undertakings						
4. Loans						
4.1 Repurchase agreements						
4.2 Other						
Total A						
B. Derivatives						
1. Financial derivatives		93,568			207,650	
1.1 Trading						
2.1 Associated with fair value option		94				
2.3 Other		93,474			207,650	
2. Credit derivatives						
2.1 Trading						
2.2 Associated with fair value option						
2.3 Other						
Total B		**93,568**			**207,650**	
Total (A + B)		**93,568**			**207,650**	

The financial derivatives shown in the table include:
- the value (approximately 24 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;
- the positive fair value of interest rate derivatives (approximately 69.6 million euro).

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

(thousands of euro) Items	31/12/2017	31/12/2016
A. On-balance-sheet assets		
1. Debt securities		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
2. Equity securities		
a) Banks		
b) Other issuers:		
- insurance undertakings		
- financial companies		
- non-financial companies		
- other		
3. Units in collective investment undertakings		
4. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total A		
B. Derivatives		
a) Banks	74,088	181,111
b) Customers	19,480	26,539
Total B	**93,568**	**207,650**
Total (A + B)	**93,568**	**207,650**

Section 3 - Financial assets designated at fair value - Item 30

There were no outstanding financial assets recorded in this item.

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by type

(thousands of euro)	31/12/2017			31/12/2016		
Items	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	9,796,142			7,941,919		
1.1 Structured securities						
1.2 Other debt securities	9,796,142			7,941,919		
2. Equity securities			11,085			11,634
2.1 At fair value			9,019			9,568
2.2 At cost			2,066			2,066
3. Units in collective investment undertakings			1,875,437			1,642,840
4. Loans						
Total	**9,796,142**		**1,886,522**	**7,941,919**		**1,654,474**

The increase in the item against the previous year mainly reflects the investment in Italian government bonds.

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

(thousands of euro) Items	31/12/2017	31/12/2016
1. Debt securities	**9,796,142**	**7,941,919**
a) Governments and central banks	8,540,363	6,704,204
b) Other government agencies		
c) Banks	900,693	886,885
d) Other	355,086	350,830
2. Equity securities	**11,085**	**11,634**
a) Banks	2,066	2,066
b) Other issuers:	9,019	9,568
- insurance undertakings		
- financial companies	4,019	3,801
- non financial companies	5,000	5,767
- other		
3. Units in collective investment undertakings	**1,875,437**	**1,642,840**
4. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**11,682,664**	**9,596,393**

This item includes Italian government securities with a value of approximately 8,540 million euro (+1,836 million euro on 2016).

4.3 Financial assets available for sale: subject to specific hedging

At 31 December 2017, inflation-linked Italian government securities, included under financial assets available for sale, are hedged against the interest rate risk (approximately 398 million euro).

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by type

	31/12/2017				31/12/2016			
	Carrying amount	Fair value			Carrying amount	Fair value		
(thousands of euro)		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities:	29,236,673	31,743,079			32,268,680	35,184,576		
- structured								
- other	29,236,673	31,743,079			32,268,680	35,184,576		
2. Loans								
Total	**29,236,673**	**31,743,079**			**32,268,680**	**35,184,576**		

This item, which consists entirely of Italian government securities, is down (-3,032 million euro) on the figure for the previous financial year. This item consists of government securities, of which fixed-rate securities with a carrying amount of 23,988 million euro, and inflation-linked securities with a carrying amount of around 5,248 million euro, the latter held to hedge the exposure to Italian inflation arising from postal savings bonds linked to inflation.

5.2 Financial assets held to maturity: debtors/issuers

(thousands of euro) Type of operation	31/12/2017	31/12/2016
1. Debt securities	**29,236,673**	**32,268,680**
a) Governments and central banks	29,236,673	32,268,680
b) Other government agencies		
c) Banks		
d) Other		
2. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**29,236,673**	**32,268,680**
Total fair value	**31,743,079**	**35,184,576**

5.3 Financial assets held to maturity: subject to specific hedging

This item has a nil balance.

Section 6 - Loans to banks - Item 60

6.1 Loans to banks: breakdown by type

(thousands of euro) Type of operation/securities	31/12/2017 Carrying amount	31/12/2017 Fair value Level 1	31/12/2017 Fair value Level 2	31/12/2017 Fair value Level 3	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3
A. Due from central banks	**23,997,985**			**23,997,985**	**8,036,062**			**8,036,062**
1. Fixed-term deposits		X	X	X		X	X	X
2. Reserve requirement	23,997,985	X	X	X	8,036,062	X	X	X
3. Repurchase agreements		X	X	X		X	X	X
4. Other		X	X	X		X	X	X
B. Loans to banks	**14,601,584**	**973,890**		**13,999,761**	**15,928,570**			**16,413,981**
1. Loans				13,695,262	15,779,128			16,264,722
1.1 Current accounts and free deposits	442,436	X	X	X	362,970	X	X	X
1.2 Fixed-term deposits	191,970	X	X	X	408,549	X	X	X
1.3 Other financing:	12,709,350	X	X	X	15,007,609	X	X	X
- repurchase agreements		X	X	X	510,560	X	X	X
- finance leasing		X	X	X		X	X	X
- other	12,709,350	X	X	X	14,497,049	X	X	X
2. Debt securities	1,257,828	973,890		304,499	149,442			149,259
2.1 Structured		X	X	X		X	X	X
2.2 Other debt securities	1,257,828	X	X	X	149,442	X	X	X
Total	**38,599,569**	**973,890**		**37,997,746**	**23,964,632**			**24,450,043**

"Loans to banks" are composed of:
- loans of around 12,709 million euro (approximately -1,788 million euro on 2016);
- the balance on the management account of the reserve requirement of around 23,998 million euro (+15,962 million euro on 2016), compared to a minimum reserve requirement of approximately 2.8 billion euro, with a maintenance period ending on 30 January 2018. The abundant cash and cash equivalent deposited for the reserve requirement resulted from the short-term funding on the collateralised money market (repurchase agreements);
- current account balances of approximately 442 million euro, slightly up (around +79 million euro) on 2016;
- deposits for Credit Support Annexes (cash collateral) held with banks hedging counterparty risk on derivatives of around 192 million euro, down (around -217 million euro) on 2016;
- debt securities of around 1,258 million euro, up significantly (around +1,108 million euro) on 2016.

At 31 December 2017, there were no reverse repurchase agreements entered into with banks (the figure at the end of 2016 was around 511 million euro).

6.2 Loans to banks: assets subject to specific hedging

(thousands of euro) Type of operation	31/12/2017	31/12/2016
1. Loans with specific fair value hedges	**436,956**	**327,468**
a) Interest rate risk	436,956	327,468
b) Exchange rate risk		
c) Credit risk		
d) Multiple risks		
2. Loans with specific cash flow hedges		
a) Interest rate risk		
b) Exchange rate risk		
c) Other		
Total	**436,956**	**327,468**

6.3 Finance leases

This item has a nil balance.

Section 7 - Loans to customers - Item 70

7.1 Loans to customers: breakdown by type

(thousands of euro)	31/12/2017						31/12/2016					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Non-performing		Level 1	Level 2	Level	Performing	Non-performing		Level 1	Level 2	Level 3
Type of operation		Acquired	Other					Acquired	Other			
Loans	242,907,584		245,929			253,457,574	247,323,928		233,946			257,917,367
1. Current accounts				X	X	X	337			X	X	X
1.1 Cash and cash equivalents held with Central State Treasury	149,097,764			X	X	X	147,845,566			X	X	X
2. Repurchase agreements				X	X	X	4,037,652			X	X	X
3. Loans	90,642,349		245,929	X	X	X	93,096,930		233,945	X	X	X
4. Credit cards, personal loans and loans repaid by automatic deductions from wages				X	X	X				X	X	X
5. Finance leasing				X	X	X				X	X	X
6. Factoring				X	X	X				X	X	X
7. Other	3,167,471			X	X	X	2,343,443		1	X	X	X
Debt securities	12,127,113			781,145	9,350,282	1,967,638	11,085,037			463,313	9,676,646	1,032,320
8. Structured				X	X	X				X	X	X
9. Other debt securities	12,127,113			X	X	X	11,085,037			X	X	X
Total	255,034,697		245,929	781,145	9,350,282	255,425,212	258,408,965		233,946	463,313	9,676,646	258,949,687

"Loans to customers" regard lending operations under the Separate Account and Ordinary Account. The item also reports cash and cash equivalents held with the Central State Treasury. The above table provides a breakdown of the positions by technical form.

With respect to the cash and cash equivalents held with the Central State Treasury, account no. 29814, called "Cassa DP SPA - Gestione Separata", which comprises the liquidity generated by Separate Account transactions, since 1 January 2016 the Ministry of the Economy and Finance has paid CDP interest at a floating 6-month rate equal to the weighted average (using weightings at 20% and 80%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs.

The overall reduction in this item (around -3,362 million euro) compared to 2016 was mainly due to the elimination of reverse repurchase agreements (around -4,038 million euro compared to 2016), mainly as a result of unfavourable market conditions, and to the slight reduction in the stock of mortgage loans and other outstanding loans (around -1,619 million euro compared to 2016). These reductions were partially offset by the increase in the amounts held with the Central State Treasury (+1,252 million euro compared to 2016) and the stock of debt securities (+1,042 million euro compared to 2016).

This item includes the interest-free loan of around 712 thousand euro granted to the investee Accialtalia S.p.A. (in liquidazione) during the financial year.

Impaired loans amount to approximately 246 million euro, slightly up (around +12 million euro) on the 2016 year-end balance.

The positive difference between the fair value and the carrying amount of loans to customers reflects the lower interest rates prevailing on the market.

7.2 Loans to customers: breakdown by debtor/issuer

(thousands of euro) Type of operation	31/12/2017			31/12/2016		
	Performing	Non-performing		Performing	Non-performing	
		Acquired	Other		Acquired	Other
1. Debt securities	**12,127,113**			**11,085,037**		
a) Governments	8,762,430			8,661,382		
b) Other government agencies	451,733			418,661		
c) Other issuers:	2,912,950			2,004,994		
- non financial companies	1,898,108			1,224,353		
- financial companies	1,014,842			780,641		
- insurance undertakings						
- other						
2. Loans to	**242,907,584**		**245,929**	**247,323,928**		**233,946**
a) Governments	184,022,937			184,101,374		
b) Other government agencies	45,949,931		19,979	47,150,709		16,581
c) Other issuers:	12,934,716		225,950	16,071,845		217,365
- non financial companies	9,148,142		225,206	9,154,813		215,181
- financial companies	3,766,664			6,892,796		
- insurance undertakings						
- other	19,910		744	24,236		2,184
Total	**255,034,697**		**245,929**	**258,408,965**		**233,946**

Debt securities include Italian government securities of approximately 8,762 million euro (around +101 million euro on 2016).

7.3 Loans to customers: assets subject to specific hedging

(thousands of euro) Type of operation	31/12/2017	31/12/2016
1. Loans with specific fair value hedges	**24,436,630**	**29,736,493**
a) Interest rate risk	24,235,942	29,615,065
b) Exchange rate risk		
c) Credit risk		
d) Multiple risks	200,688	121,428
2. Loans with specific cash flow hedges	**428,483**	**458,264**
a) Interest rate risk		
b) Exchange rate risk		
c) Other	428,483	458,264
Total	**24,865,113**	**30,194,757**

7.4 Finance leases

This item has a nil balance.

Section 8 - Hedging Derivatives - Item 80

8.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	Fair value 31/12/2017			Notional value 31/12/2017	Fair value 31/12/2016			Notional value 31/12/2016
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives		**842,596**		**21,550,607**		**733,273**		**18,822,487**
1) Fair value		721,319		21,106,195		644,090		18,336,263
2) Cash flow		121,277		444,412		89,183		486,224
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**842,596**		**21,550,607**		**733,273**		**18,822,487**

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

(thousands of euro) Operations/Type of hedging	Fair value						Cash flow		Investment in foreign operation
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale						X		X	X
2. Loans	292,669			X	24,258	X	121,277	X	X
3. Financial assets held to maturity	X			X		X		X	X
4. Portfolio	X	X	X	X	X	42,943	X		X
5. Other						X		X	
Total assets	**292,669**				**24,258**	**42,943**	**121,277**		
1. Financial liabilities	361,449			X		X		X	X
2. Portfolio	X	X	X	X	X		X		X
Total liabilities	**361,449**								
1. Forecast transactions	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X		X		

Section 9 - Fair value change of assets in hedged portfolios - Item 90

9.1 Fair value change of hedged assets: breakdown by hedged portfolio

(thousands of euro) Fair value change of financial assets in hedged portfolios	31/12/2017	31/12/2016
1. Positive fair value change		
1.1 Of specific portfolios:		16,645
a) loans		16,645
b) financial assets available for sale		
1.2 Overall		
2. Negative fair value change		
2.1 Of specific portfolios:		(58,148)
a) loans		(58,148)
b) financial assets available for sale		
2.2 Overall		
Total		**(41,503)**

This item reports the net change in the value of the loans hedged generically (macrohedging) against interest rate risk.

9.2 Assets hedged generically against interest rate risk

(thousands of euro) Hedged assets	31/12/2017	31/12/2016
1. Loans		6,880,792
2. Financial assets available for sale		
3. Portfolio		
Total		**6,880,792**

The assets fair-value hedged generically against interest rate risk consisted of loans. The figures shown in the table relate to the remaining amount due on maturity as principal on the loans subject to generic hedging.

Section 10 - Equity investments - Item 100

10.1 Information on equity investments

(thousands of euro) Company name	Registered office	Headquarters	% holding	% of votes	Carrying amount
A. Wholly-owned subsidiaries					
SACE S.p.A.	Rome	Rome	100.00%	100.00%	4,584,074
CDP Equity S.p.A.	Milan	Milan	97.13%	97.13%	3,419,512
CDP RETI S.p.A.	Rome	Rome	59.10%	59.10%	2,017,339
Fintecna S.p.A.	Rome	Rome	100.00%	100.00%	1,864,000
CDP Immobiliare S.r.l.	Rome	Rome	100.00%	100.00%	293,622
CDP Investimenti SGR S.p.A.	Rome	Rome	70.00%	70.00%	1,400
C. Companies subject to a 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%	8,000
Fondo Italiano d'Investimento SGR S.p.A.	Milan	Milan	43.00%	43.00%	5,848
Galaxy S.àr.l. SICAR	Luxembourg	Luxembourg	40.00%	40.00%	3,665
FSI SGR S.p.A.	Milan	Milan	39.00%	39.00%	1,170
QuattroR SGR S.p.A.	Milan	Milan	40.00%	40.00%	400
Risparmio Holding S.p.A.	Rome	Rome	20.00%	20.00%	218
Europrogetti & Finanza S.p.A. in liquidazione	Rome	Rome	31.80%	31.80%	
Total					**30,411,138**

At 31 December 2017, equity investments amount to approximately 30,411 million euro, slightly down on the 2016 year-end balance (-486 million euro).

10.2 Significant equity investments: carrying amount, fair value and dividends received

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

10.3 Significant equity investments: accounting data

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

10.4 Non-significant equity investments: accounting data

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

10.5 Equity investments: changes for the year

(thousands of euro)	31/12/2017	31/12/2016
A. Opening balance	**30,896,644**	**28,138,171**
B. Increases	**248,968**	**3,262,513**
B.1 Purchases	218,724	3,259,113
- *of which: business combinations*	*158,998*	*232,500*
B.2 Writebacks	1,607	
B.3 Revaluations	28,637	
B.4 Other increases		3,400
C. Decreases	**734,474**	**504,040**
C.1 Sales	655,301	234,030
- *of which: business combinations*	*467,366*	*232,500*
C.2 Writedowns	1,613	270,010
C.3 Other decreases	77,560	
D. Closing balance	**30,411,138**	**30,896,644**
E. Total revaluations		
F. Total writedowns	**1,657,210**	**1,633,488**

The following transactions took place in 2017 that had an impact on the value of the investment portfolio:

- the merger by incorporation of CDP GAS S.r.l into CDP S.p.A. with legal effect from 1 May 2017 (and accounting and tax effects from 1 January 2017) and the subsequent transfer, from CDP to CDP RETI, of the equity investments held in SNAM (1.12%) and Italgas (0.97%), previously held by CDP GAS, with effect as of 19 May 2017. CDP and CDP RETI agreed an overall price of 188 million euro for the transfer, of which 156 million euro for the 1.12% equity investment in SNAM and 32 million euro for the 0.97% equity investment in Italgas. The consideration was based on the average official stock exchange prices of the SNAM and Italgas shares in the 90 calendar days running up to 16 May 2017. To finance the transaction, CDP RETI was granted a loan for the whole amount (45% funded by CDP and 55% by a pool of banks);
- the acquisition by CDP S.p.A., on 31 October 2017, of a 15% equity investment in Elite S.p.A., a platform active in the alternative finance sector in support of SMEs;
- the transfer, on 28 December 2017, from CDP Immobiliare to CDP of the units in FIV Plus, assigned to CDP Immobiliare as consideration for the transfer of several properties completed in July last year, by distribution of equity reserves of CDP Immobiliare, through the assignment of assets to the shareholder;
- the increase in the share capital of QuattroR SGR S.p.A, totalling 150 thousand euro, reserved to and subscribed by CDP and finalised on 15 February 2017. At 31 December 2017, the share capital of QuattroR SGR S.p.A. was broken down as follows: 40% subscribed by CDP and the residual portion by the managers identified to manage the initiative (60%);
- the closing, in May 2017, for the purchase of 18% of Fondo Italiano d'Investimento SGR from ABI and Confindustria (9% each respectively). At 31 December 2017, the share capital was held as follows: 43.0% CDP; 12.5% UniCredit; 12.5% Intesa Sanpaolo; 12.5% Monte dei Paschi di Siena; 12.5%; Nexi; 3.5% ABI; and 3.5% Confindustria;
- the closing, in July 2017, for the sale of 10% of FSI SGR by CDP to Magenta 71 s.r.l.. The share capital was held as follows: 51.1% Magenta 71 s.r.l. – a vehicle owned by the managers chosen to manage the initiative; 39.0% CDP and 9.9% Poste Vita S.p.A.;
- CDP injected a total of 48 million euro of new capital in CDP Immobiliare aimed at financial recovery through a debt restructuring agreement, and at the turnaround of the company via the purchase of the entire stake in the investee Cinque Cerchi S.p.A. in liquidazione.

The "of which: business combinations" entry in the table reports the merger of CDP GAS S.r.l. into CDP mentioned above, which resulted in the derecognition of the equity investment in CDP GAS S.r.l., accompanied by the addition of the equity investments in SNAM and Italgas, which were later sold to CDP RETI.

10.6 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.

10.7 Commitments relating to companies under significant influence

For information about this paragraph, reference should be made to the corresponding section of the Notes to the consolidated financial statements.

Impairment testing of equity investments

In compliance with the provisions of the reference accounting standards, at every reporting date, the company checks the existence of objective evidence that may give it reason to believe that the carrying amount of the assets is no longer fully recoverable.

The identification of this evidence, based on the existence of qualitative and quantitative indicators, as described in the accounting policies, and set out in detail in the internal policies, differs according to whether or not they are equity investments in companies whose shares are listed in active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of any impairment losses.

This led to the recognition, during the financial year, of impairment losses/reversals on the equity investments in:

- Accialtalia S.p.A., in liquidazione: on 13 June 2017, CDP exercised the right of withdrawal and the company was subsequently placed in voluntary liquidation on 25 October 2017. In consideration of the negative results achieved by the company, the equity investment was fully written down, with the recognition of an impairment loss of around 1,389 thousand euro. Following the exercise of the right of withdrawal, the equity investment was reclassified under financial assets available for sale
- Galaxy S.àr.l.: due to be wound up within 2018; taking into account the book equity and the estimated liquidation costs, the recoverable amount was estimated at 3,665 thousand euro, with the consequent recognition of an impairment reversal of around 1,317 thousand euro;
- Risparmio Holding S.p.A.: the recoverable amount was adjusted on the basis of the *pro rata* book equity at 31 December 2017, with an impairment reversal of around 147 thousand euro;
- Europrogetti & Finanza S.p.A., in liquidazione: the shareholders' loan granted during the year, considered equivalent to an equity investment for accounting purposes, was fully written down with the recognition of an impairment loss of around 81 thousand euro.

For the other equity investments held, the impairment test resulted in the identification of a recoverable amount equal to or higher than the book value. Below is the summary table listing the methods used:

Company name	Methodology used
SACE S.p.A.	Sum of the Parts
CDP Equity S.p.A.	Adjusted equity
Fintecna S.p.A.	Adjusted equity
CDP Immobiliare S.r.l.	Adjusted equity
ENI S.p.A. (*)	Discounted Cash Flow
Poste Italiane S.p.A. (*)	Dividend Discount Model

(*) Use of publicly available data.

Section 11 - Property, plant and equipment - Item 110

11.1 Operating property, plant and equipment: breakdown of assets measured at cost

(thousands of euro) Assets	31/12/2017	31/12/2016
1. Owned	**305,538**	**272,567**
a) Land	117,406	117,406
b) Buildings	58,253	60,014
c) Movables	2,781	1,874
d) Electrical plant	1,566	1,225
e) Other	125,532	92,048
2. Acquired under finance leases		
a) Land		
b) Buildings		
c) Movables		
d) Electrical plant		
e) Other		
Total	**305,538**	**272,567**

11.2 Investment property: breakdown of assets measured at cost

This item has a nil balance.

11.3 Operating property, plant and equipment: breakdown of revalued assets

This item has a nil balance.

11.4 Investment property: breakdown of assets measured at fair value

This item has a nil balance.

11.5 Operating property, plant and equipment: changes for the year

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance						**349,511**
A.1 Total net writedowns		(31,051)	(11,712)	(10,428)	(23,753)	(76,944)
A.2 Opening net balance	**117,406**	**60,014**	**1,874**	**1,225**	**92,048**	**272,567**
B. Increases		**1,000**	**1,332**	**879**	**35,634**	**38,845**
B.1 Purchases			1,177	237	35,634	37,048
B.2 Capitalised improvement costs		69				69
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes		931	155	642		1,728
C. Decreases		**2,761**	**425**	**538**	**2,150**	**5,874**
C.1 Sales						
C.2 Depreciation		2,761	425	538	651	4,375
C.3 Writedowns for impairment recognised in:						
a) equity						
b) income statement						
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) investment property						
b) assets held for sale						
C.7 Other changes					1,499	1,499
D. Closing net balance	**117,406**	**58,253**	**2,781**	**1,566**	**125,532**	**305,538**
D.1 Total net writedowns		(33,812)	(11,873)	(10,881)	(24,402)	(80,968)
D.2 Closing gross balance	**117,406**	**92,065**	**14,654**	**12,447**	**149,934**	**386,506**
E. Measurement at cost						

11.6 Investment property: changes for the year

This item has a nil balance.

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: breakdown by category

(thousands of euro)	31/12/2017		31/12/2016	
Assets	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill		X		X
A.2 Other intangible assets	**11,883**		**8,571**	
A.2.1 Assets carried at cost:	11,883		8,571	
a) internally-generated intangible assets				
b) other assets	11,883		8,571	
A.2.2 Assets carried at fair value:				
a) internally-generated intangible assets				
b) other assets				
Total	**11,883**		**8,571**	

12.2 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				**32,925**		**32,925**
A.1 Total net writedowns				(24,354)		(24,354)
A.2 Opening net balance				**8,571**		**8,571**
B. Increases				**6,072**		**6,072**
B.1 Purchases				6,072		6,072
B.2 Increases in internally-generated intangible assets	X					
B.3 Writebacks	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences						
B.6 Other changes						
C. Decreases				**2,760**		**2,760**
C.1 Sales						
C.2 Writedowns:				2,527		2,527
- Amortisation				2,527		2,527
- Impairment:	X					
+ equity						
+ income statement	X					
C.3 Fair value losses:						
- equity						
- income statement	X					
C.4 Transfer to non-current assets held for sale	X					
C.5 Negative exchange rate differences						
C.6 Other changes				233		233
D. Closing net balance				**11,883**		**11,883**
D.1 Total net writedowns				(26,881)		(26,881)
E. Closing gross balance				**38,764**		**38,764**
F. Measurement at cost						

12.3 Other information

As required by IFRS, the following is noted:
a) no intangible assets have been revalued;
b) no intangible assets were purchased using government grants (IAS 38.122.c);
c) no intangible assets were used to guarantee debts (IAS 38.122.d);
d) there are no commitments to purchase particularly significant intangible assets (IAS 38.122.e);
e) no intangible assets are under lease.

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

13.1 Deferred tax assets: breakdown

(thousands of euro)	31/12/2017	31/12/2016
Deferred tax assets recognised in income statement	196,438	278,079
Loss carryforwards		9,825
Loss carryforwards from subsidiaries		19,974
Provisions for risks and charges	8,058	8,610
Writedowns on loans	74,790	84,214
Equity investments	382	
Property, plant and equipment / intangible assets	2,542	2,732
Exchange rate differences	6,626	
Realignment of values pursuant to Decree Law 98/2011	98,051	98,051
Other temporary differences	5,989	54,673
Deferred tax assets recognised in equity	**102,923**	**66,608**
Financial assets available for sale	102,084	64,514
Cash flow hedge	839	1,913
Other		181
Total	**299,361**	**344,687**

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 Decree Law no. 98/2011; iii) accruals to the provision for risks and the provision for future charges related to personnel; and iv) fair value measurement of financial assets available for sale and cash flow hedging derivatives.

13.2 Deferred tax liabilities: breakdown

(thousands of euro)	31/12/2017	31/12/2016
Deferred tax liabilities recognised in income statement		**55**
Other temporary differences		55
Deferred tax liabilities recognised in equity	**157,257**	**116,979**
Financial assets available for sale	147,629	104,445
Other	9,628	12,534
Total	**157,257**	**117,034**

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.

These mainly relate to the fair value measurement of financial assets available for sale and cash flow hedging derivatives.

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

(thousands of euro)	31/12/2017	31/12/2016
1. Opening balance	**278,079**	**283,249**
2. Increases	**12,750**	**76,450**
2.1 Deferred tax assets recognised during the year:	12,750	76,450
a) in respect of previous periods	286	
b) due to change in accounting policies		
c) writebacks		
d) other	12,464	76,450
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**94,391**	**81,620**
3.1 Deferred tax assets derecognised during the year:	74,416	34,086
a) reversals	67,995	34,086
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other	6,421	
3.2 Reduction in tax rates		
3.3 Other decreases:	19,975	47,534
a) transformation into tax credits under Law 214/2011		
b) other	19,975	47,534
4. Closing balance	**196,438**	**278,079**

13.4 Change in deferred tax liabilities (recognised in the income statement)

(thousands of euro)	31/12/2017	31/12/2016
1. Opening balance	**55**	**55**
2. Increases		
2.1 Deferred tax liabilities recognised during the year:		
a) in respect of previous periods		
b) due to change in accounting policies		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**55**	
3.1 Deferred tax liabilities derecognised during the year:	55	
a) reversals	55	
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance		**55**

13.5 Changes in deferred tax assets (recognised in equity)

(thousands of euro)	31/12/2017	31/12/2016
1. Opening balance	**66,608**	**59,116**
2. Increases	**50,569**	**62,960**
2.1 Deferred tax assets recognised during the year:	50,569	62,960
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	50,569	62,960
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**14,254**	**55,468**
3.1 Deferred tax assets derecognised during the year:	14,254	55,468
a) reversals	14,074	55,468
b) writedowns for supervening non-recoverability		
b) due to change in accounting policies		
c) other	180	
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**102,923**	**66,608**

13.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euro)	31/12/2017	31/12/2016
1. Opening balance	**116,979**	**106,970**
2. Increases	67,041	**35,898**
2.1 Deferred tax liabilities recognised during the year:	67,041	35,898
a) in respect of previous periods		
b) due to change in accounting policies		
c) other	67,041	35,898
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**26,763**	**25,889**
3.1 Deferred tax liabilities derecognised during the year:	26,763	25,889
a) reversals	26,763	25,889
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**157,257**	**116,979**

Section 14 - Non-current assets and disposal groups held for sale - Item 140

This item has a nil balance.

Section 15 - Other assets - Item 150

15.1 Other assets: breakdown

(thousands of euro) Type of operation	31/12/2017	31/12/2016
Payments on account for withholding tax on postal passbooks	98,615	102,949
Receivables due from investees	93,274	20,731
Trade receivables and advances to public entities	7,695	4,729
Other items	6,431	15,444
Accrued income and prepaid expenses	5,667	1,213
Advances to personnel	43	19
Advances to suppliers	36	515
Leasehold improvements and expenses	8	
Other tax receivables	2	2
Total	**211,771**	**145,602**

This item includes assets that cannot be classified under the previous items.

In particular:
- "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 due from investees": the balance refers to services provided, expense reimbursements and receivables from the adoption of the so-called national fiscal consolidation mechanism;
- "Trade receivables and advances to public entities": they refer to fees accrued or expenses paid in advance as part of agreements signed with the Ministries;
- "Other" mainly refers to items being processed which were completed after the reporting date.

Liabilities

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by type

(thousands of euro) Type of operation	31/12/2017	31/12/2016
1. Due to central banks	2,498,984	2,474,850
2. Due to banks	14,128,014	12,012,608
2.1 Current accounts and demand deposits		
2.2 Fixed-term deposits	2,383,641	2,113,843
2.3 Loans	11,744,228	9,898,765
2.3.1 Repurchase agreements	6,670,880	4,977,383
2.3.2 Other	5,073,348	4,921,382
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.5 Other payables	145	
Total	16,626,998	14,487,458
Fair value - Level 1		
Fair value - Level 2		
Fair value - Level 3	16,503,174	14,405,347
Total fair value	16,503,174	14,405,347

The item “Due to central banks”, amounting to around 2,499 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 31 December 2016.

“Repurchase agreements” amount to approximately 6,671 million euro, up by roughly +1,693 million euro on 2016, due to the particularly low market rates.

“Loans - Other” of about 5,073 million euro, are slightly up on the 2016 year-end balance (approximately +152 million euro) and mainly refer to the loans granted by the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).

“Fixed-term deposits” of approximately 2,384 million euro comprise:
- the balance of passbook savings accounts and postal savings bonds held by banks of roughly 1,488 million euro (up by approximately 202 million euro on the 2016 year-end balance);
- the amounts referred to Credit Support Annex contracts to hedge the counterparty risk on derivative contracts of roughly 691 million euro (up by approximately 250 million euro on the 2016 year-end balance);
- the balance of interbank deposits of roughly 205 million euro (down by approximately 183 million euro on the 2016 year-end balance).

1.2 Breakdown of item 10 “Due to banks”: subordinated debts

This item has a nil balance.

1.3 Breakdown of item 10 “Due to banks”: structured debts

The structured debts to banks totalled about 497 thousand euro at 31 December 2017 and are represented by postal savings bonds indexed to equity baskets from which the embedded derivative has been separated.

1.4 Due to banks: liabilities hedged specifically

This item has a nil balance.

1.5 Due to banks for finance leases

This item has a nil balance.

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by type

(thousands of euro) Type of operation	31/12/2017	31/12/2016
1. Current accounts and demand deposits	4,935,181	2,794,043
2. Fixed-term deposits	275,547,829	284,113,740
3. Loans:	21,088,764	13,718,223
3.1 Repurchase agreements	21,088,764	13,718,223
3.2 Other		
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	4,927,586	5,172,514
Total	**306,499,360**	**305,798,520**
Fair value - Level 1		
Fair value - Level 2		
Fair value - Level 3	306,499,360	305,798,520
Total fair value	**306,499,360**	**305,798,520**

This item mainly includes:

- postal savings bonds at amortised cost of approximately 142,766 million euro (+12,213 million euro on the 2016 year-end balance), net of those held by banks;
- the balance of passbook savings accounts of approximately euro 108,356 million (-10,502 million euro on the 2016 year-end balance), net those held by banks;
- the balance of MEF's liquidity management transactions (OPTES) of around 22,498 million euro (down by approximately -10,498 million euro on the 2016 year-end balance). The deposits represent short-term funding which is held primarily: i) to meet reserve requirements; ii) to invest in Italian government bonds, and marginally iii) to carry out repurchase transactions with Italian government securities as collateral.
- repurchase agreement of about 21,089 million euro. This is a considerable increase on the 2016 year-end balance (up by roughly 7,371 million euro), due to the particularly low market rates;
- the amounts not yet disbursed at year-end on loans being repaid granted to public bodies and public-law bodies, of approximately 4,667 million euro (down by roughly 345 million euro on the 2016 year-end balance), recognised under sub-item "5. Other payables";
- deposits of investees of approximately 6,843 million euro, up considerably by 2,365 million euro on the 2016 year-end balance as a result of the progress of the cash pooling system with the Parent Company CDP, as part of management and coordination activities, through the irregular deposit arrangement between CDP and its subsidiaries;

For the part relating to postal savings bonds issued by the Parent Company, the fair value reported above is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium (spread) in line with that on medium/long-term government securities. The application of these valuation techniques would lead to a fair value greater than the carrying amount in cases where the rates paid to savers are higher than market rates, when also taking into account early redemption options.

The effect of these differences may offset the positive differences recognised between the fair value and the carrying amount of loans.

However, the fair value assessments based on a combination of statistical forecasts on redemptions and technical assessment of the options are not very reliable due to the uncertainty affecting market conditions at 31 December 2017. These elements are represented by the high percentage impact of credit spreads on overall interest rates, given that interest rates, net of credit spreads, are very low or, for many maturities, even negative. Taking into account the considerable uncertainty about redemption forecasts in the presence of these conditions, it was decided that the best estimate of the fair value of postal savings bonds is their carrying amount.

2.2 Breakdown of item 20 "Due to customers": subordinated debts

This item has a nil balance.

2.3 Breakdown of item 20 "Due to customers": structured debts

Structured debts amount to approximately 5,031 million euro at 31 December 2017 (around -1,538 million euro on 2016) and comprise postal savings bonds indexed to equity baskets from which the embedded derivative has been separated.

2.4 Due to customers: liabilities subject to specific hedging

(thousands of euro)	31/12/2017	31/12/2016
1. Liabilities covered specifically by fair value hedges		
a) Interest rate risk		
b) Exchange rate risk		
c) Multiple risks		
2. Liabilities covered specifically by cash flow hedges	**362,817**	**355,960**
a) Interest rate risk	362,817	355,960
b) Exchange rate risk		
c) Other		
Total	**362,817**	**355,960**

Amounts due to customers covered by cash flow hedges refer to part of the inflation-linked postal savings bonds.

2.5 Due to banks for finance leases

This item has a nil balance.

Section 3 - Securities issued - Item 30

3.1 Securities issued: breakdown by type

(thousands of euro) Type of securities	31/12/2017 Carrying amount	31/12/2017 Fair value Level 1	31/12/2017 Fair value Level 2	31/12/2017 Fair value Level 3	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3
A. Securities								
1. Bonds	14,590,485		14,912,323		11,991,639		12,310,536	
1.1 Structured	50,038		46,727		51,333		46,215	
1.2 Other	14,540,447		14,865,596		11,940,306		12,264,321	
2. Other securities	2,774,010			2,774,010	40,015		40,015	
2.1 Structured								
2.2 Other	2,774,010			2,774,010	40,015		40,015	
Total	**17,364,495**		**14,912,323**	**2,774,010**	**12,031,654**		**12,350,551**	

Securities issued at 31 December 2017 amount to around euro 17,364 million (down by approximately euro +5,333 million on the 2016 year-end balance).

The balance mainly refers to the bonds issued under the "Euro Medium Term Notes" and "Debt Issuance Programme" programmes, with a stock of roughly 10,615 million euro (+1,607 million euro on the 2016 year-end balance). As part of the "Debt Issuance Programme", during the year, new issues were made for a total par value of 2,135 million euro[36] (495 million euro to support the Ordinary Account and 1,640 million euro to support the Separate Account, with this amount including 500 million euro for the first issue of the CDP Social Bond, whose proceeds were allocated to support Italian SMEs located in economically disadvantaged areas or areas hit by natural disasters).

Furthermore, this item also comprises:

- no. 4 bonds guaranteed by the Italian government, for a total carrying amount of approximately 2,508 million euro, entirely subscribed by Poste Italiane (no. 2 issued in December 2015 for a total par value of 1,500 million euro, and the other no. 2 issued in December 2017 for a total par value of 1,000 million euro);
- the first bond for retail investors issued in March 2015 for a carrying amount of approximately 1,468 million euro, with a view to diversifying the source of funding for the development of public interest projects (fully part of the Separate Account);
- the stock of commercial paper with a carrying amount of about 2,774 million euro, marking a net improvement (up by 2,734 million euro) on the 2016 year-end balance, related to the "Multi-Currency Commercial Paper Programme".

3.2 Breakdown of item 30 "Securities issued": subordinated securities

This item has a nil balance.

36 In addition to this amount, two issues were carried out under the "Debt Issuance Programme" for a total par value of 500 million euro, in support of the Ordinary Account, which were recognised under the liability item 50 "Financial liabilities designated at fair value".

3.3 Securities issued: securities hedged specifically

(thousands of euro)	31/12/2017	31/12/2016
1. Securities hedged by specific fair value hedges	**11,527,466**	**10,980,418**
a) Interest rate risk	11,527,466	10,980,418
b) Exchange rate risk		
c) Multiple risks		
2. Securities hedged by specific cash flow hedges		
a) Interest rate risk		
b) Exchange rate risk		
c) Other		
Total	**11,527,466**	**10,980,418**

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by type

	31/12/2017					31/12/2016				
	Nominal or notional value	Fair value			Fair value (*)	Nominal or notional value	Fair value			Fair value (*)
(thousands of euro) Type of operation		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			96,633	29,623				84,240	99,046	
1.1 Trading	X				X	X				X
1.2 Associated with fair value option	X				X	X				X
1.3 Other	X		96,633	29,623	X	X		84,240	99,046	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**		**96,633**	**29,623**	**X**	**X**		**84,240**	**99,046**	**X**
Total (A + B)	**X**		**96,633**	**29,623**	**X**	**X**		**84,240**	**99,046**	**X**

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

This item comprises:
- the option component of bonds linked to equity baskets that were separated from the host contract (approximately 29.6 million euro);
- the negative fair value of interest rate derivatives (approximately 96.6 million euro).

4.2 Breakdown of item 40 "Financial liabilities held for trading": subordinated liabilities

This item has a nil balance.

4.3 Breakdown of item 40 "Financial liabilities held for trading": structured debts

This item has a nil balance.

Section 5 - Financial liabilities designated at fair value - Item 50

5.1 Financial liabilities designated at fair value: breakdown by type

(thousands of euro) Type of operation	31/12/2017 Nominal value	31/12/2017 Fair value Level 1	31/12/2017 Fair value Level 2	31/12/2017 Fair value Level 3	31/12/2017 Fair value (*)	31/12/2016 Nominal value	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3	31/12/2016 Fair value (*)
1. Due to banks:										
1.1 Structured					X					X
1.2 Other					X					X
2. Due to customers:										
2.1 Structured					X					X
2.2 Other					X					X
3. Debt securities:	500,000		501,551		501,551					
3.1 Structured	500,000		501,551		X					X
3.2 Other					X					X
Total	**500,000**		**501,551**		**501,551**					

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

This item includes no. 2 securities issued during the financial year (total nominal value 500 million euro) under the Debt Issuance Programme ("DIP"), which were not separated from the embedded derivative.

5.2 Breakdown of item 50 "Financial liabilities designated at fair value": subordinated liabilities

This item has a nil balance.

Section 6 - Hedging Derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	Fair value 31/12/2017 Level 1	Fair value 31/12/2017 Level 2	Fair value 31/12/2017 Level 3	Notional value 31/12/2017	Fair value 31/12/2016 Level 1	Fair value 31/12/2016 Level 2	Fair value 31/12/2016 Level 3	Notional value 31/12/2016
A. Financial derivatives		**588,083**		**14,228,003**		**831,894**		**12,630,696**
1) Fair value		554,268		13,921,003		797,972		12,323,696
2) Cash flow		33,815		307,000		33,922		307,000
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**588,083**		**14,228,003**		**831,894**		**12,630,696**

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

(thousands of euro) Operations/Type of hedging	Fair value - Specific - Interest rate risk	Fair value - Specific - Exchange rate risk	Fair value - Specific - Credit risk	Fair value - Specific - Price risk	Fair value - Specific - Multiple risks	Fair value - Generic	Cash flow - Specific	Cash flow - Generic	Investment in foreign operation
1. Financial assets available for sale	72,415					X		X	X
2. Loans	393,097			X		X		X	X
3. Financial assets held to maturity	X			X		X		X	X
4. Portfolio	X	X	X	X	X	74,694	X		X
5. Other						X		X	
Total assets	**465,512**					**74,694**			
1. Financial liabilities	14,062			X		X	33,815	X	X
2. Portfolio	X	X	X	X	X		X		X
Total liabilities	**14,062**						**33,815**		
1. Forecast transactions	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X		X		

Section 7 - Fair value change of financial liabilities in hedged portfolios - Item 70

7.1 Fair value change of hedged financial liabilities

(thousands of euro) Value adjustment of hedged financial liabilities	31/12/2017	31/12/2016
1. Positive adjustments of financial liabilities	32,400	38,206
2. Negative adjustment of financial liabilities		
Total	32,400	**38,206**

This item reports the net change in the value of the postal savings bonds portfolio hedged generically against interest rate risk. The hedging relationship was interrupted in 2009 in view of the 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.

7.2 Liabilities hedged generically against interest rate risk: breakdown

Reference should be made to note 7.1 - section 7 - of the liabilities.

Section 8 - Tax liabilities - Item 80

For more information concerning this item, please see Section 13 of "Assets".

Section 9 - Liabilities associated with non-current assets and disposal groups held for sale - Item 90

This item has a nil balance.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

(thousands of euro) Type of operation	31/12/2017	31/12/2016
Charges for postal funding service	382,600	363,975
Tax payables	148,887	190,724
Amounts due to subsidiaries on consolidated taxation mechanism	145,430	138,579
Debts for guarantees and commitments	97,784	137,139
Trade payables	25,014	23,130
Items being processed	24,207	10,148
Due to social security institutions	4,123	3,718
Amounts due to employees	3,551	3,261
Other	3,080	6,476
Total	834,676	**877,150**

This item shows liabilities that cannot be classified under the previous items. It is analysed as follows:

- the payable to Poste Italiane of about 383 million euro, relating to the portion of commissions due in respect of the postal savings funding service not yet paid at the reporting date;
- tax payables totalling about 149 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 145 million euro);
- the payables for guarantees issued and commitments, of around 98 million euro.

Section 11 - Staff severance pay - Item 110

11.1 Staff severance pay: changes for the year

(thousands of euro)	31/12/2017	31/12/2016
A. Opening balance	**1,005**	**930**
B. Increases	**35**	**78**
B.1 Provision for the year	21	19
B.2 Other increases	14	59
C. Decreases	**21**	**3**
C.1 Severance payments	17	
C.2 Other decreases	4	3
D. Closing balance	**1,019**	**1,005**

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

(thousands of euro) Items	31/12/2017	31/12/2016
1. Pensions and other post-retirement benefit obligations		
2. Other provisions	41,364	42,813
2.1 Legal disputes	22,345	22,314
2.2 Staff costs	16,321	16,709
2.3 Other	2,698	3,790
Total	**41,364**	**42,813**

12.2 Provisions for risks and charges: changes for the year

(thousands of euro)	Pensions and other post-retirement benefit obligations	Other provisions	Total
A. Opening balance		**42,813**	**42,813**
B. Increases		**13,821**	**13,821**
B.1 Provision for the year		795	795
B.2 Changes due to passage of time		8	8
B.3 Changes due to changes in discount rate			
B.4 Other increases		13,018	13,018
C. Decreases		**15,270**	**15,270**
C.1 Use during the year		12,346	12,346
C.2 Changes due to changes in discount rate			
C.3 Other decreases		2,924	2,924
D. Closing balance		**41,364**	**41,364**

12.3 Defined benefit pension funds

This item has a nil balance.

12.4 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 4 - Operational risks of these notes.

Section 13 - Redeemable shares - Item 140

There are no shares outstanding for which CDP has undertaken an obligation to shareholders to redeem/purchase them at a fixed price.

Section 14 - Equity - Items 130, 150, 160, 170, 180, 190 and 200

14.1 “Share capital” and “Treasury shares”: breakdown

At 31 December 2017, 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 2017, the Company held treasury shares with a value of 57,220,116 euro.

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

Items	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		

14.4 Income reserves: additional information

(thousands of euro) Items	31/12/2017	31/12/2016
Income reserves	**14,908,258**	**14,225,166**
Legal reserve	783,134	700,000
Other	14,125,124	13,525,166

The following information is provided in accordance with article 2427.7-*bis* of the Italian Civil Code.

(thousands of euro) Items	Balance at 31/12/2017	Possible uses (*)	Amount available
Share capital	4,051,143		
Share premium reserve	2,378,517	A, B, C (**)	2,351,422
Reserves			
- Legal reserve	783,134	B	783,134
- Other income reserves (net of treasury shares)	14,067,904	A, B, C	14,067,904
Valuation reserves			
- AFS reserve	765,569		
- Property revaluation reserve	167,572	A, B	167,572
- CFH reserve	17,788		
Total	22,231,627		**17,370,032**

(*) A = capital increase; B = loss coverage; C = distribution to shareholders.
(**) Pursuant to article 2431 of the Italian Civil Code, the share premium reserve can be distributed in its entirety only when the legal reserve has reached one fifth of share capital (as set out in article 2430 of the Italian Civil Code). The difference between the share premium and the available portion is the missing amount that is necessary to reach the above threshold.

The share premium reserve of 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).

14.5 Equity instruments: breakdown and changes for the year

There were no equity instruments recorded under item 150 of the liabilities and equity.

Other information

1. Guarantees issued and commitments

(thousands of euro) Operations	31/12/2017	31/12/2016
1) Financial guarantees issued	1,449,443	2,803,630
a) Banks		1,546,736
b) Customers	1,449,443	1,256,894
2) Commercial guarantees issued	45,826	49,335
a) Banks		
b) Customers	45,826	49,335
3) Irrevocable commitments to disburse funds	19,539,369	14,778,961
a) Banks:	345,252	125,834
i) certain use	345,252	125,834
ii) uncertain use		
b) Customers:	19,194,117	14,653,127
i) certain use	19,194,117	14,653,127
ii) uncertain use		
4) Commitments underlying credit derivatives: sales of protection		
5) Assets pledged as collateral for third-party debts		
6) Other commitments	3,423,042	2,695,292
Total	**24,457,680**	**20,327,218**

2. Assets pledged as collateral for own debts and commitments

Portfolios (thousands of euro)	31/12/2017	31/12/2016
1. Financial assets held for trading		
2. Financial assets at fair value		
3. Financial assets available for sale	4,614,900	1,584,400
4. Financial assets held to maturity	22,775,297	20,774,500
5. Loans to banks	1,414,743	1,074,943
6. Loans to customers	37,938,895	42,519,976
7. Property, plant and equipment		

The assets pledged as collateral for debts consist of receivables 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.

3. Information on operating leases

This item has a nil balance.

4. Management and intermediation services on behalf of third parties

(thousands of euro) Type of service	31/12/2017
1) Order execution on behalf of customers	
a) Purchases:	
1. settled	
2. not yet settled	
b) Sales:	
1. settled	
2. not yet settled	
2) Asset management	
a) Individual	
b) Collective	
3) Custody and administration of securities	
a) Third-party securities held as part of depository bank services (excluding asset management):	
1. securities issued by the reporting bank	
2. other securities	
b) Other third-party securities on deposit (excluding asset management) - other:	2,039,939
1. securities issued by the reporting bank	
2. other securities	2,039,939
c) Third-party securities deposited with third parties	2,039,939
d) Securities owned by bank deposited with third parties	50,642,553
4) Other transactions	
Management on behalf of third parties on the basis of specific agreements:	
- Postal savings bonds managed on behalf of the MEF (1)	68,242,723
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	5,294,899
- 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)	6,137,479
- Revolving Fund for development cooperation (3)	4,327,604
- Funds for Social and Public Residential Building (4)	2,691,377
- Funds of Public Entities and Other Entities deposited pursuant to D.Lgs. 1058/1919 and Law 1041/1971 (4)	929,757
- Kyoto Fund (3)	626,847
- Funds for Territorial Agreements and Area Contracts - Law 662/1996, Article 2 (203) (4)	487,355
- Funds for the natural gas infrastructure programme for the South Law 784/1980, Law 266/1977 and Law 73/1998 (4)	197,682
- Ministry of Universities and Research - Student Housing - Law 388/2000 (4)	90,918
- Minimal Environmental Impact Fund (4)	27,960
- MEPLS Fund - contributions by the Ministry of Environment and Protection of the Land and See for international cooperation (4)	19,596
- Other funds (4)	22,195

(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) Type	Gross amount of financial assets (A)	Amount of financial liabilities offset in balance sheet (B)	Net amount of financial assets reported in balance sheet (C = A - B)	Related amounts not offset in balance sheet		Net amount 31/12/2017 (F = C - D - E)	Net amount 31/12/2016
				Financial instruments (D)	Cash collateral received (E)		
1. Derivatives	925,943		925,943	444,388	473,838	7,717	7,871
2. Repurchase agreements							
3. Stock lending							
4. Other							
Total 31/12/2017	**925,943**		**925,943**	**444,388**	**473,838**	**7,717**	**X**
Total 31/12/2016	**5,476,126**		**5,476,126**	**5,015,805**	**452,450**	**X**	**7,871**

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the balance sheet.

(thousands of euro) Type	Balance sheet items	Net amount of financial assets reported in balance sheet
1. Derivatives		925,943
	20. Financial assets held for trading	83,347
	80. Hedging derivatives	842,596
2. Repurchase agreements		
	60. Loans to banks	
	70. Loans to customers	
3. Stock 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) Type	Gross amount of financial liabilities (A)	Amount of financial assets offset in balance sheet (B)	Net amount of financial liabilities reported in balance sheet (C = A - B)	Related amounts not offset in balance sheet		Net amount 31/12/2017 (F = C - D - E)	Net amount 31/12/2016
				Financial instruments (D)	Cash collateral pledged (E)		
1. Derivatives	684,717		684,717	444,388	218,549	21,780	46,270
2. Repurchase agreements	27,759,644		27,759,644	27,709,506	46,121	4,017	
3. Stock lending							
4. Other							
Total 31/12/2017	**28,444,361**		**28,444,361**	**28,153,894**	**264,670**	**25,797**	**X**
Total 31/12/2016	**19,611,739**		**19,611,739**	**19,109,272**	**456,197**	**X**	**46,270**

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the balance sheet.

(thousands of euro) Type	Balance sheet items	Net amount of financial liabilities reported in balance sheet
1. Derivatives		684,717
	40. Financial liabilities held for trading	96,633
	60. Hedging derivatives	588,084
2. Repurchase agreements		27,759,644
	10. Due to banks	6,670,880
	20. Due to customers	21,088,764
3. Stock 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/Type	Debt securities	Loans	Other	31/12/2017	31/12/2016
1. Financial assets held for trading			81	81	
2. Financial assets available for sale	92,274			92,274	101,465
3. Financial assets held to maturity	886,610			886,610	888,846
4. Loans to banks	10,461	228,887		239,348	266,103
5. Loans to customers	235,353	5,805,880		6,041,233	5,253,261
6. Financial assets at fair value					
7. Hedging derivatives	X	X			49,996
8. Other assets	X	X	203,879	203,879	163,242
Total	**1,224,698**	**6,034,767**	**203,960**	**7,463,425**	**6,722,913**

Interest income accrued in 2017 amounts to approximately 7,463 million euro and are mainly comprises:
- interest income on loans to banks and customers, amounting to around 6,035 million euro (5,334 million euro on 2016);
- interest income on debt securities, amounting to about 1,225 million euro;
- interest income on “other assets” amounting to about 204 million euro.

Sub-item “8. Other assets” 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 non-performing assets of approximately 7 million euro.

1.2 Interest income and similar income: differences on hedging transactions

(thousands of euro) Items/Type	31/12/2017	31/12/2016
A. Positive differences on hedging transactions		150,397
B. Negatives differences on hedging transactions		(100,401)
C. Balance (A - B)		**49,996**

In 2017, the interest difference on hedging transactions is negative and is therefore presented in table 1.5 “Interest expense and similar expenses: differences on hedging transactions”. In 2016, the difference was positive by approximately +50 million euro and was therefore recognised in the present table

1.3 Interest income and similar income: additional information

1.3.1 Interest income on financial assets in foreign currency

The item includes interest income accrued on financial assets in foreign currency of about 29,694 euro thousand.

1.3.2 Interest income on finance leases

This item has a nil balance.

1.4 Interest expense and similar expenses: breakdown

(thousands of euro) Items/Type	Payables	Securities	Other	31/12/2017	31/12/2016
1. Due to central banks		X			870
2. Due to banks	73,009	X		73,009	68,995
3. Due to customers	4,029,587	X		4,029,587	3,919,483
4. Securities issued	X	271,401		271,401	295,681
5. Financial liabilities held for trading					
6. Financial liabilities at fair value					
7. Other liabilities and provisions	X	X	57,698	57,698	69,321
8. Hedging derivatives	X	X	67,044	67,044	
Total	**4,102,596**	**271,401**	**124,742**	**4,498,739**	**4,354,350**

This item of around 4,499 million euro (around +144 million euro on 2016) mainly consists of the following:

- interest expense on passbook savings accounts and postal savings bonds amounting to around 4,035 million euro (around +121 million euro on 2016);
- interest expense on debt securities, amounting to around 271 million euro (around -24 million euro on 2016);
- interest expense on deposits of investees of around 38 million euro (around -8 million euro on 2016);
- interest expense on credit facilities granted by the EIB amounting to around 26 million euro (around +3 million euro on 2016);
- interest difference on hedges of around 67 million euro (at 31 December 2017 the difference was a positive amount of 50 million euro);
- interest expense on “other liabilities and provisions” amounting to about 58 million euro (up by approximately -12 million euro on 2016).

The sub-item “7. Other liabilities and provisions” includes, amongst others, interest accrued on financial assets that, due to negative remuneration, gave rise to a charge (interest expense). 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.

1.5 Interest expense and similar expenses: differences on hedging transactions

(thousands of euro) Items	31/12/2017	31/12/2016
A. Positive differences on hedging transactions		
B. Negatives differences on hedging transactions		
C. Balance (A - B)		

In 2017, the interest difference on hedges was a negative amount of around 67 million euro and has therefore been reported in the above table. In 2016, the difference was positive by approximately +50 million euro and was therefore recognised in table 1.2 “Interest income and similar income: differences on hedging transactions”.

1.6 Interest expense and similar expenses: additional information

1.6.1 Interest expense on liabilities in foreign currencies

The item includes interest expense on liabilities in foreign currency of about 25,136 thousand euro.

1.6.2 Interest expense for finance leases

This item has a nil balance.

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

(thousands of euro)

Type of service	31/12/2017	31/12/2016
a) Guarantees issued	24,801	42,668
b) Credit derivatives		
c) Management, intermediation and advisory services:		
1. Trading of financial instruments		
2. Trading of currencies		
3. Management of portfolio:		
3.1 individual		
3.2 collective		
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	83,315	54,287
Total	**108,116**	**96,955**

The commission income earned by CDP during the year amounted to around 108 million euro (+11 million euro on 2016). It mainly related to the disbursement of loans, accounting for around 78 million euro (+29 million euro compared to 2016), with the increase primarily due to the Export Bank activities, and to the issue of guarantees, accounting for around 25 million euro (around -18 million euro compared to 2016).

This item also includes commission income from the:

- agreements signed with the Ministry of Economy and Finance covering the management of the MEF's assets and liabilities (2.6 million euro);
- management of the Revolving Fund for Development Cooperation (1 million euro);
- agreement signed with the Italian Ministry for Foreign Affairs and International Cooperation (0.3 million euro);
- management of the Kyoto Fund (approximately 0.1 million euro);
- management of the Revolving Fund supporting enterprises and investment in research (FRI) (approximately 0.6 million euro);
- other services provided (approximately 0.2 million euro).

2.3 Commission expense: breakdown

(thousands of euro)

Type of service	31/12/2017	31/12/2016
a) Guarantees received	2,423	2,150
b) Credit derivatives		
c) Management and intermediation services:	1,575,295	1,576,680
1. Trading of financial instruments		
2. Trading of currency		
3. Management of portfolios:	1,022	
3.1 Own portfolio	1,022	
3.2 Third-party portfolio		
4. Custody and administration of securities		
5. Placement of financial instruments	1,574,273	1,576,680
6. Door-to-door selling of financial instruments, products and services		
d) Collection and payment services	1,464	1,952
e) Other services	318	378
Total	**1,579,500**	**1,581,160**

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 1,574 million euro (-2.4 million euro on 2016).

The commission expense for the service of management of postal savings funding recognised during the year was incurred under an agreement between CDP and Poste Italiane S.p.A. whereby the fee structure is not based on a commission directly attributable to the issue of new postal bonds, but rather on a comprehensive fee for the activities involved in providing the service, which is fully expensed in the year in which it accrues.

In December 2017, CDP and Poste Italiane signed an agreement referring to the postal savings service for the three-year period 2018-2020. Under that agreement, the annual commission will be calculated from 1 January 2018 as the sum of a part called “Ordinary Commission” calculated on the overall average balance, and a part called “Campaigns Commission” calculated on the gross funding from specific types of postal savings bonds.

Section 3 - Dividends and similar revenues - Item 70

3.1 Dividends and similar revenues: breakdown

(thousands of euro)	31/12/2017		31/12/2016	
Items	Dividends	Income from units in collective investment undertakings	Dividends	Income from units in collective investment undertakings
A. Financial assets held for trading				
B. Financial assets available for sale		4,591		4,451
C. Financial assets at fair value				
D. Equity investments	1,350,130	X	1,566,318	X
Total	**1,350,130**	**4,591**	**1,566,318**	**4,451**

This item comprises dividends and similar revenues whose distribution was approved in 2017. They mainly arise from the equity investments held in ENI (around 749 million euro), CDP RETI (around 251 million euro), Poste Italiane (around 178 million euro), SACE (around 150 million euro), and Fintecna (around 21 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	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A + B) - (C + D)]
1. Financial assets held for trading					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment undertakings					
1.4 Loans					
1.5 Other					
2. Financial liabilities held for trading					
2.1 Debt securities					
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange rate differences	X	X	X	X	(2,188)
4. Derivatives	33,995	85,425	52,801	73,256	(6,637)
4.1 Financial derivatives:	33,995	85,425	52,801	73,256	(6,637)
- on debt securities and interest rates	18,618	18,207	16,413	17,196	3,216
- on equity securities and equity indices	15,377	67,218	36,388	56,060	(9,853)
- on foreign currencies and gold	X	X	X	X	
- other					
4.2 Credit derivatives					
Total	**33,995**	**85,425**	**52,801**	**73,256**	**(8,825)**

The net loss on trading activities of around 9 million euro is essentially related to operational hedges of the embedded option in the postal savings bonds indexed to equity baskets, made through open-market purchase of mirror options.

Section 5 - Fair value adjustments in hedge accounting - Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

(thousands of euro) P&L items	31/12/2017	31/12/2016
A. Income on:		
A.1 Fair value hedges	457,634	207,267
A.2 Hedged financial assets (fair value)	22,427	389,691
A.3 Hedged financial liabilities (fair value)	137,966	45,120
A.4 Cash flow hedges		
A.5 Assets and liabilities in foreign currencies	67,469	29,491
Total income on hedging activities (A)	**685,496**	**671,569**
B. Expense on:		
B.1 Fair value hedges	160,364	437,254
B.2 Hedged financial assets (fair value)	443,807	115,199
B.3 Hedged financial liabilities (fair value)	641	88,920
B.4 Cash flow hedges		
B.5 Assets and liabilities in foreign currencies	67,513	29,439
Total expense on hedging activities (B)	**672,325**	**670,812**
C. Net gain (loss) on hedging activities (A - B)	**13,171**	**757**

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

6.1 Gains (losses) on disposal or repurchase: breakdown

(thousands of euro)	31/12/2017			31/12/2016		
P&L items	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Loans to banks	826		826	268		268
2. Loans to customers	21,990	(1,847)	20,143	19,099	(227)	18,872
3. Financial assets available for sale:	44,234	(22,612)	21,622	9,152	(3,688)	5,464
3.1 Debt securities	20,571	(22,612)	(2,041)	9,152	(3,688)	5,464
3.2 Equity securities	308		308			
3.3 Units in collective investment undertakings	23,355		23,355			
3.4 Loans						
4. Financial assets held to maturity	66		66	2		2
Total assets	**67,116**	**(24,459)**	**42,657**	**28,521**	**(3,915)**	**24,606**
Financial liabilities						
1. Due to banks						
2. Due to customers						
3. Securities issued						
Total liabilities						

At 31 December 2017, this item showed gains of around 43 million euro, mainly attributable to:

- fees received from customers on the early repayment of mortgage loans (around 21 million euro);
- the gain on the sale of units held in Fondo Italiano d'Investimento (around 8.6 million euro);
- the gain on the sale of units held in Terzo Fondo F2i (around 14.7 million euro).

Section 7 - Profits (losses) on financial assets and liabilities designated at fair value - Item 110

7.1 Net change in value of financial assets and liabilities designated at fair value: breakdown

(thousands of euro) P&L items	Capital gains (A)	Realized profits (B)	Capital losses (C)	Realized losses (D)	Net result [(A + B) - (C + D)]
1. Financial assets					
1.1 Debt securities					
1.2 Equity securities					
1.3 Units in collective investment undertakings					
1.4 Loans					
2. Financial liabilities			1,551		(1,551)
2.1 Debt securities			1,551		(1,551)
2.2 Due to banks					
2.3 Due to customers					
3. Other financial assets and liabilities in foreign currency: exchange rate differences			X	X	
4. Credit and financial derivatives			2		21
Total	**23**		**1,553**		**(1,530)**

This item, which shows losses of around 1.5 million euro, comprises the result of the fair value measurement of the debt securities recognised under financial liabilities designated at fair value and of the derivatives associated with the fair value option.

Section 8 - Net impairment losses/recoveries - Item 130

This item, totalling around -109 million euro, refers to the net balance between impairment losses and recoveries on loans, financial assets available for sale and other financial transactions, calculated on an individual and collective basis. The recovery from interest refer to the write-backs connected with the passing of time, deriving from the accrual of interest during the financial year on the basis of the original effective interest rate used to calculate the value adjustments.

8.1 Net impairment losses/recoveries on loans: breakdown

	Writedowns			Writebacks				31/12/2017	31/12/2016
(thousands of euro)	Specific		Portfolio	Specific		Portfolio			
Type of operation/P&L items	Writeoffs	Other		A	B	A	B		
A. Loans to banks			**(847)**				**17,817**	**16,970**	**(77,279)**
- Loans							17,817	17,817	(77,036)
- Debt securities			(847)					(847)	(243)
B. Loans to customers		**(6,125)**	**(29,626)**	**364**	**12,701**			**(22,686)**	**(85,957)**
Impaired loans acquired:									
- loans			X				X		
- debt securities			X				X		
Other receivables:									
- loans		(6,125)	(27,467)	364	12,701			(20,527)	(84,679)
- debt securities			(2,159)					(2,159)	(1,278)
C. Total		**(6,125)**	**(30,473)**	**364**	**12,701**		**17,817**	**(5,716)**	**(163,236)**

Key
A = interests
B = other writebacks

8.2 Net impairment losses/recoveries on financial assets available for sale: breakdown

(thousands of euro)	Writedowns		Writebacks		31/12/2017	31/12/2016
	Specific		Specific			
Type of operation/P&L items	Writeoffs	Other	A	B		
A. Debt securities						
B. Equity securities			X	X		
C. Units in collective investment undertakings		(183,776)	X		(183,776)	(215,949)
D. Loans to banks						
E. Loans to customers						
F. Total		**(183,776)**			**(183,776)**	**(215,949)**

Key
A = interest
B = other writebacks

8.4 Net impairment losses/recoveries on other financial transactions: breakdown

(thousands of euro)	Writedowns			Writebacks				31/12/2017	31/12/2016
	Specific		Portfolio	Specific		Portfolio			
Type of operation/P&L items	Writeoffs	Other		A	B	A	B		
A. Guarantees issued			(558)		69		3,264	2,775	(4,667)
B. Credit derivatives									
C. Commitments to disburse funds			(1,124)				212	(912)	4,940
D. Other operations					78,283			78,283	(78,201)
E. Total			**(1,682)**		**78,352**		**3,476**	**80,146**	**(77,928)**

Key
A = interest
B = other writebacks

Fondo Atlante

CDP holds 500 units of the alternative investment fund Fondo Atlante (out of a total of 4,249), against a total commitment of 500 million euro, of which, approximately 460.8 million euro paid up and approximately 39.2 million euro still to be called up.

The investment in this fund is classified under financial assets available for sale. In line with the IFRS, it is measured at fair value.

Following the zeroing of the carrying amount of the investee banks, Veneto Banca S.p.A. and Banca Popolare di Vicenza S.p.A., which have been placed under compulsory administrative liquidation, net impairment losses totalling 105.6 million euro were recognised at 30 June 2017, of which 183,8 million euro was recognised under item 130.b “Net impairment losses/recoveries on financial assets available for sale”, in part offset by the recovery of approximately 78.2 million euro recognised under item 130.d “Net impairment losses/recoveries on other financial transactions” to reflect the transfer of the adjustments at 31 December 2016 on commitments called-up and paid in January 2017 to the income statement.

At 31 December 2017, the total value of the units held by CDP in Fondo Atlante totalled around 61.5 million euro, calculated on the basis of the unit value communicated by the manager Quaestio Capital Management SGR, equal to 123,053.51 euro. The fair value measurement resulted in a revaluation of Fondo Atlante of 0.4 million euro that was recognised as an increase in the valuation reserves, in accordance with IAS 39.69, which does not allow the recognition of the reversal of impairment losses on equity instruments in profit or loss, and in accordance with IFRIC 10.8, which does not allow the reversal of an impairment loss recognised in a previous interim period on an investment in an equity instrument.

Section 9 - Administrative expenses - Item 150

9.1 Staff costs: breakdown

(thousands of euro) Type of expense	31/12/2017	31/12/2016
1) Employees	**87,009**	**80,425**
a) Wages and salaries	61,733	57,316
b) Social security costs	266	190
c) Staff severance pay	489	594
d) Pension costs	14,896	14,213
e) Allocation to staff severance pay	21	19
f) Provision for retirement and similar provisions:		
- defined contribution		
- defined benefit		
g) Payments to external supplementary pensions funds:	5,038	3,254
- defined contribution	5,038	3,254
- defined benefit		
h) Costs arising from share-based payment arrangements		
i) Other employee benefits	4,566	4,839
2) Other personnel in service	**414**	**311**
3) Board of Directors and Board of Auditors	**1,241**	**1,395**
4) Retired personnel		
5) Recovery of expenses for employees seconded to other companies	**(3,839)**	**(1,844)**
6) Reimbursement of expenses for third-party employees seconded to the company	**311**	**246**
Total	**85,136**	**80,533**

9.2 Average number of employees by category

(number)	
Employees	**711**
a) Senior management	78
b) Middle management	333
- *of which: grade 3rd and 4th*	*183*
c) Other employees	300
Other personnel	**15**

9.4 Other employee benefits

(thousands of euro) Type of benefits	31/12/2017	31/12/2016
Lunch vouchers	1,156	1,203
Staff insurance	2,031	1,902
Interest subsidies on loans	352	240
Early retirement incentives	431	983
Other benefits	596	511
Total	**4,566**	**4,839**

9.5 Other administrative expenses: breakdown

(thousands of euro) Type of expense	31/12/2017	31/12/2016
Professional and financial services	12,997	12,593
IT costs	22,118	22,751
General services	11,490	8,935
Publicity and marketing expenses	2,511	2,417
- *of which: mandatory publicity*	*250*	*611*
Information resources and databases	1,195	1,194
Utilities, duties and other expenses	6,977	6,070
Corporate bodies	316	296
Other personnel costs	2,230	1,374
Total	**59,834**	**55,630**

As required by article 149-*duodecies* of Consob Issuers' Regulation no. 11971, the 2017 audit fees and fees for non-audit services of PricewaterhouseCoopers S.p.A. are given below:

Audit fees and fees for non-audit services

(thousands of euro) Type of services	PricewaterhouseCoopers S.p.A.	Other companies PWC network
Auditing	574	
Certification services	30	
Tax consultancy services		
Other services	184	180
Total	**788**	**180**

Amounts net of VAT and reimbursed expenses and Consob contribution.

Section 10 - Net accruals to the provisions for risk and charges - Item 160

10.1 Net accruals to the provisions for risks and charges: breakdown

	31/12/2017			31/12/2016
(thousands of euro) Type	Accruals	Reversal of excess	Total	Total
Review of existing provision for litigation	(33)		(33)	(123)
Loss of investees	(712)		(712)	(977)
Provision for tax liabilities	(58)	886	828	(58)
Total	**(803)**	**886**	**83**	**(1,158)**

The balance of this item mainly consists of the accrual to cover losses of the investee AccIaItalia S.p.A, in liquidazione (around -0.7 million euro), and the positive effect of the transfer to the income statement of the excess of the provision previously made for tax liabilities (around 0.9 million euro).

Section 11 - Net adjustments to/recoveries on property, plant and equipment - Item 170

11.1. Net adjustments to/recoveries on property, plant and equipment: breakdown

(thousands of euro) Assets/P&L items	Depreciation (A)	Writedowns for impairment (B)	Writebacks (C)	Net adjustments (A + B - C)
A. Property, plant and equipment				
A.1 Owned:	(4,375)			(4,375)
- for operations	(4,375)			(4,375)
- for investment				
A.2 Acquired under finance leases:				
- for operations				
- for investment				
Total	**(4,375)**			**(4,375)**

Section 12 - Net adjustments to/recoveries on intangible assets - Item 180

12.1 Net adjustments to intangible assets: breakdown

(thousands of euro) Assets/P&L items	Amortisation (A)	Writedowns for impairment (B)	Writebacks (C)	Net adjustments (A + B - C)
A. Intangible assets				
A.1 Owned:	(2,527)			(2,527)
- internally generated by the company				
- other	(2,527)			(2,527)
A.2 Acquired under finance leases				
Total	**(2,527)**			**(2,527)**

Section 13 - Other operating income (costs) - Item 190

13.1 Other operating costs: breakdown

(thousands of euro) Type	31/12/2017	31/12/2016
Operating costs in respect of supply chain	1	4
Charges from adjustment of asset items	60	54
Depreciation of leasehold improvements	1	
Other	423	5
Total	**484**	**63**

13.2 Other operating income: breakdown

(thousands of euro) Type	31/12/2017	31/12/2016
Income for company engagements to employees	1,467	997
Active rents	1,262	
Recovery of expenses	450	262
Other	2,513	2,556
Total	**5,692**	**3,815**

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

14.1 Gains (losses) on equity investments: breakdown

(thousands of euro) P&L items	31/12/2017	31/12/2016
A. Gains	**30,244**	
1. Revaluations		
2. Gains on disposals	28,637	
3. Writebacks	1,607	
4. Other		
B. Losses	**(1,613)**	**(270,010)**
1. Writedowns		
2. Impairments	(1,613)	(270,010)
3. Losses on disposals		
4. Other		
Net gain (loss)	**28,631**	**(270,010)**

This item, which shows gains of around of around 28.6 million euro, is mainly comprised of:

- the gain, of around 28.6 million euro, recognised on the sale of the equity investments in SNAM (1.12%) and Italgas (0.97%), previously recognised under the equity investments of CDP, following the merger of CDP GAS S.r.l. into CDP;

- the net impairment reversal recognised on Galaxy S.àr.l., of around 1.3 million euro following the estimate of a recoverable amount of around 3.7 million euro for that company, whose closure and liquidation is due to be completed in 2018;
- the impairment loss of around 1.4 million euro recognised on Accialtalia S.p.A. (in liquidazione). On 13 June 2017, CDP exercised the right of withdrawal and the company was subsequently placed in voluntary liquidation on 25 October 2017. In view of the negative results achieved by the company, the equity investment was fully written down. Following the exercise of the right of withdrawal, the equity investment was reclassified under financial assets available for sale
- the net impairment reversal of around 147 thousand euro recognised on Risparmio Holding S.p.A., following the adjustment of its recoverable amount based on the *pro rata* book equity at 31 December 2017;
- the impairment loss of around 81 thousand euro recognised on Europrogetti & Finanza S.p.A., in liquidazione, as a result of the full write-down of the shareholders' loan granted during the year and considered equivalent to an equity investment.

Section 17 - Gains (losses) on disposal of investments - Item 240

17.1 Gains (losses) on disposal of investments: breakdown

(thousands of euro) **P&L items**	**31/12/2017**	**31/12/2016**
A. Property		
- Gains from disposal		
- Losses from disposal		
B. Other assets		
- Gains from disposal		
- Losses from disposal	(5)	(4)
Net gain (loss)	**(5)**	**(4)**

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

18.1 Income tax for the year on continuing operations: breakdown

(thousands of euro) **Items**	**31/12/2017**	**31/12/2016**
1. Current taxes (-)	(409,366)	(114,989)
2. Change in current taxes from previous years (+/-)	8,227	116,858
3. Reduction of current taxes for the year (+)		
3.*bis* Reduction of current taxes for tax credits pursuant to Law 214/2011 (+)		
4. Change in deferred tax assets (+/-)	(61,666)	42,364
5. Change in deferred tax liabilities (+/-)	55	
6. Taxes for the year (-) (-1 +/- 2 + 3 + 3 *bis* +/- 4 +/- 5)	**(462,750)**	**44,233**

In 2017, current taxes refer to 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 of current taxes for the previous year, which was offset by the change in deferred tax assets.

The change in deferred tax assets for the year 2017 was essentially attributable to the recognition of the impairment on receivables and commitments, loans and mutual fund units, as well as the use of the provisions for risks and for charges related to personnel and tax losses carried forward.

18.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euro)	31/12/2017	Tax rate
Income (loss) before taxes	**2,666,195**	
IRES Theoretical tax liability (27.5% rate)	**(733,204)**	**-27.5%**
Permanent increases		
- non-deductible interest expense		0.0%
- writedowns on equity investments	(62)	0.0%
- other non-deductible costs	(1,711)	-0.1%
Temporary increases		
- impairment adjustments of loans	(462)	0.0%
- other temporarily non-deductible costs	(10,926)	-0.4%
Permanent decreases		
- tax exempt dividends	352,721	13.2%
- ACE benefit	39,364	1.5%
- other changes	22,879	0.9%
Temporary decreases	36,280	1.4%
IRES Actual tax liability	**(295,121)**	**-11.1%**

(thousands of euro)	31/12/2017	Tax rate
Taxable income for IRAP purposes	**2,137,843**	
IRAP Theoretical tax liability (5.57% rate)	**(119,078)**	**-5.57%**
Non-deductible interest 4%		0.0%
Deductible costs from prior years	757	0.04%
Deductible costs in respect of staff	4,745	0.2%
Other non-deductible costs	(670)	-0.03%
IRAP Actual tax liability	**(114,246)**	**-5.3%**

Section 20 - Other information

Nothing to report in addition to the information provided in the previous sections.

Part D - Comprehensive income

Analytical statement of comprehensive income

(thousands of euro) Items		Gross amount	Income taxes	Net amount
10.	**Income (loss) for the period**	2,666,195	(462,750)	2,203,445
	Other comprehensive income not transferred to income statement			
20.	Property, plant and equipment			
30.	Intangible assets			
40.	Defined-benefit plans			
50.	Non-current assets held for sale			
60.	Valuation reserves of equity investments accounted for with equity method			
	Other comprehensive income transferred to income statement			
70.	Hedging of investment in foreign operation:			
	a) Fair value changes			
	b) Reversal to income statement			
	c) Other changes			
80.	Exchange rate differences:			
	a) Changes in values			
	b) Reversal to income statement			
	c) Other changes			
90.	Cash flow hedges:	(5,540)	1,832	(3,708)
	a) Fair value changes	(5,540)	1,832	(3,708)
	b) Reversal to income statement			
	c) Other changes			
100.	Financial assets available for sale:	13,716	(5,616)	8,100
	a) Fair value changes	41,226	(14,633)	26,593
	b) Reversal to income statement:	(27,510)	9,017	(18,493)
	- impairment adjustments			
	- gain/loss on realisation	(27,510)	9,017	(18,493)
	c) Other changes			
110.	Non-current assets held for sale:			
	a) Fair value changes			
	b) Reversal to income statement			
	c) Other changes			
120.	Valuation reserves of equity investments accounted for with equity method:			
	a) Fair value changes			
	b) Reversal to income statement:			
	- impairment adjustments			
	- gain/loss on realisation			
	c) Other changes			
130.	**Total other comprehensive income**	8,176	(3,784)	4,392
140.	**Comprehensive income (items 10 + 130)**	2,674,371	(466,534)	2,207,837

Part E - Information on risks and related hedging policies

To guarantee an efficient risk management system, CDP has implemented rules, procedures, resources (human, technological, and organisational), and control activities to identify, measure or evaluate, monitor, prevent or attenuate, and communicate all risks assumed or that can be assumed in the different segments to the appropriate reporting levels.

Risk management considers the specific characteristics of the activity performed, and is implemented in compliance with the requirements established by the laws and regulations.

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 the clear presentation of the overall risk profile and solidity of CDP to the top management and to the Board of Directors. As part of this mandate, the CRO coordinates the activities of the Risk Management Area (RM), the Risk Governance Area, the Compliance and Anti-Money Laundering Area and the Risk Operations Area. RM is responsible for supporting the CRO with the governance and monitoring of all types of risks, rendering transparent the overall risk profile of CDP and the capital requirements associated with each category of risk.

These types of risk are defined by the Risk Policy approved by the Board of Directors in 2010 and subsequently updated as necessary. They are classifiable in terms of market risks (which include equity risk, interest rate risk, inflation risk, and exchange rate risk), liquidity risk, credit risk (which includes concentration and counterparty risks), operational risks, and reputation risks. The Risk Policy is updated semi-annually and includes the Risk Management Rules and the related documents, each of which focuses on a specific category of risks (e.g. interest rate risk) or area exposed to those risks (e.g. treasury operations and investment in securities). The Risk Policy represents a key tool used by the Board of Directors to define the risk appetite of CDP, the tolerance thresholds, risk limits, risk management policies, and framework of related organisational processes.

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

The Board Risk Committee is set up within the Board of Directors and has control and guidance functions with respect to risk management and the assessment of the adoption of new products. The CEO is supported by the Internal Risk Committee. This technical and advisory body gives opinions on policy and control issues concerning the overall risk profile of CDP and operating assessment of especially important risks.

The RM verifies compliance with the limits set by the Board of Directors and the operating limits established by the CEO, recommending corrective measures to the Risk Committee that might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and participating in capital management activities.

Section 1 - Credit risk

Qualitative disclosures

1. General aspects

Credit risk arises primarily in relation to the lending activity - both under the Separate Account and the Ordinary Account - and, on a secondary level, to hedging operations involving derivatives and treasury activities (counterparty risk).

The Separate Account, which easily has the largest stock of assets, is primarily exposed to Italian Government and local entities.

Over the last several years, an increasingly important role is being played by exposures under the Separate Account to the main banking groups operating in Italy, through which CDP channels various types of financing, in particular loans to SMEs and in support of the residential real estate market.

Although still accounting for a minority share, exposures under the Separate Account to private-sector parties involved in public interest projects promoted by public entities are also significant. Other exposures include those in respect of the Revolving Fund for enterprises, which at present are essentially immunised for credit risk (as they are secured by the General Government as the guarantor of last resort), and those assumed under "Export Bank" operations. The Separate Account may also have a role in energy efficiency projects and in loans granted to support international development cooperation activities.

The Ordinary Account of CDP grants corporate and project financing for initiatives concerning the delivery of public services, in competition with banks. Loans from the Ordinary Account are mainly aimed at the provision of public services and at investments in research, development, innovation, protection and enhancement of cultural heritage, promotion of tourism, environment and energy efficiency and green economy.

During 2017, interventions were developed 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 Lending Rules, which also govern the lending process and the roles of the units involved.

The Risk Operations Area assesses the proposals formulated by the CDP business units, as well as the most important transactions submitted for a governance judgement by the subsidiaries; it is also responsible for issuing the internal rating and estimate of 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 is approved by the CEO, who applies the methods adopted by CDP for the assignment of internal ratings to counterparties and in producing internal estimates of the recovery rate for individual financing operations. The Risk Operations Area is also responsible for periodic revision of loans, as regards the evolution of the counterparty's financial situation and developments in their industry.

The Risk Management Area is responsible for the methods used to determine the risk-adjusted pricing, monitoring the risk-adjusted return, and the measured portfolio concentration. The Risk Management Area regularly monitors the overall performance of loan portfolio risk, *inter alia* to identify those corrective measures designed to optimise the risk/return profile.

The credit risk responsibilities of the Risk Management Area also include:
- conducting second-level controls to ensure performance is monitored correctly, that the classifications of the individual exposures are consistent, that the accrued provisions are adequate and that the recovery process is appropriate;
- preparing judgements on specific loan transactions, in the cases stipulated in the policies in effect from time to time;
- defining, selecting and implementing models, methods, and instruments of the internal rating system.

In regard to non-performing counterparties, the Risk Operations Area reviews any proposals made for restructuring – possibly with the support of other departments for more complex cases – while the Risk Management Area performs second level control. Contractual amendment requests for performing loans ("waivers") are managed instead by the Transactions Management Department.

The Credit Committee is a technical and advisory body supporting the Policymaking Bodies. One of its duties is to give mandatory, non-binding opinions on financing operations, both in regard to creditworthiness and the adequacy of the applied conditions. The composition of the Credit Committee includes members of the Risk Operations Area and the Risk Management Area, as well as the Legal, Compliance and Finance Areas.

Where predetermined concentration thresholds are exceeded and the Credit Committee does not express a unanimous opinion, a non-binding opinion of the CRO is also required on lending transactions.

During 2017, the monitoring of the CDP Group risks was strengthened, with provision for a specific governance process for the most critical transactions in terms of risk. A non-binding opinion by the Parent Company has to be obtained in these cases. In addition, the Group Risk Committee was established and tasked with issuing judgements on the Group's risk monitoring and assessment systems, its risk policies and 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 adopts a system for approving loans to local entities. This system can be used to classify each loan in uniform risk categories, by adequately defining the risk level associated with the individual entities, with the aid of quantitative parameters that are differentiated by type of entity and their individual dimensions.

This loan approval system uses qualitative and quantitative criteria to identify the cases where the debtor's creditworthiness requires further analysis.

For the Ordinary Account and loans to private-sector parties under the Separate Account portfolio, excluding the funds in support of the economy, CDP uses a validated proprietary model to calculate portfolio credit risk. With the same system CDP also calculated the economic capital associated with the entire loan portfolio, with the sole exception of positions associated with country risk.

The Risk Management Area monitors compliance with the system of limits and the addresses 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 more rigorous as the rating and recovery rate decrease, according to proportions based on the extent of capital being used.

The Risk Management Area also conducts stress tests on the level of risk in the loan portfolio, based on assumptions of generalised deterioration in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increased correlation parameters.

The Risk Management Area regularly monitors the net current and contingent exposure to banks in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. The Risk Management Area also checks compliance with the minimum rating limits of the counterparty and the limits associated with the maximum notional amount and maximum credit equivalent, by related counterparty or group of counterparties, as stipulated in the CDP Risk Policy. Similarly, the Risk Management Area provides for the monitoring of exposures to counterparties in treasury activities, checking compliance with the limits and criteria set out in the Risk Policy.

The methods adopted for the allocation of internal ratings aim to ensure compliance with an adequate level of transparency and consistency, including through traceability of the allocation process.

Developed by specialised outsourcers, the internal rating models used as benchmark tools in the internal rating assignment process are broken down according to the principal types of CDP customers, according to their size, legal form, and sector.

Consistently with agency rating practice, the scale of ratings adopted by CDP is broken down into 21 classes, of which 10 are for "investment grade" positions and 11 for "speculative grade". A class is also used for counterparties in default. Given the limited number of historical defaults in the CDP portfolio, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using databases acquired from a specialised provider.

Default is defined in accordance with supervisory regulations issued by the Bank of Italy for banks.

The internal estimates of Loss Given Default take into account the different types of guarantees, as well as recovery times, and are differentiated by category of customer.

The rating system is used in the loan approval process (for private individuals also in the setting of risk-adjusted prices), for monitoring loan performance, to calculate general provisions, within the limits framework and to measure the use of capital. The risk assessment assigned to the counterparty is updated at least annually. Regardless, it is reviewed at any time during the year whenever events occur or information is acquired that significantly affect the credit rating.

2.3 Credit risk mitigation techniques

CDP mitigates the credit risk in respect of lending operations using techniques commonly adopted in the banking industry.

A significant number of the credit exposures of CDP in the Separate Account consist of special-purpose cash loans supported by payment orders 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 security interests in property or unsecured guarantees. Specifically, some of the products in support of the economy, which are channelled through the banking system and targeted at SMEs (e.g. the New SME Fund), and in support of the housing market, are secured through the sale of the underlying loans to CDP and the creation of pledges on government bonds in favour of CDP. During 2017, an analysis of the portfolio of transferred receivables was conducted. The response rate was satisfactory and the level of quality of the customers transferred as a guarantee adequate, including in terms of distribution by risk classes according to the system averages. Lastly, as regards risk concentration, a system of limits has been imposed according to the overall exposure of the bank (and any group that it might belong to) in relation to the equity of CDP and the regulatory capital of the bank (or its group).

Aside from the acquisition of guarantees, largely in transactions under the Ordinary Account and in those with non-public entities under the Separate Account, there exists the possibility of including a clause in the loan agreements, obligating the counterparty to satisfy appropriate financial covenants and other typical contractual clauses in similar transactions, that allow CDP to monitor its credit risk more effectively over the life of the transaction.

With reference to loans to private-sector parties, in order to reduce the risk of involvement of criminal organizations, CDP takes part in the financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

The support provided by sponsors of the deal assumes special importance in project finance transactions, and particularly during the construction phase. This support is realised both in terms of the commitment to provide additional resources, as necessary, and by remaining a shareholder until construction is completed and operations commence.

During 2017, a credit quality monitoring system was implemented, able to ensure, through an early warning engine, the prompt flagging up of credit events that indicate potential problems (based on information from both internal and external sources), and to assign 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.

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 ISDA.

Securities financing deals utilise GMRAs (Global Master Repurchase Agreement, ISMA 2000 format). CDP has also joined the Cassa di Compensazione e Garanzia (Clearing House), through which it transacts in repo agreements while benefiting from robust protections against counterparty risk.

2.4 Non-performing financial assets

Non-performing financial assets are measured and classified in accordance with 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, or an analysis of information from the Central Credit Register.

Non-performing positions are measured on the basis of an estimate of the loan recovery plan, discounted at the effective interest rate of the specific loan. The estimate made in the repayment schedule and consequent adjustment of the value of loans receivable consider any collateral or unsecured guarantees received. In particular, these consider the amounts granted but not disbursed on special purpose loans, for which disbursements are made in several instalments according to the work progress reports on the financed project. Borrowers with substantial arrears are disqualified from accessing new CDP financing and any remaining amounts to be disbursed on problem loans are frozen.

The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery of the credit exposure. 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 loans, 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 Area, 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.

After endorsement by the European Union on 9 January 2015 of the "Implementing Technical Standards" issued by the European Banking Authority (EBA) in 2013, which contain the definition of "non performing exposures" and "forbearance", and subsequent updates to the applicable banking regulations issued by the Bank of Italy, CDP has implemented appropriate methods for proper identification of "forborne" relationships. These methods call for identification of the nature of changes to the original contractual terms and conditions (i.e. total or partial refinancing of the debt) granted to a debtor, and consider the evidence of continuous monitoring, such as the number of days past due, in addition to the expert opinion of the competent units of the Risk Operations Area and Risk Governance Area, for assessment of the effective financial difficulty of the debtor.

Quantitative disclosures

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, changes, economic and geographical distribution

A.1.1 DISTRIBUTION OF CREDIT EXPOSURES 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 available for sale						9,796,142
2. Financial assets held to maturity					29,236,673	29,236,673
3. Loans to banks				23	38,599,546	38,599,569
4. Loans to customers	34,718	178,718	32,493	12,868	255,021,829	255,280,626
5. Financial assets at fair value						
6. Financial assets held for disposal						
Total at 31/12/2017	**34,718**	**178,718**	**32,493**	**12,891**	**332,654,190**	**332,913,010**
Total at 31/12/2016	**29,541**	**180,287**	**24,118**	**61,807**	**322,522,389**	**322,818,142**

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	Gross exposure	Specific writedowns	Portfolio adjustments	Net exposure at 31/12/2017	Net exposure at 31/12/2016
Forborne loans to customers:					
Bad debts			X		
Unlikely to pay	69,134	(40,174)	X	28,960	31,187
Non-performing past-due exposures			X		
Performing past-due exposures		X			
Other performing exposures	781,486	X	(136,474)	645,012	645,024
Total forborne exposures at 31/12/2017	**850,620**	**(40,174)**	**(136,474)**	**673,972**	**X**
Total forborne exposures at 31/12/2016	**850,127**	**(42,871)**	**(131,045)**	**X**	**676,211**

The following table shows the breakdown by portfolio and period overdue of performing past-due exposures. The amounts shown refer to the whole exposure recognised in the financial statements, including amounts not yet due, of relationships that have a past-due payment but do not meet the prerequisites for classification as a non-performing past-due exposure.

PERFORMING CREDIT EXPOSURES: BREAKDOWN BY AGEING OF PAST-DUE ACCOUNTS

(thousands of euro) Portfolios	Performing past-due exposures				Total performing past-due net exposures 31/12/2017	Total performing past-due net exposures 31/12/2016
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year		
1. Financial assets available for sale						
2. Financial assets held to maturity						
3. Loans to banks		23			23	
4. Loans to customers	5	9,091	1,824	1,948	12,868	61,807
- *of which: forborne exposures*						
5. Financial assets at fair value						
6. Financial assets held for disposal						
Total 31/12/2017	**5**	**9,114**	**1,824**	**1,948**	**12,891**	**X**
Total 31/12/2016	**17,426**	**19,052**	**2,273**	**23,056**	**X**	**61,807**

A.1.2 DISTRIBUTION OF CREDIT EXPOSURES BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)

(thousands of euro) Portfolios/Quality	Non-performing assets			Performing assets			Total (net exposure)
	Gross exposure	Specific writedowns	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets available for sale							9,796,142
2. Financial assets held to maturity				29,236,673		29,236,673	29,236,673
3. Loans to banks				38,693,981	(94,412)	38,599,569	38,599,569
4. Loans to customers	385,929	(140,000)	245,929	255,267,797	(233,100)	255,034,697	255,280,626
5. Financial assets at fair value				X	X		
6. Financial assets held for disposal							
Total at 31/12/2017	**385,929**	**(140,000)**	**245,929**	**332,994,593**	**(327,512)**	**332,667,081**	**332,913,010**
Total at 31/12/2016	**404,254**	**(170,308)**	**233,946**	**322,899,052**	**(314,856)**	**322,584,196**	**322,818,142**

(thousands of euro) Portfolios/Quality	Assets with markedly poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading			93,568
2. Hedging derivatives			842,596
Total at 31/12/2017			**936,164**
Total at 31/12/2016			**940,923**

A.1.3 ON-BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO BANKS: GROSS AND NET AMOUNTS AND OVERDUE BANDS

(thousands of euro) Type of exposure	Gross exposure					Specific writedowns	Portfolio adjustments	Net exposure
	Non-performing assets				Performing assets			
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year				
A. On-balance-sheet exposures								
a) Bad debts					X		X	
- *of which: forborne exposures*					*X*		*X*	
b) Unlikely to pay					X		X	
- *of which: forborne exposures*					*X*		*X*	
c) Non-performing past-due exposures					X		X	
- *of which: forborne exposures*					*X*		*X*	
d) Performing past-due exposures	X	X	X	X	23	X		23
- *of which: forborne exposures*	*X*	*X*	*X*	*X*		*X*		
e) Other performing exposures	X	X	X	X	39,594,651	X	(94,412)	39,500,239
- *of which: forborne exposures*	*X*	*X*	*X*	*X*		*X*		
Total A					**39,594,674**		**(94,412)**	**39,500,262**
B. Off-balance-sheet exposures								
a) Non-performing					X		X	
b) Performing	X	X	X	X	354,568	X	(2,178)	352,390
Total B					**354,568**		**(2,178)**	**352,390**
Total A + B					**39,949,242**		**(96,590)**	**39,852,652**

A.1.6 ON-BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS: GROSS AND NET AMOUNTS AND OVERDUE BANDS

(thousands of euro) Type of exposure	Gross exposure					Specific writedowns	Portfolio adjustments	Net exposure
	Non-performing assets				Performing assets			
	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year				
A. On-balance-sheet exposures								
a) Bad debts				91,458	X	(56,740)	X	34,718
- *of which: forborne exposures*					*X*		*X*	
b) Unlikely to pay	94,222	22,644	7,556	137,459	X	(83,163)	X	178,718
- *of which: forborne exposures*				*69,134*	*X*	*(40,174)*	*X*	*28,960*
c) Non-performing past-due exposures	2,684	7,008	3,699	19,199	X	(97)	X	32,493
- *of which: forborne exposures*					*X*		*X*	
d) Performing past-due exposures	X	X	X	X	12,969	X	(101)	12,868
- *of which: forborne exposures*	*X*	*X*	*X*	*X*		*X*		
e) Other performing exposures	X	X	X	X	293,386,950	X	(232,999)	293,153,951
- *of which: forborne exposures*	*X*	*X*	*X*	*X*	*781,486*	*X*	*(136,474)*	*645,012*
Total A	**96,906**	**29,652**	**11,255**	**248,116**	**293,399,919**	**(140,000)**	**(233,100)**	**293,412,748**
B. Off-balance-sheet exposures								
a) Non-performing	19,970				X	(4,029)	X	15,941
b) Performing	X	X	X	X	20,877,408	X	(8,961)	20,868,447
Total B	**19,970**				**20,877,408**	**(4,029)**	**(8,961)**	**20,884,388**
Total A + B	**116,876**	**29,652**	**11,255**	**248,116**	**314,277,327**	**(144,029)**	**(242,061)**	**314,297,136**

A.1.7 ON-BALANCE SHEET EXPOSURES TO CUSTOMERS: CHANGES IN GROSS NON-PERFORMING POSITIONS

(thousands of euro) Items/Categories	Bad debts	Unlikely to pay	Non-performing past-due exposures
A. Opening gross exposure			
- *of which: exposures assigned but not derecognised*			
B. Increases	**23,315**	**49,055**	**20,596**
B.1 Transfers from performing positions		31,391	18,760
B.2 Transfers from other categories of non-performing positions	22,680	7,665	988
B.3 Other increases	635	9,999	848
C. Decreases	**14,950**	**84,164**	**12,177**
C.1 To performing loans		464	5,553
C.2 Writeoffs	726		
C.3 Repayments	2,158	42,139	2,483
C.4 Credit disposal			
C.5 Losses from disposal			
C.6 Transfers to other categories of non-performing positions	3,661	23,668	4,004
C.7 Other decreases	8,405	17,893	137
D. Closing gross exposure	**91,458**	**261,881**	**32,590**
- *of which: exposures assigned but not derecognised*			

A.1.7 *BIS* ON-BALANCE SHEET EXPOSURES TO CUSTOMERS: CHANGES IN GROSS FORBORNE EXPOSURES BROKEN DOWN BY CREDIT QUALITY

(thousands of euro) Items/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure		
- *of which: exposures assigned but not derecognised*		
B. Increases	**15,479**	**43,884**
B.1 Transfers from non-forborne performing loans		20,490
B.2 Transfers from forborne performing loans		X
B.3 Transfers from forborne non-performing loans	X	
B.4 Other increases	15,479	23,394
C. Decreases	**20,403**	**38,467**
C.1 Transfers to non-forborne performing loans	X	1,330
C.2 Transfers to forborne performing loans		X
C.3 Transfers to forborne non-performing loans	X	
C.4 Writeoffs		
C.5 Repayments	20,402	37,019
C.6 Credit disposals		
C.7 Losses from disposals		
C.8 Other decreases	1	118
D. Closing gross exposure	**69,134**	**781,486**
- *of which: exposures assigned but not derecognised*		

A.1.8 ON-BALANCE SHEET NON-PERFORMING CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN TOTAL ADJUSTMENTS

	Bad debts		Unlikely to pay		Non-performing past-due exposures	
(thousands of euro) Items/Categories	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures
A. Total opening adjustments	**53,552**		**116,703**	**42,871**	**53**	
- *of which: exposures assigned but not derecognised*						
B. Increases	**15,488**		**5,425**	**7,327**	**60**	
B.1 Writedowns	2,501		3,563	943	60	
B.2 Losses on disposal						
B.3 Transfers from other categories of non-performing positions	12,987		1,862			
B.4 Other increases				6,384		
- *of which: transfers from non-forborne non-performing positions*				*6,384*		
C. Decreases	**12,300**		**38,965**	**10,024**	**16**	
C.1 Writebacks from valuations	362		944	936	16	
C.2 Writebacks from collection	398		11,345	9,078		
C.3 Gains on disposal						
C.4 Writeoffs	726					
C.5 Transfers to other categories of non-performing positions	1,862		12,987			
C.6 Other decreases	8,952		13,689	10		
D. Total closing adjustments	**56,740**		**83,163**	**40,174**	**97**	
- *of which: exposures assigned but not derecognised*						

A.2 Classification of exposures based on external and internal ratings

A.2.1 DISTRIBUTION OF ON-BALANCE SHEET AND OFF-BALANCE SHEET EXPOSURES BY EXTERNAL RATING GRADES

(thousands of euro) Exposures	External rating grades						Not rated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-balance-sheet credit exposures	420,846	1,886,418	248,370,961	13,821,224	3,610,679	57,538	66,620,781	334,788,447
B. Derivatives		6,652	1,065				10,221	17,938
B.1 Financial derivatives		6,652	1,065				10,221	17,938
B.2 Credit derivatives								
C. Guarantees issued			979,192	157,224			363,308	1,499,724
D. Commitments to disburse funds	2,016,150	3,262,054	7,963,686	195,190	37,104	568	6,244,364	19,719,116
E. Other								
Total	**2,436,996**	**5,155,124**	**257,314,904**	**14,173,638**	**3,647,783**	**58,106**	**73,238,674**	**356,025,225**

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 SECURED CREDIT EXPOSURES TO BANKS

(thousands of euro) Exposures/Counterparties	Net exposure	Collateral (1)				Unsecured guarantees (2)									Total (1) + (2)
						Credit derivatives					Guarantees				
							Other derivatives								
		Land and buildings - mortgages	Land and buildings - finance lease	Securities	Other assets	CLN	Governments and central banks	Other government agencies	Banks	Other	Governments and central banks	Other government agencies	Banks	Other	
1. Secured on-balance-sheet credit exposures:															
1.1 Fully secured	10,448,788				7,165,088						3,249,218			34,482	10,448,788
- *of which: non-performing*															
1.2 Partially secured															
- *of which: non-performing*															
2. Secured off-balance-sheet credit exposures:															
1.1 Fully secured	21,827				17,575						4,252				21,827
- *of which: non-performing*															
1.2 Partially secured	4,784				2,600										2,600
- *of which: non-performing*															

A.3.2 SECURED CREDIT EXPOSURES TO CUSTOMERS

(thousands of euro) Exposures/Counterparties	Net exposure	Collateral (1)				Unsecured guarantees (2)									Total (1) + (2)
						Credit derivatives					Guarantees				
							Other derivatives								
		Land and buildings - mortgages	Land and buildings - finance lease	Securities	Other assets	CLN	Governments and central banks	Other government agencies	Banks	Other	Governments and central banks	Other government agencies	Banks	Other	
1. Secured on-balance-sheet credit exposures															
1.1 Fully secured	7,470,002	343,068			3,445,243						629,717	447,570	202,391	2,402,013	7,470,002
- *of which: non-performing*	*156,792*	*82,050*			*20,535*						*41,561*			*12,645*	*156,791*
1.2 Partially secured	1,222,596				7,210							27,955		962,550	997,715
- *of which: non-performing*														*25,767*	*25,767*
2. Secured off-balance-sheet credit exposures															
1.1 Fully secured	4,304,235	84,408			116,185						227,635	20,745		3,855,262	4,304,235
- *of which: non-performing*	*10,106*	*6,351*			*93*						*2,797*			*865*	*10,106*
1.2 Partially secured	925,679				50,092									507,124	557,216
- *of which: non-performing*															

B. Breakdown and concentration of credit exposures

B.1 ON-BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS BY SECTOR (CARRYING AMOUNT)

(thousands of euro) Exposures/Counterparties	Governments			Other government agencies			Financial companies			Insurance undertakings			Non-financial companies			Other		
	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments
A. On-balance-sheet exposures																		
A.1 Bad debts			X	2,863	(3,374)	X			X			X	31,855	(53,247)	X		(119)	X
- *of which: forborne exposures*			*X*			*X*			*X*			*X*			*X*			*X*
A.2 Unlikely to pay			X	2,027	(31,936)	X		(10)	X			X	175,947	(51,134)	X	744	(83)	X
- *of which: forborne exposures*			*X*			*X*		*(10)*	*X*			*X*	*28,216*	*(40,081)*	*X*	*744*	*(83)*	*X*
A.3 Non-performing past-due positions			X	15,089	(90)	X			X			X	17,404	(7)	X			X
- *of which: forborne exposures*			*X*			*X*			*X*			*X*			*X*			*X*
A.4 Performing exposures	230,562,403	X	(7)	46,401,664	X	(79,823)	5,136,593	X	(2,084)		X		11,046,249	X	(151,127)	19,910	X	(59)
- *of which: forborne exposures*		*X*			*X*			*X*			*X*		*645,012*	*X*	*(136,474)*		*X*	
Total A	230,562,403		(7)	46,421,643	(35,400)	(79,823)	5,136,593	(10)	(2,084)				11,271,455	(104,388)	(151,127)	20,654	(202)	(59)
B. Off-balance-sheet exposures																		
B.1 Bad debts			X			X			X			X			X			X
B.2 Unlikely to pay			X			X			X			X	10,690	(4,029)	X			X
B.3 Other non-performing assets			X			X			X			X	5,251		X			X
B.4 Performing exposures	3,861,574	X	(4)	3,134,421	X	(3,230)	745,243	X			X		13,116,988	X	(5,727)	10,221	X	
Total B	3,861,574		(4)	3,134,421		(3,230)	745,243						13,132,929	(4,029)	(5,727)	10,221		
Total (A + B) at 31/12/2017	234,423,977		(11)	49,556,064	(35,400)	(83,053)	5,881,836	(10)	(2,084)				24,404,384	(108,417)	(156,854)	30,875	(202)	(59)
Total (A + B) at 31/12/2016	233,919,784			50,515,875	(45,373)	(63,750)	8,304,211	(4,219)	(1,057)				21,335,491	(124,776)	(146,562)	44,130	(119)	

B.2 ON-BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS BY GEOGRAPHICAL AREA (CARRYING AMOUNT)

	Italy		Other European countries		Americas		Asia		Rest of world	
(thousands of euro) Exposures/Geographical area	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures										
A.1 Bad debts	34,718	(56,740)								
A.2 Unlikely to pay	178,718	(83,163)								
A.3 Non-performing past-due positions	32,493	(97)								
A.4 Performing exposures	290,500,963	(232,327)	969,137	(772)	594,290		689,903	(1)	412,526	
Total A	290,746,892	(372,327)	969,137	(772)	594,290		689,903	(1)	412,526	
B. Off-balance-sheet exposures										
B.1 Bad debts										
B.2 Unlikely to pay	10,690	(4,029)								
B.3 Other non-performing assets	5,251									
B.4 Performing exposures	12,061,336	(8,957)	250,579		6,177,561		2,302,387	(4)	76,584	
Total B	12,077,277	(12,986)	250,579		6,177,561		2,302,387	(4)	76,584	
Total (A + B) at 31/12/2017	302,824,169	(385,313)	1,219,716	(772)	6,771,851		2,992,290	(5)	489,110	
Total (A + B) at 31/12/2016	306,994,524	(385,433)	1,372,673	(423)	5,194,164		432,832		125,298	

B.3 ON-BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO BANKS BY GEOGRAPHICAL AREA (CARRYING AMOUNT)

	Italy		Other European countries		Americas		Asia		Rest of world	
(thousands of euro) Exposures/Geographical area	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures										
A.1 Bad debts										
A.2 Unlikely to pay										
A.3 Non-performing past-due positions										
A.4 Performing exposures	39,347,018	(94,412)	153,244							
Total A	39,347,018	(94,412)	153,244							
B. Off-balance-sheet exposures										
B.1 Bad debts										
B.2 Unlikely to pay										
B.3 Other non-performing assets										
B.4 Performing exposures	343,812	(2,178)	8,578							
Total B	343,812	(2,178)	8,578							
Total (A + B) at 31/12/2017	39,690,830	(96,590)	161,822							
Total (A + B) at 31/12/2016	26,252,907	(116,420)	377,781							

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 2017, 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 SERVICER ACTIVITIES - OWN SECURITISATIONS: COLLECTIONS ON SECURITISED ASSETS AND REDEMPTION OF SECURITIES ISSUED BY THE SECURITISATION VEHICLE

(thousands of euro) Securitisation vehicle	Securitised assets (end-period figure)		Collections in the year		% of securities redeemed (end-period figure)					
					Senior		Mezzanine		Junior	
	Non-performing	Performing	Non-performing	Performing	non-performing assets	performing assets	non-performing assets	performing assets	non-performing assets	performing assets
CPG - Società di cartolarizzazione a r.l.										

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 available for sale", "Financial assets held to maturity" and "Loans to customers", underlying repurchase agreements.

Quantitative disclosures

E.1 FINANCIAL ASSETS ASSIGNED BUT NOT DERECOGNISED: CARRYING AMOUNT AND TOTAL VALUE

(thousands of euro) Type/ portfolio	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale			Financial assets held to maturity			Loans to banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2017	31/12/2016
A On-balance-sheet assets							3,969,726			21,436,379						1,023,031			26,429,136	17,294,244
1. Debt securities							3,969,726			21,436,379						1,023,031			26,429,136	17,294,244
2. Equity securities										X	X	X	X	X	X	X	X	X		
3. Units in collective investment undertakings										X	X	X	X	X	X	X	X	X		
4. Loans																				
B. Derivatives				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Total 31/12/2017							**3,969,726**			**21,436,379**						**1,023,031**			**26,429,136**	**X**
- *of which: non-performing*																				*X*
Total 31/12/2016							**1,620,803**			**15,572,567**						**100,874**			**X**	**17,294,244**
- *of which: non-performing*																			*X*	

Key:
A = Assigned financial assets fully recognised (carrying amount).
B = Assigned financial assets partially recognised (carrying amount).
C = Assigned financial assets partially recognised (total value).

E.2 FINANCIAL LIABILITIES IN RESPECT OF FINANCIAL ASSETS ASSIGNED BUT NOT DERECOGNISED: CARRYING AMOUNT

(thousands of euro) Liabilities/Assets Portfolio	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Total
1. Due to customers			**2,670,882**	**18,417,883**			**21,088,765**
a) In respect of assets fully recognised			2,670,882	18,417,883			21,088,765
b) In respect of assets partially recognised							
2. Due to banks			**1,295,925**	**4,555,550**		**819,404**	**6,670,879**
a) In respect of assets fully recognised			1,295,925	4,555,550		819,404	6,670,879
b) In respect of assets partially recognised							
Total 31/12/2017			**3,966,807**	**22,973,433**		**819,404**	**27,759,644**
Total 31/12/2016			**1,616,058**	**16,944,817**		**102,104**	**18,662,979**

E.3 DISPOSALS WITH LIABILITIES WITH RECOURSE ONLY ON DIVESTED ASSETS: FAIR VALUE

(thousands of euro)	Financial assets held for trading		Financial assets at fair value		Financial assets available for sale		Financial assets held to maturity (fair value)		Loans to banks (fair value)		Loans to customers (fair value)		Total	
Type/portfolio	A	B	A	B	A	B	A	B	A	B	A	B	31/12/2017	31/12/2016
A. On-balance-sheet assets					3,969,726		23,142,943				990,435		28,103,104	18,661,993
1. Debt securities					3,969,726		23,142,943				990,435		28,103,104	18,661,993
2. Equity securities							X	X	X	X	X	X		
3. Units in collective investment undertakings							X	X	X	X	X	X		
4. Loans														
B. Derivatives			X	X	X	X	X	X	X	X	X	X		
Total assets					3,969,726		23,142,943				990,435		28,103,104	18,661,993
C. Associated liabilities					3,966,807		22,973,433				819,404		X	X
1. Due to customers					2,670,882		18,417,883						X	X
2. Due to banks					1,295,925		4,555,550				819,404		X	X
Total liabilities					3,966,807		22,973,433				819,404		27,759,644	18,662,979
Net value 31/12/2017					2,919		169,510				171,031		343,460	X
Net value 31/12/2016					4,745		(5,617)				(114)		X	(986)

Key:
A = Assigned financial assets fully recognised.
B = Assigned financial assets partially recognised.

B. Financial assets assigned and derecognised with recognition of continuing involvement

Qualitative disclosures

There are no transactions classified in the portfolio of financial assets assigned and derecognised with recognition of continuing involvement.

E.4 COVERED BOND TRANSACTIONS

At the reporting date, there 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 2017, 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 of interest rate risk and price risk

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

Interest rate risk and inflation risk can affect the profits and economic value of CDP.

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

The basic approach taken by CDP to measuring and managing interest rate risk is an "economic value perspective", which complements the "profitability perspective". The economic value perspective corresponds to the long-term representation of the profitability perspective, as economic value is essentially equal to the discounted sequence of future net interest income.

From this perspective, CDP analyses its exposure and risk profile by assessing balance sheet items that are sensitive to interest rates, quantifying their reaction to small changes (sensitivity analysis) and major shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and composite indicators representing the economic capital necessary for the risks involved.

This monitoring structure is translated into the calculation of value at risk (VaR), which CDP calculates using methods based on historical simulation.

To quantify and monitor the interest rate risk of the banking book, CDP measures VaR both over short time horizons – such as over one day or ten days – and annually, which is more suited to internal assessment of capital adequacy, with particular regard to risk pertaining to the banking book. The short-term and annual measures of VaR share the same combination of models for valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is used for backtesting, because there is a larger pool of figures available over that interval.

VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. While aware of the limits of any composite metric based on historical scenarios, VaR also has two significant strengths:
- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry);
- it makes it possible, by way of backtesting, to check the hypotheses underpinning not only the calculation of the daily VaR but also the entire simulation.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risk. More specifically, limits have been established on the impact on the economic value of parallel shifts (+/- 100 basis points) in the yield curve and the inflation curve. In addition to these limits, further, more granular limits are in place, which are set by the Chief Executive Officer.

CDP also assesses the impact of interest rate risk on income for shorter horizons using internal planning and ALM systems, specifically quantifying the impact of parallel shifts in the yield curve on net interest income.

CDP's ALM approach seeks to limit the volume of hedging derivatives by exploiting "operational hedges" between fixed-rate assets and liabilities. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance Area.

The measurement and the monitoring of interest rate risk are performed by the RM and are discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methods and received periodic reports on the results achieved.

Price risk regards the possibility that the net economic value, profitability or the book equity of CDP could be adversely affected by variables associated with shares, in particular the market prices of such securities and related derivatives, or changes in the current and future profitability of the investment in such instruments.

In line with the net economic value approach, equity risk is quantified in terms of VaR (with a one-year time horizon). The VaR gives a proxy of the risk that the listed and liquid securities — even when they are not recognised at their current fair value — do not recover any impairment over time. It is calculated on the basis of hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments for the long term.

An additional source of price risk lies in CDP's funding operations, namely the issue of Premia and Europe postal savings bonds, whose yield is linked to developments in the Dow Jones Euro Stoxx 50 index. The RM monitors the net exposure to such risk.

B. Fair value hedges

The purpose of fair value hedges of financial asset and liability instruments is to reduce the exposure to specifically identified risks. The hedging activity, which has been appropriately differentiated according to the characteristics of the Separate Account and Ordinary Account, also allows reducing the amount of interest rate and inflation rate risk.

CDP's operations under the Ordinary Account are aimed at minimising non-credit risks, by defusing the interest rate risk in the origination phase.

On the liability side of the Ordinary Account, this hedging involves specific hedges of fixed-rate, variable-rate and/or structured issues in Euro and other currencies, carried out using Interest Rate Swaps (IRS) and Cross Currency Swaps (CCS) indexed to 6-month Euribor.

As regards assets, fixed-rate loans are generally hedged using amortising IRSs in which CDP pays fixed and receives floating. In this case, the hedge may regard a homogeneous aggregate of loans.

The hedges in place as of today are classified as micro fair value hedges.

The Separate Account adopts a different hedging approach, due to the very large volumes of liabilities incorporating the early redemption option. As result of the sensitivity profile for these options, the overall exposure of CDP to interest rate risk under the Separate Account undergoes significant fluctuations in relation to the level of interest rates. When the exposure reaches levels deemed excessive, it is necessary to activate the mechanisms available, such as entering into new derivative contracts, early termination of existing derivatives, and the purchase of fixed-rate government securities.

With respect to financial liabilities, fair value hedges are currently in place for bonds issued to Institutional and Retail Customers, in some cases supported by State guarantees, established through IRSs indexed to 6-month Euribor. These hedges are accounted for as micro fair value hedges, in which a hedge is contracted to match a bond issue, or partial term hedges, where, in return for the issue, only a part of the contractual flows are hedged, in order to put in place targeted exchange rate hedges for particular portions of the discount curve.

The hedging of assets under the Separate Account depends on interest rates. CDP implements fair value micro hedge programmes for specific fixed-rate loans (or homogeneous groups of items), realised with bullet or amortising IRSs indexed to 6-month Euribor. Hedges on loans are prematurely terminated mainly after renegotiation of the hedged loan agreements that amend their terms and duration.

In 2017, interest rate hedging activity continued with the establishment of new hedges for renegotiated and new loans, in some cases favouring the partial designation of cash flows (of individual items or homogeneous groups) identified over time.

Moreover, a fair value hedge programme was launched for the interest rate risk of portfolios of loans in euro (so-called macro fair value hedge). Unlike micro hedges, there is no single relationship between the hedged loan and the hedging derivative: the hedged item is fungible and identified by a sub-set of flows in the hedged portfolio; therefore, the hedging exists at least until it is possible to identify an amount of flows in the portfolio equal to those subject to hedging.

At the end of the year, two interest rate and exchange rate risks were hedged, linked to two loans that entail repayment in US Dollars, granted within the Export Bank activity. The hedges are implemented through cross currency swaps and classed as micro fair value hedges for accounting.

The equity risk linked to postal bonds indexed to the Euro Stoxx 50 Index ("Premia" and "Europe") is defused through the purchase of options that mirror those embedded in the bonds, taking into account the risk profile resulting from the periodic monitoring and implementing of hedges from a portfolio perspective, based on the coincidence of the financial conditions (strike, fixing dates, maturity). The metrics introduced in the monitoring of the risk arising from equity options enable the verification of hedges both on a "one to one" basis and on an aggregated basis for similar positions according to the above characteristics.

C. Cash flow hedges

During 2010, CDP launched a hedging programme for the issue of postal savings bonds indexed to the consumer price index for blue-collar and office worker households (FOI), a leading source of exposure to inflation that is only partially mitigated by the operational hedge against loans with the same type of indexing. The hedges, which are classified as cash flow hedges, are implemented using zero-coupon inflation swaps with the notional determined on a conservative basis, while using the proprietary model of customer repayment behaviour to estimate the nominal amount that CDP expects to reach at maturity for each series of hedged bond. In most of the hedges in this category, CDP retains the basis risk in respect of any differences between European and Italian inflation.

CDP has also used derivatives to hedge exchange rate risk, which were designated as cash flow hedging relationships. As regards the assets of the Separate Account, two hedges are currently in place through cross currency swaps in which CDP converts the cash flows of two floating-rate securities in yen (issued by the Republic of Italy) into fixed rate securities in euro.

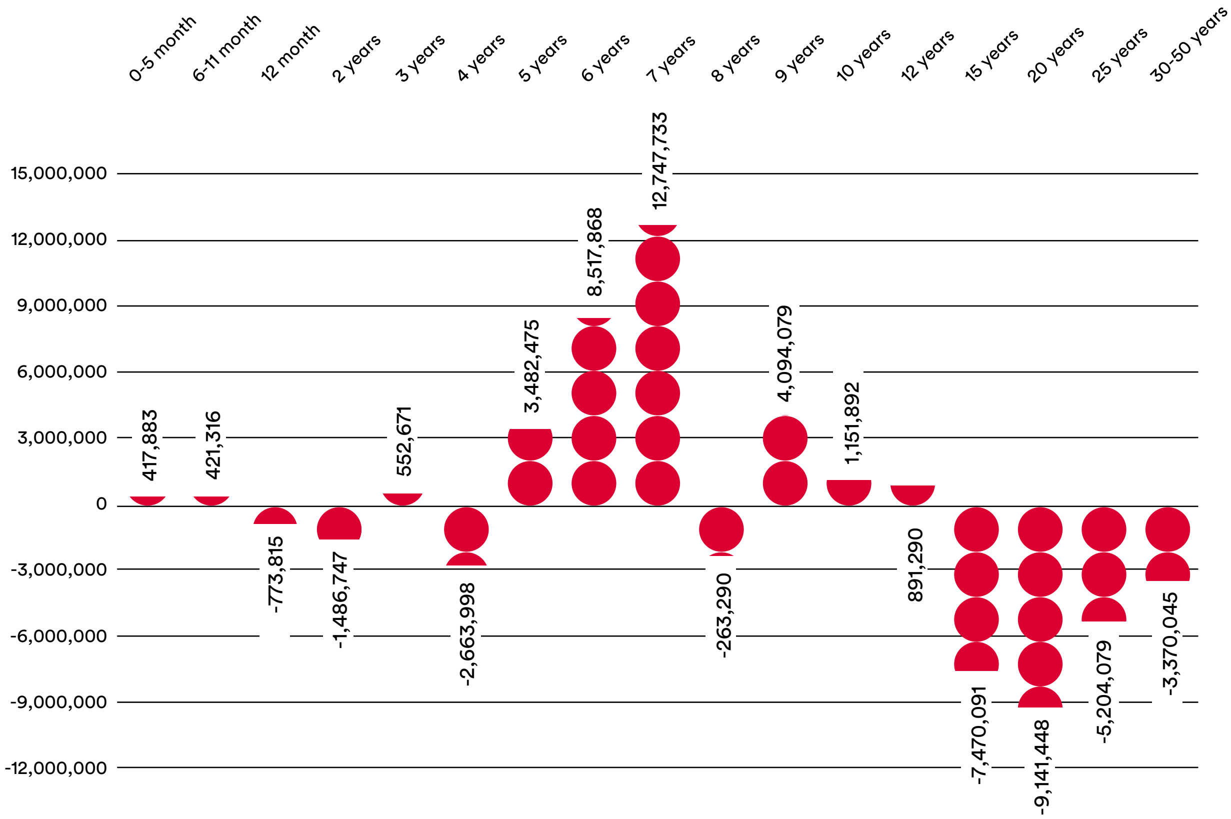
Quantitative disclosures

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 CDP, developed on the basis of internal models.

SENSITIVITY TO ZERO-COUPON RATES BY MATURITY

MARKET FIGURES AT 29/12/2017



2.3 Exchange rate risk

Qualitative disclosures

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

Exchange rate risk is the risk that changes in exchange rates might have a negative impact on the 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 premature repayment options exist, the hedging strategy might leave a small portion of the exchange risk unhedged.

The activities of CDP that can engender such exposure are normally associated with the issue of bonds denominated in foreign currencies, equity investments the value of which can be exposed to changes in exchange rates, the purchase of bonds denominated in foreign currencies, and the granting of loans denominated in currencies other than the Euro under the "Export Bank" system.

B. Hedging exchange rate risk

No exposures to exchange rate risk deriving from issues in foreign currency are found in the liabilities of CDP.

In regard to assets, exchange rate risks linked to the purchase of bonds denominated in foreign currencies (currently two Yen-denominated bonds issued by the Italian Republic) and to the granting of loans that entail repayment in US Dollars were hedged. The Italian Republic bonds issue in Yen was hedged through cross currency swaps that make the cash flows of CDP equal to those of fixed-rate bonds denominated in Euro. The loans were hedged through swaps in which CDP exchanges US dollar cash flows with variable-rate cash flows indexed to the 6-month Euribor.

Finally, a residual component of unhinged exchange rate risk existed at 31/12/2017. This was tied to short-term treasury transactions to refinance exposures in US dollars.

Quantitative disclosures

1. BREAKDOWN BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES

(thousands of euro) Items	Currency					
	Us dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other
A. Financial assets						
A.1 Debt securities	134,579		444,617			
A.2 Equity securities						
A.3 Loans to banks						
A.4 Loans to customers	283,798					
A.5 Other financial assets	16,136					
B. Other assets						
C. Financial liabilities	**204,709**					
C.1 Due to banks	204,709					
C.2 Due to customers						
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives:						
- Options:						
+ long positions						
+ short positions						
- Other derivatives:						
+ long positions						
+ short positions	203,689		444,617			
Total assets	**434,513**		**444,617**			
Total liabilities	**408,398**		**444,617**			
Difference (+/-)	**26,115**					

2.4 Derivatives

A. Financial derivatives

A.2 Banking book: period-end notional values

A.2.1 BANKING BOOK: PERIOD-END NOTIONAL VALUES - HEDGES

(thousands of euro) Underlying assets/Type of derivatives	31/12/2017 Over the counter	31/12/2017 Central counterparties	31/12/2016 Over the counter	31/12/2016 Central counterparties
1. Debt securities and interest rates	**35,133,915**		**30,851,611**	
a) Options				
b) Swaps	35,133,915		30,851,611	
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	**644,695**		**601,572**	
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	644,695		601,572	
4. Commodities				
5. Other underlyings				
Total	**35,778,610**		**31,453,183**	

A.2.2 BANKING BOOK: PERIOD-END NOTIONAL VALUES - OTHER DERIVATIVES

(thousands of euro) Underlying assets/Type of derivatives	31/12/2017 Over the counter	31/12/2017 Central counterparties	31/12/2016 Over the counter	31/12/2016 Central counterparties
1. Debt securities and interest rates	**3,232,890**		**2,183,151**	
a) Options				
b) Swaps	3,232,890		2,183,151	
c) Forwards				
d) Futures				
e) Other				
2. Equity securities and equity indices	**18,238,988**		**32,654,180**	
a) Options	18,238,988		32,654,180	
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Foreign currencies and gold				
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
4. Commodities				
5. Other underlyings				
Total	**21,471,878**		**34,837,331**	

A.3 FINANCIAL DERIVATIVES: GROSS POSITIVE FAIR VALUE - BREAKDOWN BY PRODUCT

(thousands of euro) Portfolios/Type of derivatives	Positive fair value 31/12/2017 Over the counter	31/12/2017 Central counterparties	31/12/2016 Over the counter	31/12/2016 Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging	**842,596**		**733,273**	
a) Options				
b) Interest rate swaps	697,061		644,090	
c) Cross currency swaps	145,535		89,183	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	**93,568**		**207,650**	
a) Options	24,005		122,655	
b) Interest rate swaps	69,563		84,995	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
Total	**936,164**		**940,923**	

A.4 FINANCIAL DERIVATIVES: GROSS NEGATIVE FAIR VALUE - BREAKDOWN BY PRODUCT

(thousands of euro) Portfolios/Type of derivatives	Negative fair value 31/12/2017 Over the counter	31/12/2017 Central counterparties	31/12/2016 Over the counter	31/12/2016 Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging	**588,083**		**831,894**	
a) Options				
b) Interest rate swaps	588,083		826,715	
c) Cross currency swaps			5,179	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	**126,256**		**183,286**	
a) Options	29,623		99,046	
b) Interest rate swaps	96,633		84,240	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
Total	**714,339**		**1,015,180**	

A.7 OTC FINANCIAL DERIVATIVES - BANKING BOOK - NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY - CONTRACTS NOT COVERED BY NETTING ARRANGEMENTS

(thousands of euro) Contracts not covered by netting arrangements	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1) Debt securities and interest rates							
Notional value							40,000
Positive fair value							10,221
Negative fair value							
Future exposure							
2) Equity securities and equity indices							
Notional value						5,646	8,606,392
Positive fair value							
Negative fair value							29,623
Future exposure							
3) Foreign currencies and gold							
Notional value							
Positive fair value							
Negative fair value							
Future exposure							
4) Other							
Notional value							
Positive fair value							
Negative fair value							
Future exposure							

A.8 OTC FINANCIAL DERIVATIVES - BANKING BOOK - NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY - CONTRACTS COVERED BY NETTING ARRANGEMENTS

(thousands of euro) Contracts covered by netting arrangements	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1) Debt securities and interest rates							
Notional value			35,927,233	2,399,572			
Positive fair value			737,318	19,085			
Negative fair value			652,795	31,921			
2) Equity securities and equity indices							
Notional value			9,320,200	306,750			
Positive fair value			23,232	773			
Negative fair value							
3) Foreign currencies and gold							
Notional value			644,695				
Positive fair value			145,535				
Negative fair value							
4) Other							
Notional value							
Positive fair value							
Negative fair value							

A.9 RESIDUAL LIFE OF OTC FINANCIAL DERIVATIVES: NOTIONAL VALUES

(thousands of euro) Underlyings/Residual maturity	Up to 1 year	From 1 to 5 years	More than 5 years	Total
A. Supervisory trading book				
A.1 Financial derivatives on debt securities and interest rates				
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold				
A.4 Financial derivatives on other assets				
B. Banking book	**10,713,400**	**21,815,091**	**24,721,997**	**57,250,488**
B.1 Financial derivatives on debt securities and interest rates	1,647,355	12,107,907	24,611,543	38,366,805
B.2 Financial derivatives on equity securities and equity indices	9,046,950	9,186,392	5,646	18,238,988
B.3 Financial derivatives on exchange rates and gold	19,095	520,792	104,808	644,695
B.4 Financial derivatives on other assets				
Total at 31/12/2017	**10,713,400**	**21,815,091**	**24,721,997**	**57,250,488**
Total at 31/12/2016	**12,545,936**	**31,137,126**	**22,607,452**	**66,290,514**

C. Financial and credit derivatives

C.1 OTC FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUE AND FUTURE EXPOSURE BY COUNTERPARTY

(thousands of euro)	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance undertakings	Non-financial companies	Other
1) Bilateral financial derivatives agreements							
Positive fair value			462,540	19,015			
Negative fair value			209,250	31,078			
Future exposure			462,249	23,060			
Net counterparty risk			291,868	14,042			
2) Bilateral credit derivatives agreements							
Notional value							
Positive fair value							
Negative fair value							
Future exposure							
Net counterparty risk							
3) Cross product agreements							
Notional value							
Positive fair value							
Negative fair value							
Future exposure							
Net counterparty risk							

Section 3 - Liquidity risk

Qualitative disclosures

A. General aspects, management and measurement of liquidity risk

Liquidity risk is construed in the sense of asset liquidity risk[37] and of funding liquidity risk[38].

Since CDP does not engage in trading activities, the exposure to liquidity risk in the sense of asset liquidity risk is limited.

For CDP, liquidity risk becomes significant mainly in the form of funding liquidity risk, in view of the dominant weight of demand deposits (passbook savings accounts) and bonds redeemable on demand (postal savings bonds) in the liabilities of the Separate Account.

In order to ensure that any scenario of uncontrolled redemptions remains remote, CDP benefits from the mitigating effect of the state guarantee on postal savings. In addition to the key function of that guarantee, the ability of CDP to ensure that such a scenario does in fact remain remote is based on its capital strength, on the protection and promotion of the reputation of postal savings with the public, on safeguarding CDP's reputation in the market and on liquidity management. With regard to the latter, CDP adopts a series of specific measures to prevent the emergence of unexpected funding requirements and to be able to meet them if it should prove necessary.

To this end, a lower limit on the stock of liquid assets has been established, which is monitored by the RM, together with a number of aggregates that represent the capacity of CDP to cope with potential crisis situations. As an operational protection measure for liquidity risk, CDP has adopted a Contingency Funding Plan (CFP). The CFP sets out the processes and strategies used by CDP to manage possible liquidity crises, whether of systemic origin – caused by an unexpected deterioration in monetary and financial market conditions – or due to idiosyncratic difficulties at CDP itself.

As regards the Ordinary Account, CDP raises funds through the market or the EIB, adopting approaches, opportunities and constraints more similar to those of ordinary banks.

CDP prevents the emergence of unexpected liquidity requirements by developing effective loan disbursement forecasting systems, setting structural limits on maturity transformation, monitoring the short-term liquidity position, carried out on a continuous basis by the Finance area, and monitoring liquidity gaps at short, medium and long term, which is performed by the Risk Management (RM).

Management of treasury activities by Finance enables CDP to raise funds using repos, for both the Separate and Ordinary Accounts.

CDP can also take part in European Central Bank refinancing operations, as it holds a significant stock of eligible negotiable and non-negotiable assets.

As a further control, both for the Separate and the Ordinary Account, RM monitors an incremental available liquidity buffer, in a stress scenario, through transactions with the European Central Bank and refinancing on the liquid securities market.

The controls put in place are corroborated by a stress test used in order to assess the potential effects of an extremely unfavourable scenario on the liquidity position.

37 Asset liquidity risk means the impossibility, for a financial institution or a generic investor, of monetizing assets on the market without significantly reducing their price.
38 Funding liquidity risk means the impossibility, for a financial institution, to meet its obligations by collecting liquidity at non-penalising conditions or monetising assets held.

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	**158,645,427**	**2,048**	**27,816**	**275,987**	**2,186,812**	**895,402**	**4,756,705**	**43,205,104**	**98,803,355**	**23,997,985**
A.1 Government securities			27,816		1,471,114	738,876	1,196,225	16,375,881	26,217,724	
A.2 Other debt securities		2,048		5,793	6,880	63,674	104,525	3,077,847	2,648,359	
A.3 Units in collective investment undertakings	1,875,437									
A.4 Loans:	156,769,990			270,194	708,818	92,852	3,455,955	23,751,376	69,937,272	23,997,985
- banks	1,588,441				2,750	31,285	1,181,819	5,467,872	5,207,189	23,997,985
- customers	155,181,549			270,194	706,068	61,567	2,274,136	18,283,504	64,730,083	
B. On-balance-sheet liabilities	**114,509,233**	**1,204,169**	**8,837,548**	**1,973,331**	**19,429,771**	**6,105,906**	**4,823,679**	**140,820,583**	**14,416,420**	
B.1 Deposits:	114,486,034	100,145	8,390,861	779,423	16,245,390	3,578,960	2,733,679	128,650,833	5,411,927	
- banks	276,854	2,262	57,390		118,458	1,002	3,003	1,202,708	476,649	
- customers	114,209,180	97,883	8,333,471	779,423	16,126,932	3,577,958	2,730,676	127,448,125	4,935,278	
B.2 Debt securities				1,040,000	215,000	527,000	2,090,000	8,349,000	5,304,000	
B.3 Other liabilities	23,199	1,104,024	446,687	153,908	2,969,381	1,999,946		3,820,750	3,700,493	
C. Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal:										
- long positions								538,624		
- short positions								444,412		
C.2 Financial derivatives without exchange of principal:										
- long positions		435	3,944	9,313	39,288	111,006	107,046			
- short positions		119,272			14,871	49,712	268,535			
C.3 Deposits and loans to receive:										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds:										
- long positions	21,922,001									
- short positions	21,922,001									
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of principal:										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of principal:										
- long positions										
- short positions										

Section 4 - Operational risks

Qualitative disclosures

A. General aspects, management and measurement of operational risks

Definition of operational risk

CDP has adopted the guidelines established by the Basel Committee for the banking industry and incorporated by the Bank of Italy in Circular no. 285 of 17 December 2013 as the benchmark for managing operational risk.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such risk includes, among others, losses resulting from internal or external fraud, human error, employment relationships and workplace safety, business disruption, system unavailability, breach of contract, process management, damage to company assets and natural disasters.

Operational risk includes legal risk but not strategic or reputational risk.

The “legal risk” is the risk of incurring losses resulting from violations of laws or regulations, from contractual or constructive liability or from other disputes.

System for managing operational risks

The operational risk management system is a set of structured processes, functions and resources for identifying, assessing and controlling the above-mentioned risks. Its main objective is to ensure effective prevention and mitigation of such risks.

Apart from adopting best practice in the banking sector as a reference, CDP pays particular attention to industrial sector benchmarks for the management of operational risks. The methodological and organisational framework implemented is aimed at capturing the company’s actual risk profile, similarly to what occurs in the most advanced companies, 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 Risk Unit, operating within the Risk Management Area, is the Organisational Unit responsible for designing, implementing and overseeing the methodological and organisational framework for (i) the assessment of the exposure to operational risks, (ii) monitoring the implementation of mitigation measures proposed by the Risk Owners, and (iii) the preparation of reporting to the Top Management.

The framework adopted involves the inclusion of information on operational losses classified according to specified Loss Event Types (i.e. a Model of loss events), Loss Effect Types (i.e. a Model of loss types) and Risk Factors (i.e. a Model of risk factors).

This information comprises:
- internal data on operational losses (Loss Data Collection);
- system loss data (external data);
- data on contingent losses (assessment of level of exposure to operational risks);
- key factors of the business environment and internal control systems.

The main elements of the operational risk management system implemented within CDP are presented below.

Loss Data Collection

The framework for Loss Data Collection adopted within CDP is in line with the approach suggested by the Basel Committee and adopted by the Italian Banking Association (ABI) within the activity of the Italian Operational Loss Database (DIPO).

In this respect, the primary activities carried out within CDP were:
- identification and updating of information sources for the continuous feeding of operating losses database (information source means the organisational unit that can provide information concerning the main features of each loss event recorded and its associated effects);
- mapping of relevant operational risk data — relating to both operational risk events that have generated losses already recognized in profit or loss and operational risk events that have not resulted in a loss (so-called near-miss events) — and filing of the supporting documentation;
- periodic reviews of the data collection and storage system.

Specific criteria were defined in terms of time and material thresholds for mapping loss events, in order to enable the creation of time series that are representative of the actual risk profile of the Company and such as not to exclude significant data on losses, in order not to affect the reliability and accuracy of the assessment of operational risk.

CDP has developed a proprietary application (LDC) for collecting the data in question, in order to ensure the integrity, confidentiality and availability of the information collected. This application enables the centralised, secure management of the following activities:
- collection of internal operational loss data;
- accounting reconciliation of collected data;
- data validation;
- preparation of record layout to be sent to DIPO.

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

External loss data

CDP joined the Italian Operational Loss Database (DIPO) managed by ABIServizi S.p.A. in order to be able to retrieve data on operational risk events that took place in other financial institutions; this enables CDP to improve its estimates about operational losses and to compare itself against the best practices used by other main Banking Groups.

Mapping of business process related risks

The mapping activity of business process adverse events - including risks linked to the introduction of new products/processes - is a preliminary step for the assessment of the level of exposure to operational risks.

The identification of risks inherent in processes, carried out by Risk Owners and by experts appointed by them, stems from the need to understand the origin of potential losses associated with operational risks – identifying the events and causes that might generate them – and to assess the advisability of taking targeted monitoring, control, prevention and mitigation actions.

As regards the adverse events mapped, in order to encourage the development of integrated risk management within CDP, special attention is devoted to (i) compliance risk, (ii) the risk of commission of the criminal offences referred to in Legislative Decree 231 of 8 June 2001 (Rules governing the administrative liability of legal persons, companies and associations, including entities without legal personality, pursuant to article 11 of Law 300 of 29 September 2000, published in Official Gazette no. 140 of 19 June 2001, arising in respect of criminal offences committed by natural persons connected with the legal person in an employment relationships and acting in its interest), (iii) the risk governed by Legislative Decree no. 231 of 21 November 2007 (Implementing Directive no. 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and Directive no. 2006/70/EC laying down implementing measures), (iv) the risk governed by Law no. 262 of 28 December 2005 (Provisions for the protection of savings and the regulation of financial markets, published in the Official Gazette no. 301 of 28 December 2005), (v) the risk of disruption or malfunction of IT systems and (vi) outsourcing risk.

Assessment of level of exposure to operational risks (Risk Self-Assessment)

The qualitative Risk Self-Assessment method for the prospective assessment of the Company's level of exposure to potential operational risks was defined in order to collect information useful for the implementation of suitable mitigation measures for the most significant risks.

The Company's level of exposure to potential operational risks is estimated through a self-assessment exercise carried out by the parties involved in the processes analysed.

The assessment is performed under the supervision of the Operational Risk Unit, whose role is to ensure the process is conducted systematically, to reduce the natural "cognitive distortions" (bias) of the bank officers interviewed, and thus ensure greater reliability of the assessment performed.

The objective of the Risk Self-Assessment process is to define the so-called Risk Map, a summary of the identification and assessment of risks and relevant control measures. The risk map is a tool for the dynamic monitoring of the company's risk profile, aimed at:
- ensuring an overview of the company's main risk areas by process and type of risk;
- strengthening line controls;
- monitoring risk prevention and mitigation actions.

Based on the risk perception of the officers interviewed (Organisational 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 operational purposes (use test): the operational risks management system, integrated into the Management's decision-making, aims at strengthening corporate processes and improving the Internal Control System.

The objectives of Risk Assessment include:
- the identification of the most critical processes and/or operational areas - in terms of exposure to operational risks - to be analysed in greater depth;
- estimating the residual exposure to any risk detected (so-called residual risk) through the qualitative assessment (i) of the operational risks linked to a certain process and (ii) of the adequacy of the relevant control centres;
- the assessment of potential exposure to operational risks linked to the introduction of new products, processes and activities, allowing Management to provide for adequate counter-measures in terms of processes, systems and human resources, for a sound and prudent management of the new activity.

The main players involved in assessing exposure to operational risks are:
1) The Operational Risk Unit:
    - recommends the methodologies and procedures for identifying risks;
    - controls and ensures correct application of the methodologies and procedures;
    - provides methodological and technical support for identifying risks;
    - ensures the uniformity of the information collected through analysis of the quality and congruity of the data acquired in the survey;
2) The Risk Owners and experts:
    - identify and assess main risks in the processes under their remit;
    - propose actions to mitigate the risks identified;
    - periodically monitor the evolution of those risks and the emergence of new risks;
3) The Compliance Unit:
    - identifies compliance risk for internal and external regulations and any reputational risks, validating and, if necessary, completing the identification of the risks performed by the owner (for adverse events that could generate compliance risk);
    - proposes actions to mitigate the risks identified;
4) The Anti-Money Laundering Unit:
    - identifies money laundering risk factors in line with the methodological framework adopted;
    - identifies the risks of non-compliance with laws, regulations and internal procedures on money laundering;
    - supports the owners in identifying the risks of intentional or accidental involvement in money laundering or terrorist financing;
    - proposes actions to mitigate the risks identified;
5) The Staff of the Manager in charge with preparing the company's financial reports:
    - identifies risks that may affect the reliability of financial reporting (risks pursuant to Law no. 262 of 28 December 2005);
    - supports the owners in identifying control measures;
    - proposes actions to mitigate the risks identified;
6) The Chief Audit Officer:
    - recommends the mapping of all those risks that – while not identified by the owner and experts – have been detected in corporate processes during audit activities;
    - assesses the risk of commission of the offences referred to in Legislative Decree no. 231 of 8 June 2001.

Risk management and mitigation

With a view to implementing integrated management of events, so as to combine into a single decision-making step the assessment of mitigation actions defined during both Risk Self-Assessment and Loss Data Collection, a dedicated Working Group was established to discuss the corrective actions defined to control operational risks.

The Operational Risk Unit monitors the status of the corrective actions initiated by periodically checking their progress with the individuals responsible for the actions taken and/or to be taken.

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 Organisational Units involved, in order to enable the implementation of the most appropriate corrective actions.

The main reports produced cover:
- Loss Data Collection, for which a "management" report is prepared half-yearly and sent to the Top Management, together with "operational" reports for the various information sources containing data and information on operational loss events that fall under their respective remit;
- Risk 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;
- Management of mitigation actions, for which details of the measures defined for the most significant risks detected by Loss Data Collection and Risk Self-Assessment activities are provided.

Operational risk culture

In line with the mission of the Operational Risk Unit, which is to develop and disseminate awareness of operational risks within the Company, training courses addressed to all the staff involved in the analyses were organised during 2017.

Other periodic actions organised by the Operational Risk Unit for the staff concerned include the delivery of training, also in the form of on-the-job training. These actions ensure that the bank officers concerned have appropriate knowledge of the process and of its attendant responsibilities, so as to make the best use of support tools.

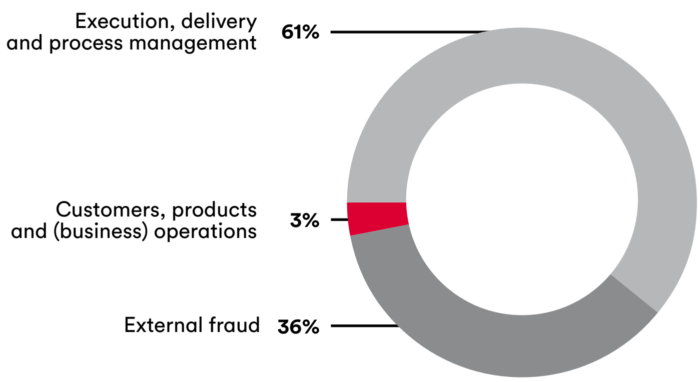
The aim is to put in place a coordinated approach at all levels within the Company, which can be achieved by wide dissemination of operational risk awareness.

Quantitative disclosures

We provide below the percentage composition of operational risk losses by type of event, as defined by the New Basel Capital Accord. The types of operational risk events are the following:
- internal fraud: losses due to unauthorized acts, acts with intent to defraud, misappropriation of assets or infringement of laws, regulations or company policy involving at least one internal party;
- external fraud: losses due to acts with intent to defraud, misappropriation of assets or infringement of laws by a third party;
- employment practices and workplace safety: losses arising from acts not conforming to employment or employee health and safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events;
- customers, products and professional practice: losses arising from failure to meet a professional obligation to customers or from the nature or design of the product or service;
- damage to physical assets: losses arising from external events, such as natural disasters, terrorism and vandalism;
- disruption of operations and information systems failures: losses arising from disruption of business or system failures or non-availability;
- execution, delivery and process management: losses arising from failed transaction processing or process management, from relations with trade counterparties, vendors and suppliers.

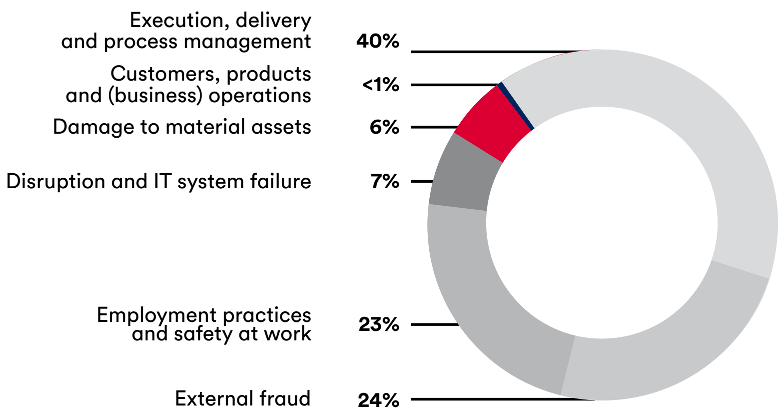
In 2017, the main classes, in terms of economic impact, were “External fraud” and “Execution, delivery and process management”.

OPERATIONAL LOSSES RECORDED IN 2017 SORTED BY RISK CATEGORY



We also show hereunder the percentage composition of all the losses recorded by means of Loss Data Collection from process start.

OPERATIONAL LOSSES RECORDED IN THE LCD DATABASE SORTED BY RISK CATEGORY



Legal disputes

As regards the conversion of preference shares into ordinary CDP shares, following the exercise of the right of withdrawal, in June 2013 Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona filed a suit involving a claim of about 432 million euro, which was increased to 651 million euro at the time of the closing arguments. The defence team appointed by CDP has informed the company that the risk of a ruling against CDP in the first instance proceedings should now be considered probable. However, the defence team feels that a favourable judgement can be reasonably expected (in the various levels of proceedings) as the arguments made previously to the Court are considered to be well-grounded.

The defence team also determined that, considering the complexity and peculiarity of the lawsuit, the state of the trial, and the extreme uncertainty regarding the valuation criteria that will be applied, any reliable estimate of the CDP obligations, today, would be arbitrary.

With regard to Separate Account customers, it should be noted that at 31 December 2017, the estimated potential liabilities, net of the forgoing lawsuit concerned with the conversion of preference shares into ordinary shares, amounted to 30,000 euro.

With reference to the Separate Account, against the risk - considered likely - of the occurrence of a future liability connected to the request received from an investee (with which an agreement had been entered into according to which CDP would repay the dividends, received in excess, in the proportional amount established in the civil proceedings, by final ruling, to be paid by the private shareholders) a provision of 19.2 million euro was established.

Finally, with respect to labour disputes, potential liabilities amounted to around 3 million euro at 31 December 2017.

Therefore, potential estimated costs, both in absolute and relative terms, are altogether negligible with respect to the volumes in CDP's Financial Statements.

Part F - Capital

Section 1 - Capital

Qualitative disclosures

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

Accordingly, in 2017, in agreement with the Bank of Italy, CDP did not calculate regulatory capital or the related supervisory capital requirements.

Part G - Business combinations

No business combinations, as governed by IFRS 3, were carried out during the year.

However, an intercompany merger by incorporation of CDP GAS S.r.l. into CDP S.p.A. was carried out, with legal effect as of 1 May 2017 (and with accounting and tax effects as of 1 January 2017). This transaction qualified as a business combination between entities under common control and has been accounted for using the pooling of interests method in the separate financial statements of the companies involved, without recognising any profit or loss effects.

The balance sheet of CDP GAS S.r.l. at 1 January 2017, the effective date of the merger, is shown below.

(thousands of euro) ASSETS	Book value
10. Cash and cash equivalents	
40. Financial assets available for sale	182,738
60. Loans to banks	318,759
130. Tax assets	2
Total acquired assets	**501,499**

(thousands of euro) LIABILITIES	Book value
80. Tax liabilities	357
100. Other liabilities	3,043
130. Valuation reserves	23,412
160. Reserves	474,587
180. Share capital	100
Total liabilities assumed	**501,499**
Net acquired assets	**498,099**

On completion of the merger, the interests in SNAM S.p.A. and Italgas S.p.A. were reclassified from item 40 “Financial assets available for sale” to item 100 “Equity investments”, with the reversal of the related valuation reserve, equal to 23,412 thousand euro, and the elimination of the equity investment in CDP GAS S.r.l., of 467,366 thousand euro, against adjusted equity, of 474,687 thousand euro and with a positive effect on income reserves of 7,321 thousand euro.

Part H - Transactions with related parties

1. Information on the remuneration of key management personnel

Directors' and statutory auditors' remuneration

(thousands of euro)	31/12/2017
a) Board of Directors	1,044
b) Board of Statutory Auditors	197
Total	**1,241**

Remuneration of other key management personnel

(thousands of euro)	31/12/2017
a) Short-term benefits	4,433
b) Post-employment benefits	408
Total	**4,841**

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				
Claudio Costamagna	Chairman	01/01/2017-31/12/2017	2017	295
Mario Nuzzo	Vice Chairman	01/01/2017-31/12/2017	2017	35
Fabio Gallia	Chief Executive Officer	01/01/2017-31/12/2017	2017	214
Maria Cannata	Director	01/01/2017-31/12/2017	2017	(**)
Carla Patrizia Ferrari	Director	01/01/2017-31/12/2017	2017	35
Stefano Micossi	Director (4)	01/01/2017-31/12/2017	2017	35
Alessandro Rivera	Director	01/01/2017-31/12/2017	2017	(**)
Alessandra Ruzzu	Director	01/01/2017-31/12/2017	2017	35
Andrea Sironi	Director	01/01/2017-31/12/2017	2017	35
Supplementary members for administration of Separate Account (Article 5.8, Decree Law 269/2003)				
Roberto Ferranti	Director (1)	01/01/2017-31/12/2017	2017	35
Vincenzo La Via	Director (2)	01/01/2017-31/12/2017	2017	(**)
Piero Fassino	Director (5)	01/01/2017-31/12/2017	2017	35
Massimo Garavaglia	Director (6)	01/01/2017-31/12/2017	2017	35
Achille Variati	Director (3)	01/01/2017-31/12/2017	2017	
Statutory Auditors				
Carlo Corradini	Chairman	01/01/2017-31/12/2017	2018	40
Alessandra Dal Verme	Auditor	01/01/2017-31/12/2017	2018	(**)
Giusella Finocchiaro	Auditor	01/01/2017-31/12/2017	2018	30
Luciano Barsotti	Auditor	01/01/2017-31/12/2017	2018	30
Ines Russo	Auditor	01/01/2017-31/12/2017	2018	(**)

(*) Date of Shareholders' Meeting called to approve financial statements for the year.
(**) The remuneration is paid to the Ministry for the Economy and Finance.
(1) Delegate of the State Accountant General.
(2) Director General of the Treasury.
(3) The director will not receive any remuneration in accordance with Article 5.9 of Law 135 of 2012.
(4) Professor Stefano Micossi resigned from the office of director of CDP on 4 April 2018.
(5) Mr. Piero Fassino resigned from the office of director of CDP on 3 April 2018.
(6) Mr. Massimo Garavaglia resigned from the office of director of CDP on 5 April 2018.

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 2017.

(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 held for trading		8,415			8,415
Financial assets at fair value					
Financial assets available for sale	8,479,468	355,086	147,601		8,982,155
Financial assets held to maturity	29,236,673				29,236,673
Loans to banks			3,369,925		3,369,925
Loans to customers	190,210,184	465,466	2,593,355	1,854,722	195,123,727
Other assets	7,700	86,337	48	6,824	100,909
Liabilities					
Due to banks					
Due to customers	23,952,942	6,497,568	44	1,014	30,451,568
Securities issued (*)		91,627			91,627
Other liabilities	2,640	490,980		37,468	531,088
Commitments and guarantees issued	2,006,721	1,923	1,023,551	1,586,483	4,618,678
Other		2,012,170		27,769	2,039,939
Income statement					
Interest income and similar revenues	5,219,548	9,690	104,246	9,218	5,342,702
Interest expense and similar charges	(15,468)	(40,199)		(516)	(56,183)
Commission income	5,014	4	2,458	3,735	11,211
Commission expense	(78)	(1,574,273)	(552)		(1,574,903)
Net gain (loss) on trading activities		25,496			25,496
Gains (Losses) on disposal or repurchase of loans	(2,075)		657	2,743	1,325
Administrative expenses:		1,182		1,024	2,206
a) staff costs		2,173		1,024	3,197
b) other administrative expenses		(991)			(991)
Other operating income (costs)		2,432	(2)	886	3,316

(*) Securities issued shown under liabilities exclusively comprise securities held by the subsidiaries, which are relevant at consolidation.

Transactions with the Ministry of the Economy and Finance

The main transactions conducted with the Ministry of the Economy and Finance regarded cash held on an account with the Treasury, lending transactions, government securities held in the portfolio, and management of MEF's liquidity (OPTES).

CDP's cash is deposited on the interest-bearing account no. 29814 held with the Central State Treasury and earns interest at a 6-month floating rate equal to the weighted average (using weightings at 20% and 80%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs. At 31 December 2017, the cash and cash equivalents held with the Central State Treasury amounted to around 149.1 billion euro, of which around 1.2 billion euro credited after the reporting date.

Apart from cash and cash equivalents held at the Central State Treasury, the item "Loans to customers" also includes receivables, mainly linked to lending activity, for approximately 32.5 billion euro and debt securities for about 8.6 billion euro.

"Financial assets available for sale", equal to around 8.5 billion euro, and "Financial assets held at maturity", equal to approximately 29.2 billion euro, include investing activities in Government securities.

"Due to customers" mainly refers to the balance of MEF's liquidity management transactions (OPTES) (around 22.5 billion euro), and amounts not yet disbursed at the end of the financial year on loans being repaid (approximately 1.4 billion euro).

"Commitments and guarantees issued" includes the balance of residual loan commitments and financial guarantees issued, which amounted to around 2 billion euro at year-end.

The income statement reports Interest income and similar revenues for approximately 5.2 billion euro, of which around 1.6 billion euro for loans, 2.5 billion euro for cash and cash equivalents held at the Central State Treasury, and 1.1 billion euro for Government securities held in the portfolio.

The interest expense and similar expenses of approximately 15 million euro relate to the negative yields on certain government securities held in the portfolio.

Commission income, equal to around 5 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 held for trading

This item comprises the positive fair value of an existing swap with CDP RETI S.p.A.

In CDP RETI S.p.A., the purpose of the swaps is to reduce the interest rate risk arising from its loans. CDP has implemented a full operational hedge through mirror swaps.

Financial assets available for sale

This item comprises the bond issued by CDP RETI S.p.A. and subscribed by CDP in May 2015, for around 355 million euro, and two bonds issued by Banca Monte dei Paschi di Siena S.p.A. for a total of around 147.6 million euro.

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 3 billion euro, and mainly relates to the credit facilities granted to facilitate access to credit for enterprises and support reconstruction following natural disasters, and the remainder to debt securities purchased.

Loans to customers

The most significant exposures in the loans to customers, which mainly consist of loans and debt securities, relate to: E-distribuzione S.p.A. (around 983 million euro), FS - Ferrovie dello Stato Italiane S.p.A. (around 826 million euro), and SACE Fct S.p.A. (around 870 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.

Due to customers

The item includes mainly CDP's funding resulting from the centralisation of the treasury of Group Companies. The most significant exposures are to SACE S.p.A. (around 4,912 million euro) and Fintecna S.p.A. (around 1,066 million euro).

Securities issued

The previous tables show 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 92 million euro.

In 2017, CDP also issued two bonds, guaranteed by the Italian government, entirely subscribed by Poste Italiane S.p.A. (BancoPosta assets), for a total amount of 1 billion euro to support the Separate Account. These were in addition to the bonds subscribed by Poste Italiane S.p.A. in 2015 for 1.5 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 relate to the following entities: SACE Fct S.p.A. (around 500 million euro), SNAM S.p.A. (around 411 million euro) and Terna S.p.A. (around 350 million euro).

Other off-balance sheet items

Other off-balance sheet items refer primarily to securities received as a deposit from CDP Equity, CDP RETI and FSI Investimenti.

Interest income and similar income

The amounts refer primarily to interest for 2017 accrued on loans granted to counterparties.

Interest expense and similar expenses

The amounts refer primarily to interest expense accrued on deposits of Group Companies.

Commission income

Commission income refers mainly to commissions received from CDP for the provision of lending and guarantee services.

Commission expense

Commission expense for 2017, totalling around 1.57 billion euro, mainly relates to the postal savings collection service provided by Poste Italiane S.p.A..

Profits (losses) on trading activities

This item mainly consists of the income from exchange adjustments on foreign currency deposit liabilities with SACE S.p.A., of around 24 million euro.

Administrative expenses - a) staff costs

The item includes mainly revenues linked to the reimbursement of expenses for CDP staff seconded to Group Companies. These revenues are partly offset by the costs incurred by CDP relating to Group Companies' personnel seconded to CDP.

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.

Proposal for allocation of the net income for the year

We hereby submit for shareholder approval the financial statements for 2017, 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 related annexes. The financial statements are accompanied by the directors' report on operations.

The net income for the year 2017 will be allocated in accordance with the resolution passed by the Shareholders' Meeting, after having deducted the amount to be allocated to the legal reserve, of 27,095,052 euro, as a result of which that reserve will reach an amount of one-fifth of the share capital.

	(euros)
Net income (loss)	2,203,445,268
Legal reserve	27,095,052
Distributable net income	**2,176,350,216**

Rome, 28 March 2018

The Chairman

Claudio Costamagna

Appendix - CDP's equity investment portfolio

Associates and other investees

AcciaItalia S.p.A. in liquidazione ("AcciaItalia")

AcciaItalia is a company established on 27 June 2016 by CDP, Acciaieria Arvedi S.p.A. and Delfin S.àr.l., which were later joined by JSW Steel (UK) Limited, for the purpose of participating in the procedure launched by the special receivers of ILVA S.p.A., Ilvaform S.p.A., Taranto Energia S.r.l., Ilva Servizi Marittimi S.p.A., Tillet S.a.s. and Socova S.a.s. in accordance with the decree issued on 4 January 2016 by the Ministry of Economic Development in implementation of Decree Law 191 of 4 December 2015.

On 13 June 2017, CDP exercised the right of withdrawal from AcciaItalia as envisaged in its Articles of Association. The company, following the resolutions passed by the remaining shareholders, was placed in voluntary liquidation on 25 October 2017. Following the exercise of the withdrawal option, the equity investment was reclassified under financial assets available for sale.

Elite S.p.A. ("Elite")

Elite was established in May 2016 following the transformation into a joint-stock company of the Programme of the same name launched in April 2012, initially as a business unit of Borsa Italiana S.p.A. sponsored by the Ministry of the Economy and Finance.

Elite's core business consists of both the programme designed to supporting high-growth potential SMEs in their process of development and international expansion and providing the services of licensing of Elite's brand and business model to other stock exchanges around the world. In 2016, the company expanded its business operations with the launch of a private placement digital platform, created to help the companies selected by the Elite programme in meeting their financing needs, by introducing them to the capital markets and providing support in accessing alternative sources of funding, also with the aid of advanced technological solutions.

On 31 October 2017, CDP acquired 15% of the share capital of Elite.

ENI S.p.A. ("ENI")

ENI is one of the global super majors in the Oil&Gas sector, primarily engaged in the exploration, production, refinement and trading of oil and natural gas, with around 30,000 employees and an international footprint. With respect to Exploration and Production activities, ENI's core business, the company operates in the exploration and production of natural gas and oil. The Gas & Power Division is involved in all stages of the natural gas value chain: supply, trading and sale of gas and electricity, gas infrastructure, supply and sale of LNG. The Refining & Marketing and Chemical Division refines and sells fuels and other oil products mainly in Italy. The company is listed on both the New York Stock Exchange (NYSE) and the Italian stock market.

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

EPF is a company that was established in 1995 by leading Italian financial institutions to handle applications for subsidised lending provided by the Italian government. EPF was placed in voluntary liquidation at the beginning of 2009 and the liquidation process is still ongoing, with the goal of completing all the activities related to subsidised lending still in place as quickly as possible.

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

F2i SGR provides asset management services through the promotion, creation, and organisation of closed-end mutual funds specialising in infrastructure. Established in 2007 with the sponsorship of major Italian financial institutions, including CDP and the main Italian banks, F2i SGR S.p.A. has over 4 billion euro of assets under management, through the management of two funds specialised in investing in brownfield infrastructure in Italy: (i) F2i - Secondo Fondo Italiano per le Infrastrutture, launched in 2012, which closed its fundraising in July 2015 at 1,242.5 million euro and (ii) F2i - Terzo Fondo per le infrastrutture, to which the assets of Primo Fondo F2i were transferred by means of merger by incorporation, in addition to the signing of new commitments, whose first closing was completed in December 2017 with a total size of 3,142 million euro.

Fondo Italiano d'Investimento SGR S.p.A.

Fondo Italiano d'Investimento SGR S.p.A. is a company providing asset management services, established in March 2010 and promoted by the Ministry of the Economy and Finance (MEF) together with CDP, ABI, Confindustria and the major Italian banks. The company promotes and manages investment funds to support the growth of small and medium Italian enterprises, facilitating their consolidation and international expansion, and supporting the development of the Italian venture capital and private debt market.

At 31 December 2017, FII SGR managed total assets of 1,283 million euro, split across 6 managed funds:

- Fondo Italiano d'Investimento - Fondo di Fondi, launched in 2010, with a size of 389 million euro;
- Fondo Italiano d'Investimento - FII Venture, launched in 2010, with a size of 91 million euro;
- Fondo di Fondi Private Debt, launched in 2014, with a size of 400 million euro;
- Fondo di Fondi Venture Capital, launched in 2014, with a size of 163 million euro.
- Fondo FII Tech Growth, launched in 2017, with a size of 50 million euro;
- Fondo Innovazione e Sviluppo, launched in 2017, with a size of 190 million euro.

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

FSI SGR, a company in which CDP has a 39.0% equity investment, was incorporated on 25 February 2016 with the aim of generating value for investors via the management of one or more investment funds, through equity investments intended to promote the growth of companies ("growth capital"). On 6 December 2016, the Bank of Italy, subject to Consob's favourable opinion, granted FSI SGR authorisation to engage in asset management activities pursuant to Article 34 of Legislative Decree no. 58 of 24 February 1998 (Single Finance Act). At 31 December 2017, FSI SGR managed FSI Mid Market Growth Equity Fund with an overall size of around 1.2 billion euro.

Galaxy S.àr.l. SICAR ("Galaxy") - in liquidazione since 26 February 2018

Galaxy, a Luxembourg-registered investment company in risk capital (SICAR), was established to make equity or quasi-equity investments in transportation infrastructure, particularly in Italy, Europe and other OECD countries, in a manner typical of a private equity fund. The subscribers of Galaxy and the current shareholders of the SICAR are CDP, Caisse des Dépôts et Consignations ("CDC") and Kreditanstalt für Wiederaufbau ("KfW"). The company completed its investment phase in July 2009.

On 26 February 2018, two extraordinary shareholders' meetings of the company were held for: (i) the approval of a capital reduction of the company, which resulted in around 3.7 million euro of proceeds for CDP, and (ii) the subsequent placement of the company liquidation, with the aim of ceasing all operations by 2018.

Istituto della Enciclopedia Italiana Fondata da Giovanni Treccani S.p.A. ("Treccani")

Treccani was established in 1933, under royal decree dated 24 June 1933, with the aim of continuing the publication of the Italian encyclopaedia initiated by the Istituto Giovanni Treccani in 1925.

The company is currently in the form of a joint-stock company and its articles of association establish that its purpose is "the compilation, update, publication and diffusion of Enciclopedia Italiana di Scienze, Lettere e Arti initiated by the Istituto Giovanni Treccani, and any works that may derive from it, or are based on its experience, particularly for developments in humanistic and scientific culture, as well as for educational, research, training and social service needs".

Istituto per il Credito Sportivo ("ICS")

The Istituto per il Credito Sportivo (ICS) is a residual public-law bank pursuant to Article 151 of the Consolidated Law on Banking (TUB). In particular, ICS performs banking activity by accepting deposits from the public and thus financing initiatives and investments related to sport, heritage and cultural activities. Following changes to the law in 2013, ICS can also provide treasury and advisory services. On 1 March 2018, the receivership period of ICS ended, with the consequent transition to ordinary management.

Poste Italiane S.p.A. ("Poste Italiane")

Poste Italiane is the largest Italian company in the services sector and the first in the country in terms of number of employees. The company operates in the mail and logistics sector and is one of the main players in Italy in financial services and insurance. Thanks to a presence throughout the country, investments in technology and in the wealth of know-how represented by its 138 thousand employees, Poste Italiane has taken on a central role in the country's growth and modernisation process. Poste Italiane currently serves over 34 million customers and operates in the following market segments: "Mail, packages and distribution", which covers the business area relating to postal services, logistics and commercial communications; "Mobile and digital payments", which handles operations in the field of electronic money and digital banking, and in particular the development of collection, payment and digital services and mobile telecommunication services; "Financial services", with operations in the area of deposits and asset management and all the payment services related to operations not covered by the "Mobile and digital payments" sector; and "Insurance services", which handles the operations of the Poste Vita Group. The company is listed on the Italian stock market.

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

QuattroR SGR, a company in which CDP has a 40.0% equity investment, was incorporated on 4 August 2016 to promote and implement, through one or more funds, operations for the restructuring, support and consolidation of the financial and equity structure of Italian companies which, despite temporary financial or equity imbalances, present good industry and market prospects. On 30 December 2016, the Bank of Italy, subject to Consob's favourable opinion, granted QuattroR SGR authorisation to engage in asset management activities pursuant to Article 34 of Legislative Decree no. 58 of 24 February 1998 (Single Finance Act). At 31 December 2017, QuattroR managed Fondo QuattroR with a total size of around 700 million euro.

Risparmio Holding S.p.A. ("Risparmio Holding")

Risparmio Holding, a company 20.0% owned by CDP, was set up in 2016 to participate in the competitive procedure launched by UniCredit S.p.A. in connection with the sale of the asset management operations of Pioneer Global Asset Management S.p.A. On 5 December 2016, UniCredit and Amundi announced that they had entered into exclusive negotiations in relation to the possible sale of the Pioneer Investments business to Amundi. On 3 July 2017, UniCredit and Amundi announced the closing of the transaction relating to the sale of Pioneer's business activities to Amundi

Investment funds and investment vehicles

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

Together with other European public financial institutions, at the end of 2009 CDP launched the Marguerite European fund, a Luxembourg-registered closed-end variable capital investment fund which has been set up to act as a catalyst for investment in infrastructure associated with European networks (transport and energy), climate change and energy security in particular. The fund will undertake equity or quasi-equity investments mainly in greenfield infrastructure in the energy transport and the renewable energy sectors. Marguerite has received commitments of 710 million euro, of which around 100 million euro subscribed by CDP. Marguerite completed its investment phase on 31 December 2017 (following the extension of one year approved by the shareholders).

Fondo Atlante

Incorporated in April 2016 with a commitment of 4,249 million euro, Fondo Atlante was promoted by Quaestio Capital Management SGR S.p.A. to invest in: (i) banks with capital ratios that are below the minimum thresholds set by the SREP[39], which therefore must proceed, upon request of the Supervisory Authority, with initiatives to strengthen their capital through share capital increases; and (ii) transactions involving NPLs originating from Italian banks.

European Energy Efficiency Fund SA, SICAV-SIF ("EEEF Fund")

The EEEF Fund is an investment fund sponsored by the European Investment Bank, the European Commission, and CDP. Its primary goal is to develop energy efficiency projects sponsored by public entities and, in general, initiatives to combat climate change within the European Union. The fund primarily acts as a lender to projects and to a residual extent as an investor in the equity of such initiatives. The total size of the fund is equal to 265 million euro, of which 125 euro subscribed by the European Commission as first loss, 60 million euro by CDP, 75 million euro by the European Investment Bank, and 5 million euro by Deutsche Bank, the fund's Investment Manager.

F2i - Secondo Fondo Italiano per le infrastrutture

Secondo Fondo Italiano per le Infrastrutture, promoted and managed by F2i SGR S.p.A., was launched in 2012. At the first closing in October 2012, 575 million euro had been subscribed by sponsors. At that time, CDP subscribed units for a value totalling 100 million euro. The fund completed the fundraising process in July 2015 with a total commitment of 1,242.5 million euro. Secondo Fondo F2i is continuing the investment policy started with Primo Fondo F2i, consolidating its presence in the sectors activated, in addition to its own asset allocation in other sectors, including infrastructure and technological services, and assisted healthcare facilities.

F2i - Terzo Fondo per le infrastrutture

Terzo Fondo F2i completed its first closing in December 2017 through the merger by incorporation of Primo Fondo F2i, as well as the subscription of new commitments for a total of 3,142 million euro. Terzo Fondo F2i will continue the management and development of the major infrastructure platforms held by Primo Fondo and will also invest in new infrastructure projects with potential for efficiency improvement of the portfolio, with a focus on brownfield infrastructure. As part of the merger, CDP signed a commitment equal to 150 million euro in Terzo Fondo F2i.

39 Supervisory Review and Evaluation Process

FII Tech Growth

Fondo FII Tech Growth was created by CDP to support enterprises in the late stage venture capital phase. It has been operational since 21 September 2017 and has a size of 50 million euro, entirely subscribed by CDP.

Fondo FII Tech Growth invests in start-ups and small and medium enterprises with technological know-how and assets that have a turnover of between 5 to 70 million euro and want to undertake processes of growth and innovation to strengthen their competitiveness and commercial capabilities in emerging and existing international markets.

The investments involve companies already invested in by venture capital operators, as well as mature, established companies seeking to undertake new ambitious technology-based growth projects.

The investments are made by acquiring, both non-controlling and controlling, equity investments and investing between 5 and 20 million euro in growth capital, partial replacement capital, spin-offs, corporate carve-outs and pre-IPOs.

Fondo di Fondi Private Debt

Fondo di Fondi Private Debt (a fund of funds) was created by CDP to support the development of the new market of funds that invest in financial debt instruments issued by SMEs. It has been operational since 1 September 2014 and has a size of 400 million euro, of which 250 million euro subscribed by CDP.

The initiative comes against a financial background characterised by a lending context that is leading companies to seek alternative and complementary financing to that offered by banks. In light of this, CDP's offering aims to provide a tangible way to deliver the legislative changes brought in with the so-called "Development Decree" of 2012 to facilitate the issue of minibonds.

Fondo di Fondi Venture Capital

Fondo di Fondi Venture Capital (a fund of funds) was created by CDP to make an active contribution to the launch and development of start-ups in Italy. It has been operational since 1 September 2014 and has a size of 163 million euro, of which 125 million euro subscribed by CDP.

The Fund invests in funds whose investment policies are focused on venture capital operations through the financing of seed-phase projects (first stages of the start-up and development of the business idea), early-stage projects (businesses already in the initial stages of operations), and late-stage projects (existing companies with high growth potential that need capital to develop innovative projects that will account for a significant part of their activities and expected growth) and in funds operating in the low-mid cap segment (expansion and growth capital).

European Investment Fund

The EIF is a public-private partnership under Luxembourg law held by the EIB (58.5%) the European Commission (29.7%) and 32 public and private financial institutions (11.8%)[40]. It pursues the twin objective of facilitating the EU's development policies and assisting the financial sustainability of European companies. In particular, the EIF supports innovation and growth among SMEs, micro-enterprises and European regions by improving the conditions for accessing financing. This is delivered by providing venture capital and guarantees on loans.

The Fund does not invest directly in companies' share capital but indirectly through private equity and venture capital funds. Moreover, since it is not authorised to provide credit, it does not directly provide loans or financial guarantees for companies, but rather operates through banks and other financial intermediaries using own funds allocated to it by the EIB and the European Union.

Under its Articles of Association, the share capital subscribed by the fund is only disbursed up to 20%, while the remainder can be called up exclusively to meet requirements relating to the occurrence of specific risks. CDP holds 50 units of the European Investment Fund, bought from the EIB for a total nominal value of 50 million euro, equal to a share of 1.11%.

FIA2 Fund

The FIA2 fund (FIA2) is a closed alternative real estate fund reserved to professional investors. The fund was established in December 2016 and has a 30-year life. The current size of the fund is 100 million euro.

FIA2 focuses on real estate investments in housing and private services of public utility in the following sectors: (i) smart housing; (ii) smart working; and (iii) support for research, innovation, technology, education and training.

More specifically, the fund can make direct investments or indirect investments through target funds (in the case of funds that invest in funds).

40 Figures at 30 November 2017

At 31 December 2017, FIA2 had subscribed 32 million euro, corresponding to 40% of the total amount subscribed, in Fondo H-Campus managed by Finanziaria Internazionale Investimenti SGR.

Fondo Immobiliare di Lombardia - Sub-fund One

Fondo Immobiliare di Lombardia (FIL) is an Italian closed-end ethical real estate fund reserved to qualified investors and managed by InvestiRE SGR S.p.A. The fund has been promoted by Fondazione Housing Sociale. At 31 December 2017, the Sub-fund's total size was 521.9 million euro. CDP has signed an investment commitment of 20 million euro.

The Fund was established with the aim of investing mainly in "Social housing" in Lombardy and began operations in 2007. In 2012, it was converted into an umbrella fund and, following this change, Sub-fund One was established to hold all the original assets and liabilities of FIL.

Fondo Innovazione e Sviluppo

Fondo Innovazione e Sviluppo was created by CDP with the aim of supporting Italian mid-caps. It has been operational since 21 September 2017 and had a size of 190 million euro at 31 December 2017, of which 150 million euro subscribed by CDP.

Fondo Innovazione e Sviluppo was set up to strengthen the global competitiveness of Italian enterprises that operate in strategic and excellence-driven sectors, encouraging consolidation and integration processes, both upstream and downstream, and promoting cultural transformation.

The investment strategy of the Fund, which operates on a buy and build basis, is focused on small and medium-sized companies, with a view to adopting them as platforms for the aggregation of other companies in the segment/sector, through the promotion of an industrial approach with a medium/long-term investment horizon (patient capital), in order to strengthen the competitiveness of Italian companies.

The Fund mainly focuses on several segments/sectors of excellence, such as agri-food, mechatronics and advanced mechanical industry, and Italian design, with the possibility of expanding to other areas of specialisation representing the best of Made in Italy.

Fondo Investimenti per l'Abitare

Fondo Investimenti per l'Abitare (FIA) is a real estate fund reserved to qualified investors, promoted and managed by CDP Investimenti SGR S.p.A., a company operating in the private social housing sector. FIA was established in July 2010 and has a 30-year life. The current size of the fund is 2 billion euro. CDP has signed an investment commitment of 1 billion euro.

The Fund is aimed at increasing the stock of social housing units in Italy that is subject to rent control and/or is to be sold at subsidised prices to "socially vulnerable" families, and also to supplement the social housing policies of the Central and Local Governments. Having been selected by the Ministry for Infrastructure, the fund has become the single National Fund for the Integrated System of Real Estate Funds under the National Housing Plan.

FIA operates throughout Italy, mainly serving as a "fund of funds", investing in real estate investment funds operated by other asset management companies or holding investments in real estate firms, including majority investments, up to a maximum of 80%. The Fund can also make direct investments up to 10% of its capital.

Fondo Investimenti per il Turismo

Fondo Investimenti per il Turismo (FIT) is an alternative real estate investment fund, to be placed with institutional investors, focused on real estate investments in the tourism, hotel, general hospitality and recreational sectors.

FIT was established in July 2016 and has a 20-year life. The current size of the fund is 100 million euro. At 31 December 2017, FIT had subscribed for 80 million euro in FT1, the first fund operating through FIT's resources.

More specifically, the Fund's objective is to acquire, directly or through a target fund, in the case of a fund that invests in funds, including participating in auctions or other competitive procedures, real estate for hotel, hospitality, tourist-recreational, commercial and service industry use, or redevelopment for those uses, consisting of rental property which is held as a long-term investment.

Fondo Investimenti per la Valorizzazione

Fondo Investimenti per la Valorizzazione (FIV) is a real estate umbrella fund reserved to qualified investors, promoted and managed by CDP Investimenti SGR S.p.A.. The Fund is dedicated to purchasing properties owned by the Central Government, public entities and/or companies that they control, with unexpressed potential value linked to their change in use, upgrading or rental.

At 31 December 2017, two sub-funds were in operation, “Plus” and “Extra”, established following the conversion - in 2013 - of the Fondo Investimenti per la Valorizzazione - Plus into an umbrella fund.

The Plus Sub-Fund’s assets are made up of the assets previously owned by FIV Plus at the time the Fund was transformed into an umbrella fund and the assets acquired from CDP Immobiliare S.r.l. in 2017, while the Extra Sub-Fund is dedicated to the development and management of the portfolio of public property acquired from the State Property Office (Agenzia del Demanio) and from local authorities at the end of 2013, 2014, 2015, 2016 and 2017.

The activities of both sub-funds are mainly directed towards increasing the value of the properties, including through re- structuring, restoration and ordinary and extraordinary maintenance, or through transformation and extracting value from them.

At 31 December 2017, CDP subscribed the entire amount of 272.6 million euro of the Plus Sub-fund and the entire amount of 1,130 million euro for the Extra Sub-fund.

Fondo Italiano d’Investimento

Fondo Italiano d’Investimento (FII), with a size of 1.2 billion euro, is the result of a shared project between the MEF, CDP, ABI, Confindustria, Intesa Sanpaolo, UniCredit, Banca Monte dei Paschi di Siena and Istituto Centrale Banche Popolari to create an instrument for providing financial support to Italian SMEs. CDP has signed an investment commitment of 250 million euro.

On 5 April 2016, a partial demerger of the fund was resolved by the Unitholders’ Meeting, effective as of 1 January 2016, based on accounting values at 31 December 2015 and continuity of tax values. As a result of this demerger: (i) unitholders were allocated units of the three funds that were spun-off in proportion to the units held in Fondo Italiano di Investimento (the demerged fund); (ii) the sum of the accounting NAV of the three funds resulting from the demerger was equal to the NAV of Fondo Italiano di Investimento prior to the demerger.

The partial, proportional demerger of Fondo Italiano di Investimento resulted in the establishment of three AIFs, each one specialised in a specific sector: Fondo Italiano di Investimento (commitment of 720 million euro), dedicated to direct equity investments in SMEs; two new AIFs called Fondo Italiano di Investimento Fondo di Fondi (commitment of 389 million euro) and FII Venture (commitment of 91 million euro), focused respectively on investments in private equity funds and venture capital funds.

On 30 November 2017, the closing was completed for the sale of the units, by all the investors, of Fondo Italiano d’Investimento.

Fondo PPP Italia

Launched in 2006 and managed by Fondaco SGR, Fondo PPP Italia is a closed-end fund specialised in public-private partnerships (PPPs) and projects for the generation of energy from renewable sources. The overall size of the fund is 120 million euro. CDP has signed an investment commitment of 17.5 million euro. The fund ended the investment phase in 2013 and may carry out add-on acquisitions on existing portfolio investments until December 2018.

Fondo QuattroR

Fondo QuattroR was created by CDP to support Italian enterprises in temporary situations of financial difficulty. It has been operational since April 2017 and had a size of around 700 million euro at 31 December 2017. The Fund focuses on medium and medium-large Italian enterprises to be re-launched through recapitalisation, restructuring or reorganisation operations.

The Fund participates as an active shareholder in companies that are going through a period of financial difficulty or corporate transition and require action to relaunch the business. The Fund gets its name, QuattroR (i.e. The Four Rs), from the object of its activities: (i) recapitalisation, (ii) restructuring, (iii) reorganisation and (iv) relaunching.

FSI Mid Market Growth Equity Fund

The FSI Mid Market Growth Equity Fund was created by CDP to support Italian enterprises in their consolidation phase. It has been operational since June 2017 and had a size of around 1.2 billion euro at 31 December 2017. The Fund is dedicated to leading Italian enterprises with prospects for growth, transformation and consolidation in international markets, to support their entire growth process through a patient investor approach.

The Fund invests in partnerships with entrepreneurs, families and managers for the growth of the targets companies, facilitating the succession processes and helping them towards stock exchange listing. The investments are primarily non-controlling interests, with limited use of leveraging.

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

The Inframed Fund was launched in 2010 by CDP and other European financial institutions - the Caisse des Dépôts et Consignations of France and the European Investment Bank, the Caisse de Dépôt et de Gestion of Morocco and the EFG- Hermes Holding SAE of Egypt. Inframed has received commitments of over 385 million euro, of which around 150 million euro subscribed by CDP.

The Inframed Fund is a variable capital investment vehicle, whose main objective is to provide equity capital to infrastructure projects in the southern and eastern Mediterranean. The activities of the fund are focused on a diverse range of long-term infrastructure investments in the transportation, energy, and urban development sectors.

Italian Recovery Fund (former Fondo Atlante II)

Incorporated in October 2016, with a commitment of 2,480 million euro at December 2017, Fondo Atlante II was promoted by Quaestio Capital Management SGR S.p.A. to invest in transactions involving NPLs originating from Italian banks. In October 2017, the Unitholders' Meeting of the Fund changed its name from Fondo Atlante II to Italian Recovery Fund.

Marguerite II SCSp (Marguerite II Fund)

At the end of 2017, the Marguerite II Fund, the successor fund of the Marguerite Fund, was launched, which will pursue a similar investment strategy – with a focus on the greenfield segment and a pan-European approach – and will promote the launch of new infrastructure projects and the expansion of existing projects in line with the objectives of the Investment Plan for Europe (the Juncker Plan). The main areas of intervention concern: the reduction of CO2 emissions to be pursued through investments in energy efficiency and renewable energy, the optimisation of transport networks and the improvement of energy supply security, and the improvement of ICT infrastructures. In addition, the Fund will finance innovative green projects contributing to the transition to a low-carbon economy. The Marguerite Fund II has received subscription commitments totalling 705 million euro, of which 100 million euro each from CDP and from leading European National Promotion Institutions (CDC, KfW, ICO, and BGK), for a total of 500 million euro, and 200 million euro from the European Investment Bank, of which 100 million euro from the European Fund for Strategic Investments ("EFSI).

Vertis Venture 3 Technology Transfer

Vertis Venture 3 Technology Transfer is the first fund launched by the ITAtech Platform. It has been operational since August 2017 with a size of 40.4 million euro, of which 20 million euro subscribed by CDP.

The Fund invests solely in projects and enterprises emerging from Italian universities and public research institutions. In particular, the Fund specialises in technology related to robotics and industrial automation, and more generally to the world of Business 4.0. In pursuit of the "capacity building" objective of ITAtech, the Fund invests from the initial technology prototype (proof of concept) phases, to then continue investing in the more mature phases through to the full commercialisation of the technology.

Annexes

Annexes to the separate financial statements

Annexes to the report on operations

1. Annexes to the separate financial statements

1.1 Accounting separation statements

CDP is subject to a system of organizational and accounting separation under article 5, paragraph 8, of Decree Law 269 of 30 September 2003, converted with amendments by law 326 of 24 November 2003.

In order to create an accounting separation system, the organisational structure of the Company was therefore divided into three operating units called, respectively, Separate Account, Ordinary Account and Joint Services, within which CDP's existing organisational units have been re-grouped.

Separate Account

The role of the Separate Account is to pursue the mission of general economic interest entrusted to CDP by law.

The Articles of Association of CDP, in accordance with law, allocate the following activities to the Separate Account:

- 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 abovementioned 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 abovementioned 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 abovementioned Decree Law, whose management is in line - where required - with the criteria set out by decree of the Minister of the Economy and Finance pursuant to article 5, paragraph 11, letter d), of the abovementioned Decree Law;
- acquiring - also indirectly - equity investments in companies of major national interest having a stable financial position and performance and adequate profit-generating prospects, which satisfy the requirements set out in the decree of the Minister of the Economy and Finance pursuant to article 5, paragraph 8-*bis*, of the abovementioned Decree Law;
- 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 abovementioned Decree Law, as well as the management of any other public function and activities of general interest assigned by act of law, administrative regulations or contract;
- 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 2017, the following units operate exclusively under the Separate Account organisation: Public Entities, International Cooperation and Financial Institutions (reporting to the Financial Institutions Area), International Financing, R&D, Innovation, Aerospace, Defence and Materials (reporting to the Enterprises Area, which in turn reports to the Enterprises and Infrastructure Area), Transportation & Social Infrastructure - Execution GS and Energy, Utilities & TLC - Execution GS (reporting to the Infrastructure Area).

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;
- acquiring - also indirectly - equity investments in companies of major national interest having a stable financial position and performance and adequate profit-generating prospects, which satisfy the requirements set out in the decree of the Minister of the Economy and Finance pursuant to article 5, paragraph 8-*bis*, of the abovementioned Decree Law;
- 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, Automotive, Food&Beverage, Pharma&Shipping (reporting to the Enterprises and Financial Institutions Area), Transportation & Social Infrastructure - Execution GO and Energy, Utilities & TLC - Execution GO (reporting to the Infrastructure Area).

Joint Services

Joint Services include:

- the Corporate Centre Areas that make up CDP's organisational structure;
- the Specific Organisational Units directly reporting to the Chief Business Officer and the Organisational Units of Group Real Estate;
- the Corporate Bodies and 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.

It should be noted, however, that, for accounting separation purposes, the costs and revenues pertaining to the Chief Strategic Equity Officer and to the Postal Savings and Finance areas may be allocated to the Separate Account, the Ordinary Account and to Joint Services depending on which business activity they refer to.

RECLASSIFIED INCOME STATEMENT

(thousands of euro)	Separate Account	Ordinary Account	Joint Services	Total CDP
Net interest income	**2,917**	**48**		**2,965**
Dividends and gains (losses) on equity investments	1,252	49		1,302
Net commission income	(1,483)	13	(1)	(1,471)
Other net revenues	19	3		22
Gross income	**2,704**	**114**	**(1)**	**2,817**
Net writedowns	(3)			(4)
Overheads	(12)	(2)	(136)	(150)
Operating income	**2,688**	**112**	**(127)**	**2,673**

RECLASSIFIED BALANCE SHEET

(thousands of euro)	Separate Account	Ordinary Account	Joint Services	Total CDP
Cash and cash equivalents	174,925	356	(1)	175,280
Loans	95,289	6,484		101,773
Debt securities	46,895	1,136		48,031
Equity investments and shares	31,558	200	540	32,298
Funding	332,589	7,909		340,498
of which:				
- *postal funding*	*252,754*			*252,754*
- *funding from banks*	*32,590*	*3,635*		*36,225*
- *funding from customers*	*33,921*	*130*		*34,052*
- *bond funding*	*13,325*	*4,143*		*17,467*

2. Annexes to the Report on operations

2.1 Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP SPA

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	31/12/2017	Cash and cash equivalents	Loans	Debt securities	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
10. Cash and cash equivalents									
20. Financial assets held for trading	94					94			
40. Financial assets available for sale	11,683			9,762	1,887			34	
50. Financial assets held to maturity	29,237			28,965				272	
60. Loans to banks	38,599	24,632	12,807					1,160	
70. Loans to customers	255,281	150,648	88,965	9,304				6,363	
80. Hedging derivatives	843					843			
90. Fair value change of financial assets in hedged portfolios	(42)					(42)			
100. Equity investments	30,411				30,411				
110. Property, plant and equipment	306						306		
120. Intangible assets	12						12		
130. Tax assets	631								631
150. Other assets	212								212
Total assets	**367,265**	**175,280**	**101,773**	**48,031**	**32,298**	**895**	**317**	**7,829**	**843**

BALANCE SHEET - LIABILITIES AND EQUITY

(millions of euro) Liabilities and equity	31/12/2017	Funding	Liabilities held for trading and hedging derivatives	Accrued expenses, deferred income and other non-interest bearing liabilities	Other liabilities	Provisions for contingencies, taxes and staff severance pay	Equity
10. Due to banks	16,627	16,606		21			
20. Due to customers	306,499	306,425		75			
30. Securities issued	17,364	16,966		399			
40. Financial liabilities held for trading	126		126				
50. Financial liabilities at fair value	502	502					
60. Hedging derivatives	588		588				
70. Fair value change of financial liabilities in hedged portfolios	32		32				
80. Tax liabilities	214					214	
100. Other liabilities	835				835		
110. Staff severance pay	1					1	
120. Provisions for risks and charges	41					41	
130. Valuation reserves	951						951
160. Reserves	14,908						14,908
170. Share premium reserves	2,379						2,379
180. Share capital	4,051						4,051
190. Treasury shares	(57)						(57)
200. Net income (loss) for the year	2,203						2,203
Total liabilities and Shareholders' equity	**367,265**	**340,498**	**747**	**495**	**835**	**256**	**24,435**

INCOME STATEMENT

(millions of euro) Income statement	31/12/2017	Net interest income	Dividends	Gains (losses) on equity investments	Net commission income (expense)
10. Interest income and similar revenues	7,463	7,463			
20. Interest expense and similar charges	(4,499)	(4,499)			
40. Commission income	108				108
50. Commission expense	(1,579)				(1,579)
70. Dividends and similar revenues	1,355		1,355		
80. Net gain (loss) on trading activities	(9)				
90. Net gain (loss) on hedging activities	13				
100. Gains (losses) on disposal or repurchase	43			24	
110. Gains (losses) on financial assets/liabilities designated at fair value	(2)				
130. Writedowns for impairment	(109)			(105)	
150. Administrative expenses	(145)				
160. Net provisions					
170. Net adjustments of property, plant and equipment	(4)				
180. Net adjustments of intangible assets	(3)				
190. Other operating income (costs)	5				
210. Gains (losses) on equity investments	29			29	
240. Gains (losses) on disposal of investments					
260. Income tax for the period on continuing operations	(463)				
Total income statement	**2,203**	**2,965**	**1,355**	**(53)**	**(1,471)**

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 2017 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 non-performing 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

Loans/Total assets: it measures loans to customers and banks, as shown in the aggregate account (Annex 2), against total assets, as shown in the financial statements.

Loans/Postal funding: it measures loans to customers and banks, as shown in the aggregate account (Annex 2), against total Postal funding, inclusive of the nominal value of Savings Bonds and Passbook Savings Accounts, interest accrued and premiums on the related options.

Equity investments/Final equity: it measures equity investments and shares, as shown in the aggregate account (Annex 2), against Equity, as shown in the financial statements.

Securities/Equity: it measures debt securities, as shown in the aggregate account (Annex 2), against Equity, as shown in the financial statements.

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).

Other net revenues (costs)	Gross income	Net recoveries (impairment)	Overheads	Other operating income (costs)	Operating income	Provisions for risks and charges and other	Income taxes	Net income
	7,463				7,463			7,463
	(4,499)				(4,499)			(4,499)
	108				108			108
	(1,579)				(1,579)			(1,579)
	1,355				1,355			1,355
(9)	(9)				(9)			(9)
13	13				13			13
19	43				43			43
(2)	(2)				(2)			(2)
	(105)	(4)			(109)			(109)
			(145)		(145)			(145)
			(4)					(4)
			(3)					(3)
			2	4	5			5
	29				29			29
							(463)	(463)
22	**2,817**	**(4)**	**(150)**	**4**	**2,673**		**(463)**	**2,203**

Profitability ratios

Net Interest Income/Gross Income: it measures Net Interest Income, as shown in the financial statements, against Gross Income, as shown in the aggregate account (Annex 2).

Net Commission Income/Gross Income: it measures Net Commission Income, as shown in the financial statements, against Gross Income, as shown in the aggregate account (Annex 2).

Dividends and Gains (Losses) on Equity investments / Gross Income: it measures the performance of the equity investments portfolio, considered as the sum of dividends and gains (losses) on equity investments, as shown in the aggregate account (Annex 2), against Gross Income, as shown in the aggregate account (Annex 2).

Commission Expense/Gross income: it measures Commission Expense, as shown in the financial statements, against Gross Income, as shown in the aggregate account (Annex 2).

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 (31/12/2016 and 31/12/2017) 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 (31/12/2016 and 31/12/2017), of Funding, as shown in the aggregate account (Annex 2).

Cost/Income Ratio: it measures the ratio of Overhead costs to Operating Income, 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 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 2017 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 status of CDP.

During 2017, the Board of Statutory Auditors had the following members, all appointed by the Ordinary Shareholders' Meeting of 30 May 2016: Carlo Corradini (Chairman), Luciano Barsotti, Alessandra dal Verme, Giusella Finocchiaro and Ines Russo. The Board of Statutory Auditors will reach the end of its term on the occasion of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2018.

In addition, during 2017, 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.

We preface our remarks as follows:

A. in application of Legislative Decree 38 of 28 February 2005, the financial statements as at 31 December 2017 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 2017 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 subsequently amended[41]. The IASs/IFRSs endorsed and in effect as of 31 December 2017 (including the SIC and IFRIC interpretation documents) were applied in the preparation of the financial statements.
B. the accurate recognition of operational events in the accounts and their representation in the financial statements in accordance with the IASs/IFRSs have been assessed by PwC in the performance of its statutory auditing activities.
C. the financial statements include both the activity of the Ordinary Account and that of the Separate Account, although the cash flows of the two accounts and their recognition are separate. The separation of these two accounts, pursuant to Article 16, 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.
D. The financial statements at 31 December 2017 report net income of Euro 2,203,445,268 and equity of Euro 24,435,072,762, including net income for 2017.

In 2017, the Board of Statutory Auditors held 13 meetings, called and formed in accordance with established procedures. The magistrate designated by the Italian Court of Auditors was invited to all meetings. The Board of Statutory Auditors also participated in the Shareholders' Meeting for 2017, the 14 meetings of the Board of Directors and, in the person of its Chairman or the standing auditors designated by the latter, the meetings of the Risk Committee of the Board of Directors and, when requested, the Remuneration Committee.

Given the foregoing, the Board of Statutory Auditors reports on the activities it performed with regard to the financial year 2017, in accordance with the provisions of Article 2403 of the Italian Civil Code, Article 19 of Legislative Decree 39/2010 and other applicable legislation. The Board of Statutory Auditors:

- monitored compliance with the law and the articles of association, compliance 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, through (i) participation in the meetings of the Board of Directors and the Risk Committee; (ii) meetings and exchanges of information with the heads of the main company departments, with the control bodies of the main Group companies, with the Financial Reporting Manager and with the Audit Firm, PwC. The checks performed found no censurable facts with a significant impact;
- 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 predictable outcome, as well as on the most significant transactions in terms of size or characteristics carried out by the company and its subsidiaries. No issues of significant impact have emerged with regard to these transactions, which are fully discussed in the report on operations prepared by the Board of Directors (which readers are invited to consult);
- 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 through meetings with the head of that department; (ii) monitored the adequacy of activities to control compliance risk, conducting regular meetings with the head of the Compliance function;

41 For the sake of complete disclosure, on 22 December 2017, the Bank of Italy published the 5th update of Circular no. 262/2005. The update will apply as from the financial statements for periods ending on or after 31 December 2018.

(iii) monitored the adequacy of the internal control system and 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 head of Internal Auditing and meetings held with the latter, during which the head of Internal Auditing also reported on information exchange between those involved in the design (second-level controls) and monitoring (third-level controls) of the internal control system. The checks performed found no issues with a significant impact;

- monitored the financial reporting process and the adequacy of the Company's administrative and accounting system and its reliability in accurately representing operational events. This activity included meetings with the Financial Reporting Manager, the examination of company documentation and analysis of the results of the activities performed by the Audit Firm. The checks performed found no issues with a significant impact;
- 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;
- 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;
- examined the draft separate financial statements of CDP and the consolidated financial statements of the CDP Group at 31 December 2017, approved by the Board of Directors of CDP at its meeting of 28 March 2018;
- took note of the issue, on 20 April 2018, of the certifications of the draft separate financial statements of CDP and the consolidated financial statements of the CDP Group issued pursuant to Article 154-*bis* of Legislative Decree 58/1998 and signed by the Chief Executive Officer and the Financial Reporting Manager;
- examined the report of the Audit Firm on the draft separate financial statements of CDP and the consolidated financial statements of the CDP Group;
- examined the consolidated non-financial statement of the CDP Group ("NFS") for the 2017 financial year, prepared pursuant to Legislative Decree 254/2016, and approved by the Board of Directors of CDP at its meeting of 28 March 2018;
- examined the report on the NFS issued by the Audit Firm stating that the information provided complies with the requirements of Legislative Decree 254/2016;
- 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 Article 5 of Regulation (EU) no. 537/2014;
- as from 27 February 2017, performed the functions of the Supervisory Body and promoted and monitored the updating of the Organisational, Management and Control Model (Compliance System) pursuant to Legislative Decree 231/2001.

In addition to the foregoing, the Board of Statutory Auditors also reports:

1. that 2017 was characterised by a number of key themes, including:
   - general financial trend - net interest income amounted to about Euro 2,965 million, with a significant increase compared to 2016 (Euro 2,369 million) thanks to the actions of management, such as: (i) improving the yield of interest-bearing assets and (ii) reducing the cost of the liabilities, both of which were achieved thanks to the active ALM and treasury operations. The positive trend in net interest income enabled an increase in hedging of interest rate risk on assets, an increase in medium-long term bond funding and a reduction in the residual maturity of the securities portfolio. Dividends decreased compared with 2016 (Euro 1,355 million, compared with Euro 1,571 million the previous year) as a result of the decision to strengthen the capital of the subsidiary SACE (a 2017 dividend of Euro 150 million, down Euro 160 million compared with 2016) and the elimination of the payment in 2016 of a second interim dividend by CDP RETI (a dividend of Euro 361 million in 2016, compared with Euro 251 million in 2017) and the dividend of CDP Equity, only partially offset by the dividend received from Poste (Euro 178 million). The adverse impact of the valuation of the credit portfolio, equity investments and equity funds decreased substantially, with write-downs totalling Euro 57 million (Euro 564 million in 2016), as specified below.
   - impairment of equity investments – Impairment tests were conducted for CDP Immobiliare S.r.l., CDP Equity S.p.A., Fintecna S.p.A., SACE S.p.A., ENI S.p.A. and Poste Italiane S.p.A., finding that their recoverable values were in line with or higher than their respective carrying amounts. As a result, no write-backs or write-downs were recognised.
   - impairment of equity funds – the fair value measurement of the units of the Atlante Fund, which was subscribed in the amount of Euro 500 million, of which about Euro 298 million euro paid in 2016 and Euro 108 million called up in 2016 and paid on 3 January 2017, led to the recognition of an impairment loss of Euro 106 million.
   - individual and collective impairment of loans – the individual assessment of loans, guarantees issued and commitments to disburse funds, carried out at 31 December 2017 on the basis of reasonable repayment assumptions, taking into account the guarantees securing these exposures, prompted write-downs totalling about Euro 6.1 million and write-backs of about Euro 13.1 million, with a positive net impact on the income statement at 31 December 2017 of about Euro 7 million. With regard to the collective assessment of loans and guarantees, the net adjustment recognised in the 2017 income statement amounted to about Euro 10.9 million (of which Euro 30.7 million in write-downs of exposures to customers and Euro 19.8 million in write-backs of exposures to banks). The measurement criteria for credit exposures were unchanged compared with the previous year. More specifically:
     - the assessment of impaired loans (non-performing loans, positions unlikely to pay, impaired past-due and/or over-limit exposures) is performed analytically. The value of loan write-downs is determined as the difference between the carrying amount of the loan at the time of measurement and the present value of expected cash flows net of recovery costs, taking into account any guarantees securing the positions and any advances received, calculated by applying the original effective interest rate;
     - receivables for which no objective evidence of impairment has been individually identified undergo collective assessment. The method employed for collective assessment adopts the internal parameters used to price loans. The estimate of the incurred loss at the portfolio level is obtained through the application of a number of corrective parameters to the expected loss at 1 year. These corrective parameters are determined considering both the degree of concentration of the loan portfolio (concentration adjustment) and the estimated time between the event that generates the default and the manifestation of the default (loss confirmation period). In the 2017 financial statements, both of the corrective parameters were reassessed further on a prudential basis.

As from the 2016 financial statements, an even more prudential approach has been adopted, including exposures to local authorities within the scope of the collective impairment process and increasing adjustments of performing positions in relation to the increase in the associated credit risk.
Total write-downs/write-backs on loans therefore totalled Euro 5.7 million, net of write-backs of Euro 31.6 million.
The provision for collective impairment totalled about Euro 338.7 million (of which about Euro 96.6 million in respect of banks). The provision for collective impairment at 31 December 2017 was equal to 0.47% of gross on- and off-balance-sheet exposures subject to collective impairment.

– Agreement with Poste Italiane S.p.A. ("Poste Italiane" or "Poste") – the postal funding service was governed by an agreement signed in December 2014, with which CDP and Poste defined the terms and conditions of the service valid for 2014-2018. The fee recognised in the income statement for 2017 amounted to Euro 1,574.3 million.
  Following the resolutions adopted by the Boards of Directors of CDP and of Poste Italiane, in December 2017 an agreement was signed to govern the postal funding service for the 2018-2020 period (the "Agreement").
  The duration of the Agreement is in line with the time horizon of both the Business Plan of the CDP Group and the new Business Plan of the Poste Italiane Group currently being developed, and constitutes one of its cardinal elements. The Agreement provides for a mixed fee based in part on the stock of postal savings products (passbook accounts and bonds) and in part on the annual flow of bond subscriptions. The fee paid to Poste Italiane is linked to the achievement of annual net funding targets. For achievement of these targets, Poste Italiane will receive an annual fee over the 2018-2020 period of between Euro 1.55 billion and Euro 1.85 billion.
  In the notes to the 2017 financial statements and, specifically, in Part H - Transactions with related parties, the directors report the main transactions carried out during the year. Please see this section for more information on the type of transactions conducted and their related impact on performance and financial position.

2. The Board of Statutory Auditors finds that the information provided by the Board of Directors in the report on operations is adequate.
3. The Board of Statutory Auditors notes that CDP, as a "public interest entity", has prepared the consolidated non-financial statement (NFS) of the CDP Group for the 2017 financial year, in compliance with the provisions of Legislative Decree 254[42] of 30 December 2016. The Board of Statutory Auditors monitored compliance with the provisions established by the decree in the preparation of the NFS, 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; and (iii) 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: (i) pursuant to Article 3, paragraph 10, of Legislative Decree 254/2016, and Article 5 of Consob Regulation 20267 of 18 January 2018, the Company has appointed PwC (the Audit Firm), to perform a limited assurance assessment of the NFS; (ii) the Board of Statutory Auditors has been periodically informed about the conduct of preparatory activities for the preparation of the NFS; (iii) on 20 April 2018 PwC issued a report on the consolidated non-financial statement of the CDP Group for the 2017 financial year. Taking account of the fact that this was the first year of implementation of the regulatory provisions governing the NFS, with regard to the organisational arrangements implemented, the corporate units involved in the production, reporting, measurement and representation of results – coordinated by the Administration, Accounting and Reporting and Business Communication & Sustainability Areas – were 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, without prejudice to the recommendation to continue the implementation of the new provisions on non-financial disclosures launched in 2017.
4. In accordance with Article 19 of Legislative Decree 39/2010, the Board Statutory of Auditors monitored statutory 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 2017. On 4 August 2017 PwC issued a report containing an unqualified opinion on the limited audit of the condensed consolidated half-year financial statements;
   – on 20 April 2018, 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 2017. The text of the audit report was revised significantly following the changes introduced with the reform of statutory auditing implemented in the Italian legal system with Legislative Decree 135/2016, which updated the provisions of Legislative Decree 39/2010. Both the form and content of the new report have been revised as regards the certifications and the disclosures concerning company risks;
   – also on 20 April 2018, 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;
   – 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. In this regard, the fees received by the Audit Firm are reported in the Annual Report. Finally, 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.

42 Transposition of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

5. The Board of Statutory Auditors did not receive any complaints pursuant to Article 2408 of the Italian Civil Code.
6. The Board of Statutory Auditors did not receive reports of irregularities.
7. The administrative and accounting system appears appropriate to the need to provide accurate and timely representation of management events, also considering information received from the Audit Firm.
8. Within the scope of our supervision activity, no omissions, censurable facts or irregularities have been found.

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, has no comments to address to the Shareholders' Meeting regarding the approval of the draft financial statements for the year ended 31 December 2017, accompanied by the report on operations, as presented by the Board of Directors, and of the consolidated non-financial statement, approved by the Board of Directors at its meeting of 28 March 2018.

Rome, 23 April 2018

THE BOARD OF STATUTORY AUDITOR

Carlo Corradini	*Chairman*
Luciano Barsotti	*Regular Auditor*
Alessandra dal Verme	*Regular Auditor*
Giusella Finocchiaro	*Regular Auditor*
Ines Russo	*Regular Auditor*

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 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 2017, 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 2017, 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

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

we do not provide a separate opinion on these matters.

Key audit matters	***Auditing procedures performed in response to key audit matters***
Evaluation 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"* *Information on the Balance Sheet – Section 10 of assets: Equity investments* *Information on the Income Statement – Section 14: Gains (Losses) on Equity Investments* The item "Equity investments" at 31 December 2017 showed a balance of Euro 30,411 million equal to about 8% of total assets of the financial statements. Cdp's portfolio of equity investments includes investments in 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 in accordance with IAS 36 (impairment test). The evaluation 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.	We focused our audit work on 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, as part of our audit activities, we performed the following audit procedures, also with the support of PwC network experts: 1. 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; 2. understanding and evaluation of the valuation models used by management; 3. 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; 4. verification of the reasonableness of the financial parameters adopted for the purpose of the application of the evaluation method chosen; 5. verification of the mathematical accuracy of the calculations performed and of the formulae used by management within the impairment testing; 6. independent analyses such as: a. re-calculation of the valuation parameters and analysis of the reasonability 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; 7. Check of the adequacy and exhaustiveness of the disclosures in the notes to the separate financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is 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. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is 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, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 auditors' 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 an 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 management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- 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 those charged with governance, in their 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. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of Cassa depositi e prestiti SpA is 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 2017, 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. 58/98, with the financial statements of Cassa depositi e prestiti SpA as of 31 December 2017 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 2017 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. 39/10, 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 2018

PricewaterhouseCoopers SpA

Signed by

Lorenzo Pini Prato
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Certification of the separate financial statements

pursuant to article 154-*bis* of Legislative Decree no. 58/1998

1. The undersigned Fabio Gallia, in his capacity as Chief Executive Officer, and Fabrizio Palermo, in his capacity as Manager in charge with preparing the Company's financial reports of Cassa depositi e prestiti S.p.A., hereby certify, taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company and
   - the effective adoption of the administrative and accounting procedures for the preparation of the separate financial statements in 2017.

2. The assessment of the appropriateness of the administrative and accounting procedures followed in preparing the separate financial statements at 31 December 2017 was based on a process developed by Cassa depositi e prestiti S.p.A. in line with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at international level.

3. In addition, we certify that:

   3.1 the financial statements at 31 December 2017:
      a) have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) correspond to the information in the books and other accounting records;
      c) provide a true and fair view of the performance and financial position of the issuer;

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

Rome, 20 April 2018

The Chief Executive Officer

Fabio Gallia

The Manager in charge with preparing the Company's financial reports

Fabrizio Palermo

3.

Consolidated financial statements 2017

Form and content of the consolidated financial statements at 31 December 2017

The consolidated financial statements at 31 December 2017 have been prepared in compliance with applicable regulations and are composed of the:
- 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

The following are also included:
- Annexes
- Report of the Independent Auditors
- Certification pursuant to Article 154-*bis* of Legislative Decree no. 58/98

The following paragraphs have been added to the "Annexes" section, which is an integral part of the annual report:
1. Annexes to the consolidated financial statements:
   1.1 the "Scope of consolidation" which forms an integral part of the consolidated financial statements;
2. Annexes to the report on operations
   2.1 the "Reconciliation between the reclassified income statement and balance sheet and the financial statements - CDP Group" aimed at providing criteria for the preparation of the reclassified consolidated balance sheet and reclassified consolidated income statement provided in the report on operations compared to the financial statements.

Contents of the consolidated financial statements

Consolidated financial statements at 31 December 2017

CONSOLIDATED BALANCE SHEET

(thousands of euro) Assets	31/12/2017	31/12/2016
10. Cash and cash equivalents	1,015	1,418
20. Financial assets held for trading	896,815	1,092,094
30. Financial assets designated at fair value	255,885	197,056
40. Financial assets available for sale	10,597,964	8,513,404
50. Financial assets held to maturity	30,731,007	33,773,865
60. Loans to banks	43,137,745	27,730,603
- *of which: separate asset pool*		*446,325*
70. Loans to customers	257,183,231	261,956,715
80. Hedging derivatives	988,655	1,109,475
90. Fair value change of financial assets in hedged portfolios (+/-)	(41,503)	
100. Equity investments	19,769,766	20,666,813
110. Reinsurers' share of technical reserves	670,812	612,981
120. Property, plant and equipment	35,813,995	35,158,657
130. Intangible assets	8,050,650	7,935,337
- *of which: goodwill*	*653,342*	*659,576*
140. Tax assets	1,701,679	2,085,765
a) current tax assets	441,776	781,699
b) deferred tax assets	1,259,903	1,304,066
150. Non-current assets and disposal group held for sale	23	386,864
160. Other assets	9,776,009	9,300,976
Total assets	**419,533,748**	**410,522,023**

The data referring to 31 December 2016 have been restated as described in the accounting policies, "Other issues" section.

(thousands of euro) **Liabilities and Shareholders' Equity**	31/12/2017	31/12/2016
10. Due to banks	25,934,885	25,692,215
20. Due to customers	300,331,654	302,189,543
30. Securities issued	37,237,527	28,107,767
40. Financial liabilities held for trading	184,354	289,047
50. Financial liabilities designated at fair value	519,228	
60. Hedging derivatives	669,054	970,235
70. Fair value change of financial liabilities in hedged portfolios (+/-)	32,400	38,206
80. Tax liabilities:	3,549,637	3,589,252
a) current tax liabilities	82,581	117,253
b) deferred tax liabilities	3,467,056	3,471,999
90. Liabilities associated with non-current assets and disposal groups held for sale		74,557
100. Other liabilities	9,908,993	8,051,312
110. Staff severance pay	221,039	230,629
120. Provisions for risks and charges:	2,615,810	2,719,258
b) other provisions	2,615,810	2,719,258
130. Technical reserves	2,407,786	2,794,066
140. Valuation reserves	763,663	2,342,285
170. Reserves	12,981,676	13,660,240
180. Share premium reserve	2,378,517	2,378,517
190. Share capital	4,051,143	4,051,143
200. Treasury share (-)	(57,220)	(57,220)
210. Non-controlling interests (+/-)	12,860,288	13,151,146
220. Net income (loss) for the year	2,943,314	249,825
Total liabilities and Shareholders' equity	419,533,748	**410,522,023**

The data referring to 31 December 2016 have been restated as described in the accounting policies, "Other issues" section.

CONSOLIDATED INCOME STATEMENT

(thousands of euro) Items	31/12/2017	31/12/2016
10. Interest income and similar income	7,640,903	6,994,170
20. Interest expense and similar expense	(4,880,212)	(4,887,764)
30. Net interest income	2,760,691	**2,106,406**
40. Commission income	158,976	154,410
50. Commission expense	(1,627,417)	(1,617,614)
60. Net commission income (expense)	**(1,468,441)**	**(1,463,204)**
70. Dividends and similar revenues	4,884	4,606
80. Profits (losses) on trading activities	(244,047)	321,277
90. Fair value adjustments in hedge accounting	8,267	1,529
100. Gains (losses) on disposal or repurchase of:	(12,220)	(274,924)
a) loans	22,185	26,556
b) financial assets available for sale	21,571	27,904
c) financial assets held to maturity	66	2
d) financial liabilities	(56,042)	(329,386)
110. Profits (losses) on financial assets and liabilities designated at fair value	(28,597)	(22,665)
120. Gross income	**1,020,537**	**673,025**
130. Net impairment losses/recoveries on:	(141,311)	(478,577)
a) loans	(29,968)	(181,566)
b) financial assets available for sale	(191,488)	(219,083)
d) other financial transactions	80,145	(77,928)
140. Financial income (expense), net	**879,226**	**194,448**
150. Net premium income	806,793	376,655
160. Net other income (expense) from insurance operations	57,986	(44,743)
170. Net income from financial and insurance operations	**1,744,005**	**526,360**
180. Administrative expenses:	(6,842,174)	(6,188,494)
a) staff costs	(1,809,960)	(1,699,886)
b) other administrative expenses	(5,032,214)	(4,488,608)
190. Net accruals to the provisions for risks and charges	(74,317)	(108,593)
200. Net adjustments to/recoveries on property, plant and equipment	(1,372,552)	(1,341,754)
210. Net adjustments to/recoveries on intangible assets	(564,187)	(515,155)
220. Other operating income (costs)	11,121,547	10,179,378
230. Operating costs	**2,268,317**	**2,025,382**
240. Gains (losses) on equity investments	1,053,758	(559,937)
260. Goodwill impairment		(635)
270. Gains (losses) on disposal of investments	592,352	200
280. Income (loss) before tax from continuing operations	**5,658,432**	**1,991,370**
290. Income tax for the period on continuing operations	(1,196,774)	(766,222)
300. Income (loss) after tax on continuing operations	**4,461,658**	**1,225,148**
320. Net income (loss) for the year	**4,461,658**	**1,225,148**
330. Net income (loss) for the year pertaining to non-controlling interests	**1,518,344**	**975,323**
340. Net income (loss) for the year pertaining to shareholders of the Parent Company	**2,943,314**	**249,825**

The data referring to 31 December 2016 have been restated as described in the accounting policies, “Other issues” section.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of euro) Items	31/12/2017	31/12/2016
10. Net income (loss) for the year	**4,461,658**	**1,225,148**
40. Defined benefit plans	(2,030)	(2,137)
60. Share of valuation reserves of equity investments accounted for using equity method	1,203	23,192
80. Exchange rate differences	(57,322)	(29,357)
90. Cash flow hedges	115,950	(47,061)
100. Financial assets available for sale	112,726	(10,848)
120. Share of valuation reserves of equity investments accounted for using equity method	(1,698,737)	198,221
130. Total other comprehensive income net of taxes	(1,528,210)	132,010
140. Comprehensive income (items 10 + 130)	**2,933,448**	**1,357,158**
150. Consolidated comprehensive income pertaining to non-controlling interests	1,527,098	916,015
160. Consolidated comprehensive income pertaining to shareholders of the Parent Company	**1,406,350**	**441,143**

The data referring to 31 December 2016 have been restated as described in the accounting policies, “Other issues” section.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY: CURRENT FINANCIAL YEAR

(thousands of euro)	Balance at 31/12/2016	Changes in opening balance	Balance at 01/01/2017	Allocation of net income for previous year		Changes for the period		
							Equity transactions	
				Reserves	Dividends and other allocations	Changes in reserves	Issues of new shares	Purchase of own shares
Share capital:	7,420,005		7,420,005					
a) ordinary shares	7,420,005		7,420,005					
b) preference shares								
Share premium reserve	4,477,483		4,477,483			(222,626)		
Reserves:	20,751,578		20,751,578	(862,208)		175,579		
a) income	19,948,861		19,948,861	(862,283)		192,436		
b) other	802,717		802,717	75		(16,857)		
Valuation reserves	2,239,203		2,239,203			(4,619)		
Equity instruments								
Interim dividends	(205,133)		(205,133)	205,133				
Treasury shares	(132,348)		(132,348)					(146,113)
Net income (loss)	1,128,422	96,726	1,225,148	657,075	(1,882,223)			
Total Shareholders' Equity	**35,679,210**	**96,726**	**35,775,936**		**(1,882,223)**	**(51,666)**		**(146,113)**
Group's Equity	**22,528,064**	**96,726**	**22,624,790**		**(986,901)**	**(33,555)**		
Equity Non-controlling interests	**13,151,146**		**13,151,146**		**(895,322)**	**(18,111)**		**(146,113)**

The data referring to 31 December 2016 have been restated as described in the accounting policies, "Other issues" section.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY: PREVIOUS FINANCIAL YEAR

(thousands of euro)	Balance at 31/12/2015	Changes in opening balance	Balance at 01/01/2016	Allocation of net income for previous year		Changes for the period		
							Equity transactions	
				Reserves	Dividends and other allocations	Changes in reserves	Issues of new shares	Purchase of own shares
Share capital:	7,818,813		7,818,813				553,460	
a) ordinary shares	7,702,780		7,702,780				553,460	
b) preference shares	116,033		116,033					
Share premium reserve	2,061,579		2,061,579		(35,013)	1,706	2,378,517	
Reserves:	22,685,229	892,208	23,577,437	(2,863,070)	(1,060)	129,881		
a) income	21,778,799	892,208	22,671,007	(2,863,070)	(1,060)	233,546		
b) other	906,430		906,430			(103,665)		
Valuation reserves	2,033,553	78,770	2,112,323			(5,130)		
Equity instruments								
Interim dividends	(98,699)		(98,699)	98,699				
Treasury shares	(60,549)		(60,549)					(71,799)
Net income (loss)	(858,592)	1,300	(857,292)	2,764,371	(1,907,079)			
Total Shareholders' Equity	**33,581,334**	**972,278**	**34,553,612**		**(1,943,152)**	**126,457**	**2,931,977**	**(71,799)**
Group's Equity	**19,226,871**	**972,278**	**20,199,149**		**(852,637)**	**52,214**	**2,929,660**	
Equity Non-controlling interests	**14,354,463**		**14,354,463**		**(1,090,515)**	**74,243**	**2,317**	**(71,799)**

Changes for the period							Shareholders' Equity at 31/12/2017	Group's Equity at 31/12/2017	Equity Non-controlling interests at 31/12/2017
Equity transactions						Comprehensive income for 2017			
Interim dividends	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests				
					(150,106)		7,269,899	4,051,143	3,218,756
					(150,106)		7,269,899	4,051,143	3,218,756
					(5,894)		4,248,963	2,378,517	1,870,446
	(132,933)		11,672	974	89,152		20,033,814	12,981,676	7,052,138
	(132,933)				89,804		19,235,885	12,980,604	6,255,281
			11,672	974	(652)		797,929	1,072	796,857
					(24,755)	(1,528,210)	681,619	763,663	(82,044)
(496,111)							(496,111)		(496,111)
							(278,461)	(57,220)	(221,241)
						4,461,658	4,461,658	2,943,314	1,518,344
(496,111)	**(132,933)**		**11,672**	**974**	**(91,603)**	**2,933,448**	**35,921,381**	**23,061,093**	**12,860,288**
					50,409	1,406,350	23,061,093	23,061,093	
(496,111)	(132,933)		11,672	974	(142,012)	1,527,098	12,860,288		12,860,288

Changes for the period							Shareholders' Equity at 31/12/2016	Group's Equity at 31/12/2016	Equity Non-controlling interests at 31/12/2016
Equity transactions						Comprehensive income for 2016			
Interim dividends	Special dividend distribution	Changes in equity instruments	Derivatives on own shares	Stock options	Change in equity interests				
					(952,268)		7,420,005	4,051,143	3,368,862
					(836,235)		7,420,005	4,051,143	3,368,862
					(116,033)				
					70,694		4,477,483	2,378,517	2,098,966
					(91,610)		20,751,578	13,660,240	7,091,338
					(91,562)		19,948,861	13,636,068	6,312,793
					(48)		802,717	24,172	778,545
						132,010	2,239,203	2,342,285	(103,082)
(205,133)							(205,133)		(205,133)
							(132,348)	(57,220)	(75,128)
						1,128,422	1,128,422	153,099	975,323
(205,133)					**(973,184)**	**1,260,432**	**35,679,210**	**22,528,064**	**13,151,146**
					(144,739)	344,417	22,528,064	22,528,064	
(205,133)					(828,445)	916,015	13,151,146		13,151,146

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(thousands of euro)	31/12/2017	31/12/2016
A. OPERATING ACTIVITY		
1. Operations	**8,846,375**	**5,694,563**
Net income for the year (+/-)	4,461,658	1,225,148
Gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	148,933	49,605
Gains (losses) on hedging activities (-/+)	(11,336)	10,281
Net losses (recoveries) on impairment (+/-)	206,026	525,402
Net adjustments to/recoveries on property, plant and equipment and intangible assets (+/-)	1,908,691	1,817,422
Net accruals to the provisions for risks and chargers and other costs/revenues (+/-)	74,317	108,593
Net premiums not received (-)	(89,455)	(81,942)
Other insurance income not received/paid (-/+)	(251,470)	(117,038)
Outstanding charges, taxes and tax credits (+/-)	39,220	(73,191)
Net adjustments to/recoveries on equity investments (+/-)	(1,541,217)	619,839
Other adjustments (+/-)	3,901,008	1,610,444
2. Cash flows generated by/used in financial assets	**(11,843,794)**	**(5,240,800)**
Financial assets held for trading	76,531	(180,432)
Financial assets designated at fair value	(83,928)	2,889
Financial assets available for sale	(2,166,257)	(2,187,852)
Loans to banks: on demand		
Loans to banks: other	(14,904,952)	536,957
Loans to customers	5,038,034	(4,386,055)
Other assets	196,778	973,693
3. Cash flows generated by/used in financial liabilities	**6,303,857**	**7,641,877**
Due to banks: on demand		
Due to banks: other	372,384	2,020,463
Due to customers	(4,871,920)	7,963,820
Securities issued	9,160,152	(2,049,542)
Financial liabilities held for trading	(104,693)	48,448
Financial liabilities designated at fair value	515,730	
Other liabilities	1,232,204	(341,312)
Cash flows generated by/used in operating activities	**3,306,438**	**8,095,640**
B. INVESTMENT ACTIVITIES		
1. Cash generated by	**26,620,862**	**31,516,844**
Sale of equity investments	330,394	112,264
Dividends from equity investments	1,098,769	930,848
Sale of financial assets held to maturity	25,123,615	30,454,484
Sale of property plant and equipment	58,496	10,464
Sale of intangible assets	9,588	8,784
Sale of subsidiaries and business units		
2. Cash flows used in	**(25,508,138)**	**(42,071,558)**
Purchase of equity investments	(319,406)	(1,412,787)
Purchase of financial assets held to maturity	(22,186,877)	(38,263,989)
Purchase of property, plant and equipment	(2,157,360)	(1,845,212)
Purchase of intangible assets	(653,686)	(546,166)
Purchases of subsidiaries and business units	(190,809)	(3,404)
Cash flows generated by/used in investing activities	**1,112,724**	**(10,554,714)**
C. FINANCING ACTIVITY		
Issue/purchase of treasury shares		
Issue/purchase of equity instruments		(790,056)
Dividend distribution and other allocations	(2,511,267)	(2,148,285)
Cash flows generated by/used in financing activities	**(2,511,267)**	**(2,938,341)**
TOTAL NET CASH FLOWS GENERATED/USED IN THE YEAR	**1,907,895**	**(5,397,415)**

Reconciliation

Items (*)	31/12/2017	31/12/2016
Cash and cash equivalents at beginning of year	**149,758,620**	**155,156,035**
Total cash generated/used in the year	1,907,895	(5,397,415)
Cash and cash equivalents at end of year	**151,666,515**	**149,758,620**

The data referring to 31 December 2016 have been restated as described in the accounting policies, "Other issues" section.

(*) 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, which is reported under item 70 "Loans to customers" and the positive balance of the bank current accounts reported under item 60 "Loans to banks" net of current accounts with a negative balance reported under item 10 "Due to banks" under liabilities.

Notes to the consolidated financial statements

Introduction

Form and content of the financial statements

As in previous years, the financial statements of the Cassa depositi e prestiti Group (hereinafter also "CDP Group" or "Group") have been prepared, as far as applicable, in accordance with the instructions of the Bank of Italy, set out in its circular on "Banking and financial service supervision" of 22 December 2005, updated to 15 December 2015, which establishes the formats and rules for preparation of banks' financial statements, incorporating the introduction of International Financial Reporting Standards (IFRSs) for bank financial reporting.

With Regulation (EC) 1606/2002 of 19 July 2002, the European Union made it compulsory, as of the 2006 financial year, to adopt the IAS/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 consolidated financial statements are expressed in euro and include the Consolidated balance sheet, the Consolidated income statement, the Consolidated statement of comprehensive income, the Statement of changes consolidated in equity, the Consolidated statement of cash flows and these Notes to the consolidated financial statements, with the relevant annexes, as well as the Board of Directors' Report on operations.

The consolidated financial statements 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 70 "Loans to customers", and the positive balance on bank accounts reported under item 60 "Loans to banks", net of current accounts with a negative balance reported under item 10 "Due to banks" of liabilities.

Comparison and disclosure

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

The mandatory tables and other details required by the Bank of Italy have been numbered in accordance with the parts and sections specified in Annex "B" of the supervisory instructions issued by the Bank of Italy.

The consolidated financial statements show data for the previous financial year for comparison purposes, as requested by the IFRS.

Tables with no amounts for both 2017 and 2016 have been omitted.

CDP separate asset pools

On 29 October 2014, the Board of Directors approved the establishment of a separate asset pool, called "KfW separate asset pool", exclusively intended to satisfy all current, potential and future rights and claims that Kreditanstalt für Wiederaufbau (KfW) has or will have with respect to CDP, in connection with the loan agreement entered into between CDP and KfW on 28 October 2014 involving a loan to CDP for a maximum amount of 300 million euro (the "Loan Agreement").

By subsequent resolution of the Board of Directors on 29 October 2015, the increase in the funding was approved for a total amount of 100 million euro, bringing it to a total of 400 million euro, in addition to the extension to 18 December 2015 of the period within which CDP could use the loan. The related consequent modifying addendum to the loan agreement was signed between CDP and KfW on 16 November 2015.

This funding was used to finance small and medium Italian enterprises (SMEs) through the banking system and as part of the Separate Account.

CDP has allocated to this separate asset pool certain loans to banks provided by CDP under the "Fourth Agreement" and the "Fifth Agreement" entered into between CDP and ABI on 1 March 2012 and 5 August 2014, respectively, in addition to the loans that these banks have granted to the SMEs, which were transferred to CDP as guarantee for the above loans.

The funding of 400 million euro provided under the Loan Agreement and fully disbursed was fully repaid in advance by CDP on 30 June 2016.

As of 20 October 2017, all assets and legal relationships allocated to the KfW separate asset pool are definitely no longer segregated with all the legal consequences entailed thereby.

Auditing of the financial statements

The consolidated financial statements of the CDP Group are audited by the independent auditing firm PricewaterhouseCoopers S.p.A., following award of the audit engagement for the 2011-2019 period by the Shareholders' Meeting of 25 May 2011.

Annexes

Annex 1.1 "Scope of consolidation" is attached to the consolidated financial statements.

Part A - Accounting policies

A.1 - General information

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

These consolidated financial statements at 31 December 2017 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 2017 and endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Journal of the European Communities L. 243 on 11 September 2002.

To the extent applicable, these financial statements have been prepared on the basis of Circular no. 262 of the Bank of Italy of 22 December 2005 (as amended on 18 November 2009, 21 January 2014, 22 December 2014, and 15 December 2015), which establishes the mandatory financial statement formats and compilation procedures, and also the contents of the Notes to the financial statements.

The IFRS applied for preparation of these consolidated financial statements are found in the list given in "Section 5 – Other issues".

Section 2 - General preparation principles

The consolidated financial statements of the CDP Group include the Balance sheet, the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Statement of cash flows (prepared according to the "indirect method") and these Notes to the financial statements, as well as the Board of Directors' Report on operations. These documents, the separate financial statements and the annexes to both separate and consolidated financial statements, make up the annual report.

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

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

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

For the purposes of interpretation and to provide support in applying the financial reporting standards, the following documents have also been considered, although they have not been endorsed by the European Commission:
- the Framework for the Preparation and Presentation of Financial Statements, issued by the International Accounting Standards Board (IASB) in 2001;
- Implementation Guidance, Basis for Conclusions, and any other documentation prepared by the IASB or IFRIC to supplement the IFRSs issued;
- interpretation documents concerning the application of the IFRSs 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 IFRSs rules.

Where the information required by the IFRS and the regulations of the Bank of Italy is deemed to be inadequate to give truthful and fair representation, the notes to the consolidated 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 : 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, 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.

Use of estimates

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

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

The main areas in which management is required to make subjective assessments are:
- the measurement of impairment losses on loans, equity investments and, in general, other financial assets;
- the use of measurement techniques to determine the fair value of financial instruments not quoted on an active market;
- the calculation of provisions for employees and provisions for risks and charges;
- the estimates and assumptions used in assessing the recoverability of deferred tax assets and interpretive issues concerning tax treatment;
- the statistical and financial assumptions used in estimating repayment flows on postal savings products;
- the assessment of the accuracy of the value of goodwill and other intangible assets;
- the technical provisions of the insurance companies;
- the valuation of work in progress and inventories of raw materials, semi-finished and finished goods.

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

Section 3 - Scope and methods of consolidation

Subsidiaries are consolidated on a line-by-line basis, while companies subject to joint control or significant influence are accounted for using the equity method. An exception is made for a number of equity investments in companies in liquidation or subsidiaries in the start-up phase without assets and liabilities, whose contribution to the consolidated financial statements is immaterial.

The financial statements of the subsidiaries used for line-by-line consolidation are those at 31 December 2017, as approved by competent corporate bodies of consolidated companies, adjusted as necessary to harmonise them with Group accounting policies and reclassified on the basis of the formats established by the Bank of Italy in Circular no. 262 of 22 December 2005, updated to 15 December 2015.

The following statement shows the companies consolidated on a line-by-line basis.

1. Equity investments in subsidiaries

Company name	Headquarters	Registered office	Type of relation-ship [1]	Equity investment		% of votes [2]
				Investor	% holding	
1. ACAM GAS S.p.A.	La Spezia	La Spezia	1	Italgas Reti S.p.A.	100.00%	100.00%
2. ACE Marine LLC	Green Bay, WI	Green Bay, WI	1	Fincantieri Marine Group LLC	100.00%	100.00%
3. Asset Company 2 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100.00%	100.00%
4. Bacini di Palermo S.p.A.	Palermo	Palermo	1	Fincantieri S.p.A.	100.00%	100.00%
5. Bonafous S.p.A. in liquidazione	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
6. CDP Equity S.p.A.	Milan	Milan	1	CDP S.p.A.	97.13%	97.13%
CDP Equity S.p.A.	Milan	Milan	1	Fintecna S.p.A.	2.87%	2.87%
7. CDP Immobiliare S.r.l.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
8. CDP Investimenti SGR S.p.A.	Rome	Rome	1	CDP S.p.A.	70.00%	70.00%
9. CDP RETI S.p.A.	Rome	Rome	1	CDP S.p.A.	59.10%	59.10%
10. CDP Technologies AS	Alesund	Alesund	1	Seaonics AS	100.00%	100.00%
11. CDP Technologies Estonia OÜ	Tallinn	Tallinn	1	CDP Technologies AS	100.00%	100.00%
12. Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Genoa	1	Seaf S.p.A.	15.00%	15.00%
Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Genoa	1	Fincantieri S.p.A.	71.10%	71.10%
13. Cinque Cerchi S.p.A. in liquidazione	Rome	Rome	1	CDP Immobiliare S.r.l.	100.00%	100.00%
14. Delfi S.r.l.	Follo (SP)	Follo (SP)	1	Fincantieri S.p.A.	100.00%	100.00%
15. Difebal S.A.	Montevideo	Montevideo	1	Terna S.p.A.	100.00%	100.00%
16. Enerco Distribuzione S.p.A.	Padua	Padua	1	Italgas Reti S.p.A.	100.00%	100.00%
17. Estaleiro Quissamã Ltda	Rio de Janeiro	Rio de Janeiro	1	Vard Group AS	50.50%	50.50%
18. FIA 2	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
19. Fincantieri (Shanghai) Trading Co. Ltd	Shanghai	Shanghai	1	Fincantieri S.p.A.	100.00%	100.00%
20 Fincantieri Australia Pty Ltd	Sydney	Sydney	1	Fincantieri S.p.A.	100.00%	100.00%
21. Fincantieri do Brasil Partecipaçoes S.A.	Rio de Janeiro	Rio de Janeiro	1	Fincantieri Holding B.V.	20.00%	20.00%
Fincantieri do Brasil Partecipaçoes S.A.	Rio de Janeiro	Rio de Janeiro	1	Fincantieri S.p.A.	80.00%	80.00%
22. Fincantieri Europe S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
23. Fincantieri Holding B.V.	Amsterdam	Amsterdam	1	Fincantieri S.p.A.	100.00%	100.00%
24. Fincantieri India Private Limited	New Delhi	New Delhi	1	Fincantieri Holding B.V.	99.00%	99.00%
Fincantieri India Private Limited	New Delhi	New Delhi	1	Fincantieri S.p.A.	1.00%	1.00%
25. Fincantieri Infrastructure S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
26. Fincantieri Marine Group Holdings Inc.	Green Bay, WI	Green Bay, WI	1	Fincantieri USA Inc.	87.44%	87.44%
27. Fincantieri Marine Group LLC	Washington, DC	Washington, DC	1	Fincantieri Marine Group Holdings Inc.	100.00%	100.00%
28. Fincantieri Marine Systems North America Inc.	Chesapeake, VA	Chesapeake, VA	1	Fincantieri Holding B.V.	100.00%	100.00%
29. Fincantieri Oil & Gas S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
30. Fincantieri S.p.A.	Trieste	Trieste	1	Fintecna S.p.A.	71.64%	71.64%
31. Fincantieri Services Middle East LLC	Doha	Doha	1	Fincantieri S.p.A.	100.00%	100.00%
32. Fincantieri Services USA LLC	Miami	Miami	1	Fincantieri USA Inc.	100.00%	100.00%
33. Fincantieri SI S.p.A.	Trieste	Trieste	1	Seaf S.p.A.	100.00%	100.00%
34. Fincantieri Sweden AB	Stoccolma		1	Fincantieri S.p.A.	100.00%	100.00%
35. Fincantieri USA Inc.	Washington, DC	Washington, DC	1	Fincantieri S.p.A.	100.00%	100.00%
36. Fintecna S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
37. FIT - Fondo Investimenti per il Turismo	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
38. FT1 - Fondo Turismo 1	Rome	Rome	4	FIT - Fondo Investimenti per il Turismo	100.00%	100.00%
39. FIV Extra	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
40. FIV Plus	Rome	Rome	4	CDP S.p.A.	100.00%	100.00%
41. FMSNA YK	Nagasaki	Nagasaki	1	Fincatieri Marine Systems North America Inc.	100.00%	100.00%
42. Fondo Sviluppo Export	Milan	Milan	1	SACE S.p.A.	100.00%	100.00%
43. FSI Investimenti S.p.A.	Milan	Milan	1	CDP Equity S.p.A.	77.12%	77.12%
44. Gasrule Insurance D.A.C.	Dublino	Dublino	1	SNAM S.p.A.	100.00%	100.00%
45. Gestione Bacini La Spezia S.p.A.	La Spezia	La Spezia	1	Fincantieri S.p.A.	99.89%	99.89%
46. GNL Italia S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100.00%	100.00%
47. ICD Software AS	Alesund	Alesund	1	Seaonics AS	100.00%	100.00%

Company name	Headquarters	Registered office	Type of relation-ship [1]	Equity investment		% of votes [2]
				Investor	% holding	
48. Industrial Control Design AS	Alesund	Alesund	1	ICD Software AS	100.00%	100.00%
49. Infrastrutture Trasporto Gas S.p.A.	San Donato Milanese (MI)	Milan	1	Asset Company 2 S.r.l.	100.00%	100.00%
50. Isotta Fraschini Motori S.p.A.	Bari	Bari	1	Fincantieri S.p.A.	100.00%	100.00%
51. Issel Nord S.r.l.	Follo	Follo	1	Delfi S.r.l.	100.00%	100.00%
52. Issel Service S.r.l.	Follo	Follo	1	Issel Nord S.r.l.	100.00%	100.00%
53. Italgas Reti S.p.A.	Torino	Torino	1	Italgas S.p.A.	100.00%	100.00%
54. Italgas S.p.A.	Milan	Milan	4	CDP RETI S.p.A.	26.04%	26.04%
Italgas S.p.A.	Milan	Milan	4	SNAM S.p.A.	13.50%	13.50%
55. Marine Interiors S.p.A.	Trieste	Caneva (PN)	1	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	100.00%	100.00%
56. Marinette Marine Corporation	Marinette, WI	Marinette, WI	1	Fincantieri Marine Group LLC	100.00%	100.00%
57. Monita Interconnector S.r.l.	Rome	Rome	1	Terna S.p.A.	95.00%	95.00%
Monita Interconnector S.r.l.	Rome	Rome	1	Terna Rete Italia S.p.A.	5.00%	5.00%
58. Residenziale Immobiliare 2004 S.p.A.	Rome	Rome	1	CDP Immobiliare S.r.l.	74.47%	74.47%
59. Rete S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
60. Rete Verde 17 S.r.l.	Rome	Rome	1	Terna Plus S.r.l.	100.00%	100.00%
61. Rete Verde 18 S.r.l.	Rome	Rome	1	Terna Plus S.r.l.	100.00%	100.00%
62. Rete Verde 19 S.r.l.	Rome	Rome	1	Terna Plus S.r.l.	100.00%	100.00%
63. Rete Verde 20 S.r.l.	Rome	Rome	1	Terna Plus S.r.l.	100.00%	100.00%
64. S.G.S. S.r.l.	Padua	Padua	1	Enerco Distribuzione S.p.A.	100.00%	100.00%
65. SACE BT	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%
66. SACE do Brasil	San Paulo	San Paulo	1	SACE S.p.A.	100.00%	100.00%
67. SACE Fct	Rome	Rome	1	SACE S.p.A.	100.00%	100.00%
68. SACE Servizi	Rome	Rome	1	SACE BT	100.00%	100.00%
69. SACE S.p.A.	Rome	Rome	1	CDP S.p.A.	100.00%	100.00%
70. Seaonics AS	Alesund	Alesund	1	Vard Group AS	56.40%	56.40%
71. Seaonics Polska Sp.zo.o.	Gdansk	Gdansk	1	ICD Software AS	62.50%	62.50%
Seaonics Polska Sp.zo.o.	Gdansk	Gdansk	1	Seaonics AS	37.50%	37.50%
72. Seastema S.p.A.	Genoa	Genoa	1	Fincantieri S.p.A.	100.00%	100.00%
73. SIA ICD Industries Latvia	Riga	Riga	1	ICD Software AS	100.00%	100.00%
74. SIMEST S.p.A.	Rome	Rome	1	SACE S.p.A.	76.01%	76.01%
75. SNAM 4 Mobility S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100.00%	100.00%
76. SNAM Rete Gas S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100.00%	100.00%
77. SNAM S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	4	CDP RETI S.p.A.	30.10%	30.10%
78. Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Trieste	1	Fincantieri S.p.A.	100.00%	100.00%
79. SPE Santa Lucia Transmissora de Energia S.A.	San Paulo	San Paulo	1	Terna Chile S.p.A.	0.01%	0.01%
SPE Santa Lucia Transmissora de Energia S.A.	San Paulo	San Paulo	1	Terna Plus S.r.l.	99.99%	99.99%
80. SPE Santa Maria Transmissora de Energia S.A.	San Paulo	San Paulo	1	Terna Plus S.r.l.	99.99%	99.99%
SPE Santa Maria Transmissora de Energia S.A.	San Paulo	San Paulo	1	Terna Chile S.p.A.	0.01%	0.01%
81. Stogit S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100.00%	100.00%
82. Tamini Transformers USA L.L.C.	Chicago	Chicago	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
83. Tamini Trasformatori S.r.l.	Melegnano (MI)	Melegnano (MI)	1	Terna Plus S.r.l.	70.00%	70.00%
84. Terna Chile S.p.A.	Santiago del Chile	Santiago del Chile	1	Terna Plus S.r.l.	100.00%	100.00%
85. Terna Crna Gora d.o.o.	Podgorica	Podgorica	1	Terna S.p.A.	100.00%	100.00%
86. Terna Interconnector S.r.l.	Rome	Rome	1	TERNA RETE ITALIA S.p.A.	5.00%	5.00%
Terna Interconnector S.r.l.	Rome	Rome	1	Terna S.p.A.	65.00%	65.00%
87. Terna Peru S.A.C.	Lima	Lima	1	Terna Plus S.r.l.	99.99%	99.99%
Terna Peru S.A.C.	Lima	Lima	1	Terna Chile S.p.A.	0.01%	0.01%
88. Terna Plus S.r.l.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
89. Terna Rete Italia S.p.A.	Rome	Rome	1	Terna S.p.A.	100.00%	100.00%
90. Terna S.p.A.	Rome	Rome	4	CDP RETI S.p.A.	29.85%	29.85%
91. Tes Transformer Electro Service Asia Private Limited	Magarpatta City, Hadapsar, Pune	Magarpatta City, Hadapsar, Pune	1	Tamini Trasformatori S.r.l.	100.00%	100.00%
92. Vard Accommodation AS	Tennfjord	Tennfjord	1	Vard Group AS	100.00%	100.00%
93. Vard Accommodation Tulcea S.r.l.	Tulcea	Tulcea	1	Vard Accommodation AS	99.77%	99.77%
Vard Accommodation Tulcea S.r.l.	Tulcea	Tulcea	1	Vard Electro Tulcea S.r.l.	0.23%	0.23%

Company name	Headquarters	Registered office	Type of relation-ship (1)	Equity investment		% of votes (2)
				Investor	% holding	
94. Vard Aqua Chile SA	Chile	Chile	1	Vard Aqua Sunndal AS	95.00%	95.00%
95. Vard Aqua Scotland Ltd	Lochgilphead	Lochgilphead	1	Vard Aqua Sunndal AS	100.00%	100.00%
96. Vard Aqua Sunndal AS	Sunndalsøra	Sunndalsøra	1	Vard Group AS	96.42%	96.42%
97. Vard Braila SA	Braila	Braila	1	Vard RO Holding S.r.l.	94.12%	94.12%
Vard Braila SA	Braila	Braila	1	Vard Group AS	5.88%	5.88%
98. Vard Contracting AS	Norway	Norway	1	Vard Group AS	100.00%	100.00%
99. Vard Design AS	Alesund	Alesund	1	Vard Group AS	100.00%	100.00%
100. Vard Design Liburna Ltd.	Rijeka	Rijeka	1	Vard Design AS	51.00%	51.00%
101. Vard Electrical Installation and Engineering (India) Private Limited	New Delhi	New Delhi	1	Vard Tulcea SA	1.00%	1.00%
Vard Electrical Installation and Engineering (India) Private Limited	New Delhi	New Delhi	1	Vard Electro AS	99.00%	99.00%
102. Vard Electro AS	Sovik	Sovik	1	Vard Group AS	100.00%	100.00%
103. Vard Electro Braila SRL	Braila	Braila	1	Vard Electro AS	100.00%	100.00%
104. Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niteroi	Niteroi	1	Vard Group AS	1.00%	1.00%
Vard Electro Brazil (Instalacoes Eletricas) Ltda	Niteroi	Niteroi	1	Vard Electro AS	99.00%	99.00%
105. Vard Electro Canada Inc.	Vancouver	Vancouver	1	Vard Electro AS	100.00%	100.00%
106. Vard Electro Italy S.r.l.	Genoa	Genoa	1	Vard Electro AS	100.00%	100.00%
107. Vard Electro Tulcea S.r.l.	Tulcea	Tulcea	1	Vard Electro AS	99.96%	99.96%
108. Vard Engineering Brevik AS	Brevik	Brevik	1	Vard Group AS	100.00%	100.00%
109. Vard Engineering Constanta S.r.l.	Costanza	Costanza	1	Vard RO Holding S.r.l.	70.00%	70.00%
Vard Engineering Constanta S.r.l.	Costanza	Costanza	1	Vard Braila SA	30.00%	30.00%
110. Vard Engineering Gdansk Sp.zo.o.	Poland	Poland	1	Vard Engineering Brevik AS	100.00%	100.00%
111. Vard Group AS	Alesund	Alesund	1	Vard Holdings Limited	100.00%	100.00%
112. Vard Holdings Limited	Singapore	Singapore	1	Fincantieri Oil & Gas S.p.A.	79.74%	79.74%
113. Vard Marine Inc.	Vancouver	Vancouver	1	Vard Group AS	100.00%	100.00%
114. Vard Marine US Inc.	USA	USA	1	Vard Marine Inc.	100.00%	100.00%
115. Vard Niterói Ltda	Rio de Janeiro	Rio de Janeiro	1	Vard Group AS	99.99%	99.99%
Vard Niterói Ltda	Rio de Janeiro	Rio de Janeiro	1	Vard Electro Brazil (Instalaçoes Eletricas) Ltda	0.01%	0.01%
116. Vard Offshore Brevik AS	Porsgrunn	Porsgrunn	1	Vard Group AS	100.00%	100.00%
117. Vard Piping AS	Tennfjord	Tennfjord	1	Vard Group AS	100.00%	100.00%
118. Vard Promar SA	Recife	Recife	1	Vard Group AS	100.00%	100.00%
119. Vard RO Holding S.r.l.	Tulcea	Tulcea	1	Vard Group AS	100.00%	100.00%
120. Vard Seaonics Holding AS	Alesund	Alesund	1	Vard Group AS	100.00%	100.00%
130. Vard Ship Repair Braila SA	Braila	Braila	1	Vard Braila SA	100.00%	100.00%
131. Vard Shipholding Singapore Pte Ltd	Singapore	Singapore	1	Vard Holdings Ltd	100.00%	100.00%
132. Vard Singapore Pte. Ltd.	Singapore	Singapore	1	Vard Group AS	100.00%	100.00%
133. Vard Tulcea SA	Tulcea	Tulcea	1	Vard Group As	0.004%	0.004%
Vard Tulcea SA	Tulcea	Tulcea	1	Vard RO Holding S.r.l.	99.996%	99.996%
134. Vard Vung Tau Ltd	Vung Tau	Vung Tau	1	Vard Singapore Pte Ltd	100.00%	100.00%

Key
(1) Type of relationship:
1 = Majority of voting rights in ordinary shareholders' meeting;
2 = Dominant influence in ordinary shareholders' meeting;
3 = Agreements with other shareholders;
4 = Other form of control;
5 = Unitary management pursuant to Article 26.1 of Legislative Decree 87/92;
6 = Unitary management pursuant to Article 26.2 of Legislative Decree 87/92.
(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes.

Compared with 31 December 2016, the greatest changes in the scope of line-by-line consolidation are represented by:

- the deconsolidation of FSIA Investimenti following the completion of the sale of a 30% investment to Poste Italiane S.p.A.. Consequently and as per the agreements entered into with the transferee, this investee is now jointly controlled. The investee was therefore measured at equity at 31 December 2017;
- the consolidation of Fondo Investimenti per il Turismo, Fondo Investimenti per il Turismo 1, FIA2 and Fondo Sviluppo Export, whose units are wholly owned by CDP, directly or indirectly;
- the consolidation of Infrastrutture Trasporto Gas S.p.A. (ITG), wholly-owned by SNAM as of this year;
- the consolidation of Cinque Cerchi and Bonafous, both in liquidation, in which CDP Immobiliare had a 50% investment;
- the consolidation of Enerco Distribuzione, which owns 27 gas distribution concessions in the provinces of Padua and Vicenza, wholly-owned by Italgas as of this year.

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 100 "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 operations are accounted for using the equity method.

The equity method involves initial recognition of the equity investment at cost, which is subsequently adjusted on the basis of the share held in the equity of the investee.

The difference between the value of the equity 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 operations and investments in associates was based on the most recent (annual or interim) financial statements of the companies.

Subsidiaries

Subsidiaries are entities, included structured entities, which are directly or indirectly controlled by the Group. Control over an entity is shown by the Group's capacity to exercise power in order to influence variable returns to which the Group is exposed as a result of its relationship with the aforementioned entity.

In order to verify the 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 book value of equity stakes in entities consolidated on a line-by-line basis held by the Parent Company or other Group companies is offset – against the assets and the liabilities of the investees – as a counterparty of the relevant equity share pertaining to the Group.

Assets and liabilities, off-balance sheet transactions, income and expenses, as well profits and 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 270. "Gains (Losses) on disposal of investments" for companies consolidated on a line-by-line basis.

Non-controlling interests are presented in the balance sheet under item 210. "Non-controlling interests", separately from liabilities and equity attributable to the Group. In the income statement, non-controlling interests are also presented separately under item 330. "Net income (loss) for the period 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
1. Terna S.p.A.	82.36%	82.36%	344,589
2. SNAM S.p.A.	81.76%	81.76%	827,443
3. Italgas S.p.A.	82.14%	82.14%	132,933

(1) Available voting rights at Ordinary Shareholders' Meeting.

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.	17,027,534	286	2,104,935	13,258,513	9,790,125	3,828,975	(90,138)	(91,956)	1,074,656	988,645	694,210		694,210	(1,734)	692,476
2. SNAM S.p.A.	22,199,637	379	1,486,075	16,882,821	12,631,945	6,187,934	(200,860)	(271,714)	1,336,330	1,226,061	897,224		897,224	(8,926)	888,298
3. Italgas S.p.A.	6,050,430	170	2,990	4,901,212	3,723,220	1,185,640	(30,345)	(37,144)	416,262	404,626	292,766		292,766	(1,046)	291,720

4. Significant restrictions

No significant restrictions were found to exist.

5. Other information

No other information to be reported.

Section 4 - Events subsequent to the reporting date

During the period between the reporting date of these consolidated financial statements and their approval by the Board of Directors, no events occurred that would require an adjustment to the figures presented in the consolidated financial statements at 31 December 2017 nor did any significant events occur that would have required providing additional information.

Significant events that occurred after the reporting date

The significant transactions which occurred after 31 December 2017 are summarised below.

Italgas

The following should be noted with respect to gas distribution activities, carried out by the subsidiary Italgas:
- Italgas Acqua was set up on 1 January 2018 following Italgas Reti's partial, proportional de-merger to a newco, by contributing the so-called "former Napoletanagas water business unit" to the latter;
- on 24 January and 31 January 2018, the boards of directors of ACAM Gas and Italgas Reti approved the Project for the merger of ACAM Gas into Italgas Reti, with accounting effect from 1 January 2018;

- on 26 January 2018, the acquisition of the Amalfitana Gas business unit related to natural gas distribution in three districts (ATEM) in the Campania and Basilicata regions was completed;
- on 30 January 2018, Italgas successfully completed the 250 million euro reopening of the bond issued on 18 September 2017 (500 million euro, maturing on 18 January 2029 and with coupon of 1.625%);
- on 31 January 2018, Italgas also completed the acquisition of the AEnergia Reti business unit related to the distribution network serving the municipality of Portopalo di Capopassero (Siracusa);
- in implementation of the binding agreement signed on 8 November 2017, on 28 February 2018, Italgas acquired 100% of Ichnusa Gas from CPL Concordia and Impresa Costruzioni Ing. Raffello Pellegrini S.r.l.. Ichnusa Gas is the holding company which controls 12 companies that, in turn, hold 12 concessions for the construction and operation of gas distribution networks in 81 municipalities in Sardinia. The entire enterprise value of Ichnusa Gas has been appraised at 26.2 million euro. At the acquisition date, two of the twelve concessions were operating on a provisional basis with the first customers provided with LPG, while the remaining ten refer to networks either under construction or to be constructed, for a total expected investment of over 170 million euro, partly financed with regional public contributions.

Fincantieri

On 2 February 2018, the subsidiary Fincantieri, through its subsidiary Fincantieri Europe S.p.A., signed a purchase and sale agreement with the French government, represented by Agence des Participations de l'Etat (APE), governing the acquisition of 50% of STX France. The agreement was signed after the termination of the Share Purchase Agreement entered into by Fincantieri and STX Europe AS on 19 May, following the French government's exercise of the pre-emption right on the entire share capital of STX France on 28 July 2017, and after the signing of the Share Purchase Agreement between the French government and STX Europe. The acquisition by Fincantieri will be subject to the closing of the transaction between the French government and STX Europe and the conditions typical of this type of transactions. For Fincantieri, the agreement establishes a purchase price for the related stake of 59.7 million euro, payable using available financial resources. Upon closing of the transaction, the shareholders' agreements and the agreement to lend Fincantieri 1% of STX France's share capital will also be signed.

CDP Immobiliare

With respect to the real estate business, on 26 January 2018, a framework agreement was signed with Cassa di Risparmio di Bologna to fully relieve Pentagramma Romagna in liquidation and under deed of arrangement of its debts as part of a procedure pursuant to article 182-*bis* of the Italian Bankruptcy Law. 100% of this equity investment was acquired on 23 February 2018.

SNAM

The following should be noted with respect to the gas transport, storage and regasification activities carried out by SNAM group companies:
- on 23 February 2018, an agreement was signed for the acquisition of a controlling interest, equal to 82% of the share capital, in TEP Energy Solution (TEP), one of the main Italian companies active in the energy efficiency sector, certified as an Energy Service Company (ESCo). The agreement was reached on the basis of the enterprise value of 100% of TEP, amounting to 21 million euro. A price adjustment based on the results for the next three years and put and call options exercisable by 2020 are envisaged. This venture is part of the strategic plans of the company to reduce its reliance on fossil fuels and improve the use of energy in the territories where it operates. The transaction is scheduled for closing by September 2018, and is conditioned on the Italian Antitrust Authority (Autorità Garante della Concorrenza e del Mercato – AGCM) issuing its own authorisations.
- In March, SNAM and Fluxys acquired the 33.5% investment held by Caisse de dépôt et placement du Québec (CDPQ), in Interconnector UK, which owns the bi-directional gas pipeline connecting the United Kingdom to Belgium and the rest of Europe. Through the joint ventures Gasbridge 1 BV and Gasbridge 2 BV, Fluxys and SNAM decided to proportionally exercise their pre-emption right on the investment held by CDPQ. Thanks to this transaction, CDPQ includes the management of its investment in Interconnector UK in the 20% investment held directly in Fluxys. The total value of the transaction is about 75 million GBP. Further to the completion of the transfer of the equity investment, Fluxys and SNAM are Interconnector UK's sole shareholders, increasing their stake to 76.32% and 23.68%, respectively. This confirms their full support to the company during this new phase of development. The carrying value of SNAM's investments in Gasbridge 1 BV and Gasbridge 2 BV at 31 December 2017 was adjusted based on the fair value of the consideration for the transaction.

Terna

On 15 February 2018, the subsidiary Terna signed the closing for acquisition of 70% of a NewCo, pursuant to the agreement signed on 10 October 2017, through its subsidiary Terna Plus, to which the principal assets of Avvenia, a leader in the energy efficiency sector and certified Energy Service Company (ESCo), have been transferred. The transaction is part of the identification and implementation of new business opportunities for energy efficiency services and support, in order to further consolidate Terna Plus's role as a provider of fully integrated energy services and expand the offer of innovative solutions as energy solution provider, in line with the instructions set out in the Strategic Plan for the Group's unregulated assets.

SAIPEM

On 30 January 2018, Consob, after the inspection which commenced on 7 November 2016 (and ended on 23 October 2017), informed SAIPEM, in which CDP holds an equity investment through CDP Equity, that it had identified non-compliance issues in the "separate and consolidated financial statements at 31 December 2016 and the half-year report at 30 June 2017" with respect to applicable international accounting principles (IAS 1 "Presentation of financial statements"; IAS 34 "Interim financial reporting"; IAS 8 "Accounting policies, changes in accounting estimates and errors" par. 5, 41 and 42; IAS 36 "Impairment of assets" par. 31, 55-57). Consequently, it also notified the commencement "of proceedings in view of the application of the measure as per article 154-*ter*.7 of Legislative Decree no 58/98".

On 2 March 2018, Consob, which allowed, in part, the observations made by the company about the identified findings, notified SAIPEM of its decision (no. 20324) (the "Decision"), in which it confirmed "the non-compliance of SAIPEM's 2016 separate and consolidated financial statements with the provisions governing their preparation", while it did not dispute the correctness of the half-year report at 30 June 2017. Under the Decision, the non-compliance of SAIPEM's 2016 separate and consolidated financial statements with the provisions governing their preparation refers, specifically, to: (i) the incorrect application of the accruals-basis of accounting established in IAS 1; (ii) the failure to apply IAS 8 in correcting the errors related to the 2015 financial statements and (iii) the process to estimate the discount rate under IAS 36.

Therefore, pursuant to article 154-*ter*.7 of Legislative Decree no. 58/1998, Consob requested that the company discloses the following information to the market:
- the weaknesses and critical issues identified by Consob as to the accounting accuracy of the above financial statements;
- the applicable IFRS and the related violations identified;
- the description, in a specific pro-forma consolidated balance sheet – accompanied by comparative figures – of the effects that the application of an IFRS-compliant accounting treatment would have had on the 2016 balance sheet, income statement and equity, in relation to which wrong disclosures were given.

Section 5 - Other issues

IFRSs endorsed at 31 December 2017 and in force since 2017

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 2017, are provided below.
- Commission Regulation (EU) 2018/182 of 7 February 2018, published in Official Journal L. 34 of 8 February 2018, amending Regulation (EC) 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 12: this amendment, in addition to clarifying the scope of this IFRS also for interests held by the entity classified in accordance with IFRS 5, does not establish the obligation, for the entity, to disclose the financial information for those interests classified in accordance with IFRS 5;
- Commission Regulation (EU) 2017/1990 of 6 November 2017, published in Official Journal L. 291 of 9 November 2017, 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 7: the amendments are intended to improve the information provided on liabilities arising from financing activities;
- Commission Regulation (EU) 2017/1989 of 6 November 2017, published in Official Journal L. 291 of 9 November 2017, 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 12: these amendments clarify the accounting for deferred tax assets related to debt instruments measured at fair value.

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 2018)

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 2017 (unless, where permitted, it is chosen to adopt them in advance):
- Commission Regulation (EU) 2018/400 of 14 March 2018, published in Official Journal L. 72 of 15 March 2018, 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 40: the aim of the amendments is to strengthen the principle according to which an entity only transfers a property to, or from, investment property when, and only when, there is a change in use of the property and provides examples that prove the change in use of the property;
- Commission Regulation (EU) 2018/289 of 26 February 2018, published in Official Journal L. 55 of 27 February 2018, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 2: the amendments aim to clarify how companies should apply the standard in some specific instances;
- Commission Regulation (EU) no. 2018/182 of 7 February 2018, published in Official Journal L. 34 of 8 February 2018, 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 Standard 28 and International Financial Reporting Standard 1, the main amendments concern:
  - IAS 28 – "Investments in associates and joint ventures". The document seeks to clarify that the choice of measurement at fair value, instead of the equity method, must be made separately for each associate or joint venture, or for each investment entity associate or joint venture held by an entity other than an investment entity;
  - IFRS 1 – "First-time Adoption of International Financial Reporting Standards". The amendments remove the short-term exemptions from IFRSs;

- Commission Regulation (EU) 2016/2067 of 22 November 2016, published in Official Journal L. 323 of 29 November 2016, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 9: the aim is to improve the financial reporting of financial instruments by addressing concerns that arose in this area during the financial crisis. In particular, IFRS 9 addresses the call to move to a more forward-looking model for the recognition of expected losses on financial assets
- Commission Regulation (EU) 2016/1905 of 22 September 2016, published in Official Journal L. 295 of 29 October 2016, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 15: the aim is to improve the financial reporting of revenue and, therefore, to improve the comparability of revenue in financial statements;
- Commission Regulation (EU) 2017/1988 of 3 November 2017, published in Official Journal L. 291 of 9 November 2017, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 4: this amendment seeks to address the temporary accounting consequences of the different effective dates of IFRS 9 and the new standard for insurance contracts IFRS 17 that will replace IFRS 4;
- Commission Regulation (EU) 2017/1987 of 31 October 2017, published in Official Journal L. 291 of 09 November 2017, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 15: these amendments aim to clarify some requirements of the new standard and provide additional transitional relief for companies that are implementing the new standard.

IFRS 9: Financial Instruments

From 1 January 2018, the new standard IFRS 9, issued by the IASB in July 2014 and endorsed by the European Commission in 2016, has replaced IAS 39, and governs the classification and measurement of financial instruments.

The changes introduced by the new Standard mainly concern three aspects: “classification and measurement”, “impairment”, and “hedge accounting”. Revision of the rules for macro hedge accounting still has to be completed, for which the IASB has decided to undertake a project separate from IFRS 9.

In extreme summary, the main innovations wrought by the new standard involve:
- the classification and measurement of debt instruments, based on the contextual analysis of the adopted business model and the characteristics of the contractual cash flows generated by the instrument, into three accounting categories: financial assets measured at amortised cost, financial assets measured at fair value through profit and loss (“FVTPL”), and financial assets measured at fair value through other comprehensive income (“FVOCI”). In contrast with the current IAS 39, the portfolios of financial assets available for sale and financial assets held to maturity, and the possibility of separating the embedded derivatives from hybrid contracts for financial assets alone, are eliminated. Instead, the current classification and measurement rules for financial liabilities as given in IAS 39 are confirmed;
- the classification of equity instruments in the FVTPL category, unless the option is exercised to classify the equity instruments not held for trading in the FVOCI category;
- the recognition of “own credit risk” (i.e. the change in value of the financial liabilities designated under the fair value option attributable to the change in the entity’s own credit quality) through other comprehensive income, instead of in the income statement as currently provided by IAS 39;
- 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 immediate recognition of losses than the present “Incurred Loss” model envisaged in IAS 39, according to which the losses have to be recognised if evidence is found of impairment losses after initial recognition of the asset. In detail, the new model envisages that the financial assets be allocated in three distinct “stages” in increasing order of deterioration of the credit quality:
  - stage 1: this involves the performing financial assets for which no significant credit impairment was recognised in comparison with the date of initial recognition. These assets are recognised on the basis of an expected loss one year out;
  - stage 2: this involves the performing financial assets whose credit quality has deteriorated significantly since initial recognition. These financial assets are also measured based on their lifetime expected credit loss;
  - stage 3: this involves the non-performing financial assets which, having suffered a significant increase in their credit risk since initial recognition, are measured based on their lifetime expected credit loss;
- hedge accounting, with the aim of guaranteeing greater alignment between accounting hedges and operating (or economic) hedge relationships established;
- the impossibility of voluntarily interrupting a hedge accounting relationship if the aim of the hedge remains.

Implementation project

In the second half of 2016, CDP, with the aid of a leading advisory firm, initiated a specific implementation project for the new accounting rules. The aim of the project is to define the qualitative and quantitative impacts deriving from the application of the new Standard, in addition to identifying and implementing the organisational and IT measures necessary for their consistent, systematic and effective adoption within the Group.

To ensure uniform implementation of the new accounting rules within the CDP Group, in accordance with the recommendations of international authorities, this project includes the Parent Company and the companies under its management and coordination.

The implementation project has been structured according to theme-based working groups to enable the CDP Group to not only precisely implement the accounting changes but also to conduct a thorough analysis of the impacts and implementation needs, as well as making changes in the business strategies and business operations required by the standard, and thus design optimal solutions for all the business units involved.

The execution of the project required the convergent involvement of the various organisational units at the Parent Company and the consolidated companies, such as Administration, Accounting and Reporting, Risk Management, Business, Finance, ITC, and Management Control and Organisation.

Furthermore, a coordination forum was established for the various working groups and for the other projects underway for the development of the IT interventions, in order to produce consistent IT solutions and create possible synergies.

Classification and measurement

In order to implement the classification and measurement rules laid down by the new Standard and, therefore, to classify financial assets on the basis of the business model and the contractual cash flow characteristics, an analysis was conducted on the securities and loans portfolios to identify and define the related business models, i.e. the methods of managing financial assets with regard to the generation of cash flows.

The process of defining the business models was therefore implemented by examining the existing management approaches, which substantially confirmed the portfolio management strategy conducted so far, in line with the objectives, general policies and risk policies.

Specifically, analyses were conducted to verify whether the cash flows generated from financial assets arise from the collection of contractual cash flows, from the sale of the assets or from both. Management's intentions regarding the future management were also defined and the new IFRS 9 compliant portfolios (HTC, HTCS[43], Others) were identified, together with the limits under which sales may be permitted and, therefore, considered consistent with a "Held to collect" business model.

Based on the analyses conducted, the method of management for CDP's entire loan portfolio is ascribable to a "Held to collect" business model. However, within the securities portfolio, the portfolios were identified as being essentially ascribable to the "Held to collect" and Held to collect and sell" business models.

The business models under which the financial assets are held have been incorporated in a policy approved by the Board of Directors.

The performance of the SPPI Test ("Solely Payments of Principal and Interest" Test), consisting of the analysis of the characteristics of the cash flows for all financial assets, on the other hand, required portfolios to be structured into uniform subcategories that would allow the systematic study of products with similar characteristics, compared to those with special characteristics.

For the loan portfolio, this consisted of identifying the types of "Standard Products" and "Non-Standard Products" for the purposes of IFRS 9, based on whether or not there are contractual clauses that can be attributed to a contractual standard or uniform contractual clauses that are relevant for IFRS 9 purposes. This classification enabled the conduct of a precise analysis, and thus of the SPPI Test, on all the loans held in CDP's portfolio.

All potentially critical contractual clauses for the purposes of the SPPI Test were carefully and thoroughly analysed and only one product of a subsidiary did not pass the test.

The method adopted to conduct the test was based on the use of a specific checklist and a related decision tree.

All the parameters and indexing rules of the loan portfolio were also fully mapped, together with the related frequency of interest payments. This enabled the identification of positions that have a modified time value of money remuneration, for which the significance of the modification needed to be measured. This consisted of measuring the discrepancy by conducting a benchmark test between the contractual cash flows and the cash flows of the benchmark instrument, i.e. a similar contract with perfect remuneration of the time value of money.

For the securities classified in the HTC and HTCS portfolios, the SPPI Test was conducted by an external provider and the result was subject to review and/or, where necessary, input from the competent structures (Risk Management and Administration, Accounting and Reporting).

For the loans segment, the analyses conducted did not result in changes in classification. Whereas, for the securities segment a very small number of classification and measurement changes were required.

Impairment

The process of adoption of the new accounting provisions established for the calculation of the expected losses required a revision of the existing calculation model. This consisted of the need to make refinements and additions to the models developed for risk management, mainly concerning the:

- scope of the exposures considered, which was extended to include the credit risk associated with the exposures of the Italian Republic, and which required the establishment of a specific process to that end;
- need to also incorporate short-term forecasts into the provisioning, taking into account the different possible scenarios.

43 Held to collect (HTC), Held to collect and sell (HTCS)

In addition, in line with the approach adopted by other financial institutions, adequate approximations had to be identified for the credit rating upon origination of the numerous positions dating back to before the introduction of internal rating tools within CDP.

With regard to the identification of a reference for the credit risk associated with the Italian Republic, it was first of all recognised that, to avoid over-reliance on external ratings, it was necessary to avoid relying exclusively on the ratings of the main international rating agencies, as recommended by best practice. Also in line with the practices adopted by numerous banks and insurance companies, this method is based on an internal assessment.

With regard to the need to also incorporate short-term forecasts in the provisioning, an internal model was developed that allows the modification of the short-term probabilities of default, taking into account macroeconomic factors that capture the effects of economic cycles.

The above methodological features are accompanied by the staging policy, which ultimately consists of the criteria to be used to determine whether or not a position has suffered a significant deterioration in its credit rating. Given the nature of its portfolio, which has low probabilities of default, a long time horizon and a substantial absence of retail exposures, the approach adopted by CDP is based on internal ratings rather than probabilities of default.

The approach is based on defining staging criteria in terms of downgrade notches with thresholds that vary according to vintage (period of time between origination date and reporting date) and the absolute level of risk of the positions.

The staging policy developed by CDP does not envisage the use of the "low credit risk exemption", even though this is permitted by IFRS 9. This possibility consists of 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. The decision not to adopt this exemption takes 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. With respect to other approaches based on the use of the low credit risk exemption, the staging policy developed by CDP also makes it less likely for "threshold effects" to occur, which would lead to very significant changes in the provisioning if the conditions for that exemption are no longer met.

Impact on IT systems

The process of implementing the changes introduced by IFRS 9 inevitably required measures with a high impact on the IT area, mainly in terms of portfolio classification, tracking and measurement of credit risk, accounting and disclosure.

Specifically, the need to adapt the IT systems required a series of analyses that led to the identification of the main areas of impact, with the consequent definition of the target application architectures to be implemented and identification of the applications and procedures to be adapted, as well as the changes to be made.

The interventions on the systems concerned both the implementation of functions, within the existing procedures, that would make the systems suitable for operations from an IFRS9 perspective, and the identification and introduction of the new software applications needed for more efficient and effective management of these aspects.

More specifically, for the Classification and Measurement area, once the methods for performing the SPPI Test had been defined, the applications and procedures, relating to securities, were identified that need to be purchased and/or adapted and supplemented.

With regard to the Impairment area, having made the main choices concerning the parameters to be considered for the assessment of significant deterioration, as well as the methods for calculating the ECL (also taking into account forward-looking information), the applications to be used to track credit risk at the level of each individual position and quantify the related ECL were identified.

Similar analyses and actions were also carried out to align the accounting applications to ensure adequate disclosure in line with the provisions of IFRS 7 and in light of the new version of the FINREP and the fifth update of Bank of Italy Circular 262, effective from 1 January 2018.

The above measures are being managed independently by the subsidiaries subject to management and coordination that have different application systems, also based on the specific features of their business, subject to oversight by the Parent Company, in order to ensure that the solutions are aligned to the guidelines issued by it at Group level.

The Group companies not subject to Management and Coordination have carried out their own independent projects adapted to the specific characteristics of their business.

Organisational impacts

The process of implementing the new accounting standard has also had an impact in organisational terms and on business operations, which required the creation of optimal solutions to enable the efficient application of the new accounting provisions to all the business areas involved.

More specifically, the actions required from an organisational perspective, which impacted all the business areas involved in the implementation project for the new Standard, consisted of the revision of existing operating processes, as well as their adaptation to the needs arising from the application of the new Standard, and the design and implementation of new processes and the corresponding controls, as well as the review and possible expansion of existing operational, administrative and control responsibilities.

The measures related to the Classification and Measurement area primarily concerned the Business, Finance and Risk Management structures, for the identification and construction of the business models, as well as the definition and implementation of the execution process for the SPPI test.

As regards impairment, the Group's goal was to implement increasingly effective and integrated methods of on-going monitoring of credit risk, in line with the requirements of IFRS 9, in order to ensure preventive measures for monitoring and preventing potential transfers of positions from Stage 1 to Stage 2 and to identify consistent and timely value adjustments based on actual credit risk.

Specifically, the measures mainly concerned the reorganisation and alignment of the activities, processes and controls currently assigned to the Risk Management Area, as well as greater involvement of the Business and IT units in the process of defining and updating the parameters and information used by the impairment engine.

First Time Adoption

The CDP Group has adopted IFRS 9 with effect from 1 January 2018 with regard to the rules on classification, measurement and impairment. With regard to the hedge accounting rules, the Parent Company has exercised the option of maintaining the hedge accounting rules laid down by IAS 39, for the preparation of its separate and consolidated financial statements.

As of that date, the Group companies have estimated the impacts resulting from the first time adoption of the standard, in relation to their operations and the nature and characteristics of their financial assets and liabilities. These impacts involved:
- an increase in net impairment losses, mainly related to the application of the new impairment rules to the Parent Company's positions primarily held with governments and other public bodies and, in line with the staging policy adopted, to the allocation of a portion of the exposures to stage 2 and consequent consideration of the lifetime expected credit loss components;
- an increase in equity reserves, as a result of the effects of equity investments accounted for using the equity method, whose estimates resulted in significant revaluations to the fair value of the securities in portfolio, mainly in relation to the allocation of business models, and an increase in non-controlling interests, only slightly offset by higher net value adjustments on financial and commercial assets.

The net impact of the two effects referred to above is expected to be positive, providing confirmation of the Group's capital strength.

The impact estimates were made based on the best information available to the Group at the date of approval of this 2017 Annual Financial Report and must therefore be understood as being subject to possible changes in relation to the completion of the process of first time adoption of IFRS 9, which requires:
- the testing and refining of the new accounting processes, new models, internal controls and the governance framework required by the adoption of IFRS 9;
- the completion of the planned internal and external validation and control activities.

Accordingly, the estimated FTA impacts identified may be subject to changes that have not yet been identified.

IFRS 15: Revenue from Contracts with Customers

Regulatory provisions

The standard, published by the IASB on 28 May 2014, has introduced a single model for measuring all revenue deriving from contracts with customers and replaces the previous standards/interpretations on revenue (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18, SIC 31). According to this model, the entity has to recognise revenue according to the consideration to which it expects to be entitled in exchange for the goods or services provided, determined according to the following five steps:
1) identification of the contract, defined as an agreement having commercial substance between two or more equal parties that can generate rights and obligations;
2) identification of the performance obligations contained in the contract;
3) determination of the transaction price, i.e. the consideration expected for the transfer of goods or services to the customer;
4) allocation of the transaction price to each of the performance obligations, by reference to their standalone selling prices;
5) recognition of the revenue allocated to the individual obligation when it is satisfied, i.e. when the customer obtains control of the goods and services. This recognition acknowledges the fact that certain services may be provided at a specific time or over a period of time.

First Time Adoption

The adoption of this standard resulted in an insignificant preliminary consolidated estimated impact of FTA on the Group's equity at the same date. The estimated FTA impacts identified may be subject to changes that have not yet been identified.

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 2019)

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 2017 (unless, where permitted, it is chosen to adopt them in advance):

- Commission Regulation (EU) 2018/498 of 22 March 2018, published in Official Journal L. 82 of 26 March 2018, amending Commission Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 9: it clarifies the application of the classification rules for financial assets, with regard to early termination, and also introduces transitional provisions regarding the application of prepayment features with negative compensation;
- Commission Regulation (EU) 2017/1986 of 31 October 2017, published in Official Journal L. 291 of 9 November 2017, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 16.

IFRS 16: Leases

On 13 January 2016, the IASB published IFRS 16 (Leases), which is intended to replace the current accounting standard IAS 17, and the interpretations IFRIC 4 (Determining whether an Arrangement contains a Lease), SIC 15 (Operating Leases – Incentives), and SIC 27 (Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The new standard gives a new definition of lease and introduces a principle based on control ("right of use") of an asset, to distinguish finance leases from service agreements, by identifying the following as discriminating elements: identification of the asset, the right to substitute the asset, the right to obtain substantially all economic benefits resulting from use of the asset and the right to direct the use of the asset underlying the agreement. The aim is to ensure greater comparability between financial statements due to the different accounting principles applied to operating leases and finance leases. The standard establishes a single model for recognition and measurement of leases by the lessee, which entails recognition of the leased asset, including those held under an operating lease, on the assets side of the balance sheet, with a balancing entry for the financial liability, while also offering the possibility of not recognising as finance leases those agreements whose objects are "low-value assets" and leases whose term is 12 months or less. In contrast, the new standard does not envisage significant changes for the lessors.

Accounting standards, amendments and interpretations that have not yet been endorsed by the European Union at the reporting date of these financial statements

Certain accounting standards, interpretations and amendments had been issued by the IASB but not yet endorsed by the European Union at the approval date of these consolidated financial statements:

- IFRS 14 – Regulatory deferral accounts (issued on 30 January 2014);
- IFRS 17: Insurance contracts (issued on 18 May 2017);
- IFRIC 22: Foreign currency transactions and advance consideration (issued on 8 December 2016);
- IFRIC 23: Uncertainty over Income Tax Treatments (issued on 7 June 2017);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017);
- Annual improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017);
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018).

Bank of Italy Circular no. 262/2005 - 5th update of 22 December 2017

On 22 December 2017, the Bank of Italy published the 5th update to circular no. 262/2005 (Bank financial statements: presentation formats and rules), containing the following main changes:

- incorporation of IFRS 9 "Financial instruments", as well as the consequent amendments introduced in other international accounting and financial reporting standards, including IFRS 7 "Financial instruments: disclosures";
- incorporation of the new IFRS 15 "Revenue from contracts with customers";
- inclusion, within the notes to the financial statements, of the disclosure requirements established by Principle 8 "Disclosure", contained in the EBA document "Guidelines on credit institutions' credit risk management practices and accounting for expected credit losses" (EBA/GL/2017/06 of 20 September 2017).

This update to circular no. 262/2005 is applicable from financial years beginning from 1 January 2018.

Other information

The annual consolidated financial statements are subject to approval by the Board of Directors of CDP and shall be published in accordance with the timing and methods provided for in the applicable provisions of law in force.

Restatement of the comparative figures at 31 December 2016

RESTATEMENT OF THE CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

(thousands of euro) Assets	31/12/2016	31/12/2016 Restated	Differences
10. Cash and cash equivalents	1,418	1,418	
20. Financial assets held for trading	1,092,094	1,092,094	
30. Financial assets designated at fair value	197,056	197,056	
40. Financial assets available for sale	8,513,404	8,513,404	
50. Financial assets held to maturity	33,773,865	33,773,865	
60. Loans to banks	27,730,603	27,730,603	
- *of which: separate asset pool*	*446,325*	*446,325*	
70. Loans to customers	261,956,715	261,956,715	
80. Hedging derivatives	1,109,475	1,109,475	
90. Fair value change of financial assets in hedged portfolios (+/-)			
100. Equity investments	20,570,087	20,666,813	96,726
110. Reinsurers' share of technical reserves	612,981	612,981	
120. Property, plant and equipment	35,158,657	35,158,657	
130. Intangible assets	7,935,337	7,935,337	
of which: goodwill	*659,576*	*659,576*	
140. Tax assets:	2,085,765	2,085,765	
a) current tax assets	781,699	781,699	
b) deferred tax assets	1,304,066	1,304,066	
- *of which: Law 214/2011*			
150. Non-current assets and disposal group held for sale	386,864	386,864	
160. Other assets	9,300,976	9,300,976	
Total assets	**410,425,297**	**410,522,023**	**96,726**

(thousands of euro) Liabilities and equity	31/12/2016	31/12/2016 Restated	Differences
10. Due to banks	25,692,215	25,692,215	
- *of which: secured by segregated asset pool*			
20. Due to customers	302,189,543	302,189,543	
30. Securities issued	28,107,767	28,107,767	
40. Financial liabilities held for trading	289,047	289,047	
50. Financial liabilities designated at fair value			
60. Hedging derivatives	970,235	970,235	
70. Fair value change of financial liabilities in hedged portfolios (+/-)	38,206	38,206	
80. Tax liabilities:	3,589,252	3,589,252	
a) current tax liabilities	117,253	117,253	
b) deferred tax liabilities	3,471,999	3,471,999	
90. Liabilities associated with non-current assets and disposal groups held for sale	74,557	74,557	
100. Other liabilities	8,051,312	8,051,312	
110. Staff severance pay	230,629	230,629	
120. Provisions for risks and charges:	2,719,258	2,719,258	
a) pensions and other post-retirement benefit obligations			
b) other provisions	2,719,258	2,719,258	
130. Technical reserves	2,794,066	2,794,066	
140. Valuation reserves	2,342,285	2,342,285	
150. Share capital repayable on demand			
160. Equity instrument			
170. Reserves	13,660,240	13,660,240	
180. Share premium reserve	2,378,517	2,378,517	
190. Share capital	4,051,143	4,051,143	
200. Treasury share (-)	(57,220)	(57,220)	
210. Non-controlling interests (+/-)	13,151,146	13,151,146	
220. Net income (loss) for the year	153,099	249,825	96,726
Total liabilities and Shareholders' equity	**410,425,297**	**410,522,023**	**96,726**

RESTATEMENT OF CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2016

(thousands of euro) Items	31/12/2016	31/12/2016 Restated	Differences
10. Interest income and similar income	6,994,170	6,994,170	
20. Interest expense and similar expense	(4,887,764)	(4,887,764)	
30. Net interest income	**2,106,406**	**2,106,406**	
40. Commission income	154,410	154,410	
50. Commission expense	(1,617,614)	(1,617,614)	
60. Net commission income (expense)	**(1,463,204)**	**(1,463,204)**	
70. Dividends and similar revenues	4,606	4,606	
80. Profits (losses) on trading activities	321,277	321,277	
90. Fair value adjustments in hedge accounting	1,529	1,529	
100. Gains (losses) on disposal or repurchase of:	(274,924)	(274,924)	
a) loans	26,556	26,556	
b) financial assets available for sale	27,904	27,904	
c) financial assets held to maturity	2	2	
d) financial liabilities	(329,386)	(329,386)	
110. Profits (losses) on financial assets and liabilities designated at fair value	(22,665)	(22,665)	
120. Gross income	**673,025**	**673,025**	
130. Net impairment losses/recoveries on:	(478,577)	(478,577)	
a) loans	(181,566)	(181,566)	
b) financial assets available for sale	(219,083)	(219,083)	
a) loans			
d) other financial transactions	(77,928)	(77,928)	
140. Financial income (expense), net	**194,448**	**194,448**	
150. Net premium income	376,655	376,655	
160. Net other income (expense) from insurance operations	(44,743)	(44,743)	
170. Net income from financial and insurance operations	**526,360**	**526,360**	
180. Administrative expenses:	(6,188,494)	(6,188,494)	
a) staff costs	(1,699,886)	(1,699,886)	
b) other administrative expenses	(4,488,608)	(4,488,608)	
190. Net accruals to the provisions for risks and charges	(108,593)	(108,593)	
200. Net adjustments to/recoveries on property, plant and equipment	(1,341,754)	(1,341,754)	
210. Net adjustments to/recoveries on intangible assets	(515,155)	(515,155)	
220. Other operating income (costs)	10,179,378	10,179,378	
230. Operating costs	**2,025,382**	**2,025,382**	
240. Gains (losses) on equity investments	(656,663)	(559,937)	96,726
250. Gains (losses) on tangible and intangible assets measured at fair value			
260. Goodwill impairment	(635)	(635)	
270. Gains (losses) on disposal of investments	200	200	
280. Income (loss) before tax from continuing operations	**1,894,644**	**1,991,370**	**96,726**
290. Income tax for the period on continuing operations	(766,222)	(766,222)	
300. Income (loss) after tax on continuing operations	**1,128,422**	**1,225,148**	**96,726**
310. Income (loss) after tax on disposal groups held for sale			
320. Net income (loss) for the year	**1,128,422**	**1,225,148**	**96,726**
330. Net income (loss) for the year pertaining to non-controlling interests	**975,323**	**975,323**	
340. Net income (loss) for the year pertaining to shareholders of the Parent Company	**153,099**	**249,825**	**96,726**

The restatement of the figures at 31 December 2016 was necessary following the completion of the purchase price allocation process carried out on Poste Italiane, of which the Parent Company acquired a 35% stake in the share capital on 20 October 2016. The restatement at fair value of the assets and liabilities, including of a potential nature, of the investee accounted for using the equity method, resulted in the determination of a higher income for the Group for 2016 of 97 million euro.

A.2 - The main financial statement items

The consolidated financial statements of the CDP Group at 31 December 2017 have been prepared by applying the same accounting standards as those used for preparation of the financial statements for the previous financial year, reflecting the amendments endorsed and in force with effect from the financial year 2017, as described in Section 5 - Other issues, A.1 General Information.

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

1 - Financial assets held for trading

This item consists of financial assets, regardless of their technical form (debt securities, equity securities, units of UCIs, loans and derivatives) having the following characteristics:
- they are purchased for resale in the short-term to realise gains resulting from price changes;
- they are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- they are derivatives (except for derivatives designated as hedging instruments for accounting purposes).

These also include the derivative contracts having a positive fair value, which are not part of effective accounting hedge relationships, but are operationally linked to interrelated financial assets/liabilities at fair value whose changes in value are recognised through profit or loss, on the basis of the option granted to the company ("Fair Value Option").

The item also includes the derivatives embedded in financial instruments or other contracts, which have been split off from the host contract and recognised separately in the accounts because:
- they have financial characteristics and risks not strictly correlated to the host contract;
- the embedded instruments, even when separated, meet the definition of derivative; and
- the hybrid instruments that they belong to are not measured at fair value through profit or loss.

In the event of accounting separation, the host contracts are accounted for in their own specific category.

If the conditions exist for splitting off an embedded derivative, but it is not possible to determine separately the value of the embedded derivative from the host contract, the entire hybrid instrument is treated as a financial asset or liability at fair value.

Financial assets held for trading are initially recognised on the execution date for derivative contracts, at the settlement date for debt securities, equities, and units of UCIs, and on the disbursement date for loans. An exception is represented by those securities whose delivery is governed by conventions on the market concerned, for which initial recognition is at the subscription date.

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

Subsequent measurement is at fair value, with recognition of the measurement results in the item "Profits (losses) on trading activities" in the income statement. The fair value is determined based on the official prices as of the reporting date if the financial instruments are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments, if the fair value obtained using such measurement techniques cannot be reliably determined, the financial instruments are measured at cost and written down in the event of impairment losses. If the fair value of a financial asset becomes negative, it is recognised as a "Financial liability held for trading" on the balance sheet.

Dividends on equity instruments that are held for trading are recognised as "Dividends and similar revenues" in the income statement, when the right to receive payment is established.

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

The gains and losses realised on sale or redemption and unrealised gains and losses resulting from changes in the fair value of the trading portfolio are reported under "Profits (losses) on trading activities" in the income statement. An exception is represented by the derivative contracts connected with the "Fair value option", whose changes in fair value are recognised in the income statement item "Profits (losses) on financial assets and liabilities designated at fair value".

2 - Financial assets available for sale

This item consists of bonds (including the host contracts of hybrid instruments after the embedded derivative has been split off), equities (represented by equity investments not held for trading and not qualifying as subsidiaries, associates and joint operations, including private equity investments and investments in private equity funds), units of UCIs, and loans.

Pursuant to IAS 39, the item in question represents a residual category that does not cover derivatives and financial assets classified as "Loans and Receivables", "Financial assets held to maturity", "Financial assets held for trading", and "Financial assets designated at fair value".

Financial assets available for sale are initially recognised on the settlement date for debt securities, equities, and units of UCIs, or on the disbursement date for loans.

The financial assets are initially recognised at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction. Where the amount paid is different from the fair value, the financial asset is nonetheless recognised at fair value, and the difference between the two amounts is recognised through profit or loss.

The financial instruments are measured subsequently at fair value based on the official prices as of the reporting date if they are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, and values recorded in recent similar transactions. If the fair value of equity instruments not listed on active markets cannot be reliably determined, these instruments are measured at cost and written down in the event of impairment.

Unrealised gains or losses on financial assets available for sale are recorded in a specific equity reserve named "Valuation reserve", net of tax effects and also shown in the Statement of Comprehensive Income, until the financial asset is eliminated or impairment is recognised. Interest on the debt instruments and on loans receivable is recognised in the income statement according to the amortised cost method, which is based on the effective interest rate, i.e. the rate that exactly discounts the estimated future receipts during the expected life of the financial instrument at the net carrying value of the financial asset.

Financial assets available for sale undergo impairment testing, at every annual or interim reporting date, to determine whether there is objective evidence of impairment.

When there is objective evidence that the financial asset available for sale might be impaired, the accumulated loss that was initially recognised in the "Valuation reserves" in Equity, is transferred to "Net impairment losses/recoveries on financial assets available for sale" in the income statement. Where the reduction in the fair value of an equity instrument with respect to its initial cost value is significant or prolonged, an impairment is recognised through profit or loss. The CDP Group considers a reduction in fair value to be significant when it exceeds 40% of the initially recognised value and prolonged when it continues for a period of over 24 months.

The impairment is recognised when the purchase cost (net of any amortisation and repayments of principal) of a financial asset available for sale exceeds its fair value estimated at the reference date. Consequently, the amount transferred to the income statement is equal to the difference between the carrying value of the asset and the estimate of its current fair value.

If, after impairment is recognised in the income statement, the fair value of a debt instrument available for sale increases as a result of an improvement in the counterparty's credit rating, a writeback is recognised by the corresponding amount in the income statement item "Net impairment losses/recoveries on financial assets available for sale". Any writebacks of investments in equity instruments are recognised in an Equity reserve. The value of the instrument after the reversal shall in any event not exceed the amortised cost that the financial instrument would have had in the absence of the prior adjustments.

Dividends on equity instruments that are available for sale are recognised as "Dividends and similar revenues" in the income statement when the right to receive payment is established.

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

Where an available-for-sale security is disposed of or eliminated, the related cumulative unrealised change in value recorded in Equity is recognised in the income statement under "Gains (losses) on disposal of financial assets available for sale". In the event of a partial disposal, the valuation reserve is reversed to profit or loss on a FIFO basis.

3 - Financial assets held to maturity

Financial assets held to maturity include financial assets listed on regulated markets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

If a change in intention or ability leads to premature sales or reclassifications to another asset portfolio of a significant portion of the financial assets held to maturity as compared with the portfolio as a whole, the entire portfolio has to be reclassified under "Financial assets available for sale" and that portfolio cannot be used for at least two years ("Tainting rule").

Financial assets held to maturity are initially recognised on the settlement date for debt securities and on the disbursement date for loans.

Initial recognition is at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction. In cases where the price differs from fair value, the asset is recognised at fair value and the difference between the price and the fair value is recognised in the income statement.

After initial recognition, these assets are recognised at their amortised cost, equal to the initial recognition amount, net of principal repayments and amortisation of the difference between the initial amount and the amount repayable on maturity calculated by using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future payment flows for the expected duration of the financial asset, in order to obtain the precise net carrying amount upon initial recognition, which includes directly attributable transaction costs, as well as the fees paid or received by the contracting parties.

When there is objective evidence that the asset is impaired, the amount of that impairment is recognised in the income statement item "Net impairment losses/recoveries on financial assets held to maturity". This loss is measured as the difference between the carrying value of the asset and the discounted value of the estimated future cash flows, discounted at the original effective interest rate of the financial asset. If, in a subsequent year, the amount of the impairment diminishes and the reduction is due to improvement in the solvency of the counterparty after it was recognised, the previous recognised impairment is reversed. However, the reversal of impairment never results in a carrying value higher than what would result from application of the amortised cost if no impairment had occurred, and it is recognised in the same item on the income statement.

If the financial asset held to maturity is a hedge instrument used in an accounting hedge, only the credit risk and exchange rate risk may be hedged.

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

4 - Loans and receivables

"Loans and receivables" refer to the portfolio of financial instruments contracted with customers and banks, having fixed or determinable payments, and which are not listed on an active market. This item also includes the debt instruments having the same characteristics, while excluding derivative contracts.

As envisaged in Circular no. 262 of the Bank of Italy, updated on 15 December 2015, the item in question is divided between "Loans to banks" and "Loans to customers".

The item "Loans to banks" includes unlisted financial assets in respect of banks (current accounts, repo transactions, security deposits, debt securities, operating receivables, etc.). This also includes the amounts receivable from central banks other than free deposits (such as the reserve requirement).

The item "Loans to customers" includes unlisted financial assets in respect of customers (loans, repo transactions, debt securities, operating receivables, etc.). The item also contains the liquidity represented by the balance on the current account held with the Central State Treasury. It also includes receivables due from Italian post offices and variation margins with clearing houses in respect of derivatives transactions.

Loans are recognised when the contract is executed, i.e. upon the unconditional acquisition of a right to payment of the amounts agreed, while debt instruments are recognised at the settlement date. If the contract date and the disbursement date are not the same, a commitment to disburse funds is recognised, and it terminates when the disbursement is made. Where the net amount disbursed does not equal the loan's fair value because the interest rate is lower than the market rate or the rate normally applied for similar loans, initial measurement is carried out by discounting the future cash flows using an appropriate rate.

The initial recognition value is the fair value, corresponding to the amount disbursed inclusive of the transaction costs and commissions directly attributable to the disbursement or purchase as can be determined from the beginning of the transaction.

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

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

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

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

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

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

After initial recognition at fair value, the relationships classified under the loan portfolio are measured at amortised cost, equal to the initial recognition amount plus or minus principal repayments, write-downs and write-backs, and amortisation of the difference between the amount disbursed and the amount repayable on maturity calculated using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future payment flows for the expected duration of the loan, in order to obtain the precise net carrying amount upon initial recognition which includes both directly attributable transaction costs and fees paid or received by the contracting parties. The economic effect of the transaction costs and commissions is spread out over the entire expected life of the loan.

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

Loans are periodically monitored to identify non-performing positions, namely those that have objective evidence of impairment that can give rise to a reduction in their expected realisable value. The CDP Group's classification of non-performing exposures into different risk categories (bad loans, unlikely to pay, non-performing past-due exposures and/or overdrawn positions) is based on the provisions of Bank of Italy Circular no. 272 of 30 July 2008, updated on 28 December 2017.

The amount of the adjustment is determined based on an individual or collective assessment of the level of impairment of the loans.

Performing loans are not subject to analytical testing (because they do not show objective signs of loss or because they are for an insignificant amount), but they do undergo collective/portfolio measurement. This type of measurement is used for uniform categories of exposures in terms of credit risk whose scope has been extended in the financial year, and the method used for collective testing is based on the internal parameters used for pricing loans. The estimate of the incurred loss for the portfolio is determined by applying a number of corrective parameters to the 1-year expected loss. These corrective parameters are determined by considering the degree of concentration of the loan portfolio ("concentration adjustments") and the expected time between the default event and the emergence of confirmation of default ("loss confirmation period").

Impaired loans are measured individually. The impairment loss to be recorded on the loan is determined as the difference between the carrying value of the loan at the time of measurement and the present value of the expected future cash flows, calculated by applying the original effective interest rate. However, for certain loans that are insignificant when considered individually, a portfolio measurement may be permitted. The expected future cash flows take account of estimated recovery time, the value of any guarantees and the expenses for the recovery of the loan.

The specific and portfolio adjustments are recognized in the income statement under the item "Net impairment losses/recoveries on loans".

When the solvency of the counterparty improves to the extent that there is reasonable certainty of greater expected recovery of the loan and/or when receipts exceed the previously recognised value of the loan, the previously recognised impairment is reversed. Reversals are made up to the amount of the amortised cost that the loan would have had in the absence of impairment. In any event, given the method used to measure impairment losses, as the due dates for credit collection approach with the passing of time, the value of the loan is reversed (time value), given that there is a reduction in the implicit finance costs previously recognised as a reduction in the value of the loans. Recovery of all or a part of previously impaired loans is recognised as a reduction to "Net impairment losses/recoveries on loans".

Loans are derecognised when payment is received, when the contractual rights to the cash flows expire, when they are considered definitively irrecoverable or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

5 - Financial assets designated at fair value

This item consists of the financial assets (debt instruments, equity instruments, units of UCIs, loans) designated at fair value under the option granted by IAS 39, paragraph 9 ("Fair Value Option"). This designation is made if it permits obtaining more significant information because:

- it eliminates or significantly reduces a measurement or recognition inconsistency (an "accounting mismatch") that would otherwise arise from measuring assets on different bases; or
- a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Hybrid contracts containing an embedded derivative may also be classified in this item. In this case, the entire hybrid contract may be designated at fair value unless:

- the embedded derivative significantly modifies the cash flows generated by the host contract, or

- it is clear and easily understandable that the separation of the embedded derivative is prohibited.

Equity instruments that do not have observable prices in an active market and whose fair value cannot be reliably determined cannot be classified in this item.

The CDP Group includes investments in hybrid contracts that have an embedded option, which has not been separated from the host contract, within this category, as well as infrastructure rights presented using the Financial Asset model, taking into account the pricing regime that remunerates the asset, given the unconditional contractual right to receive cash or another financial asset from the grantor (or from a third party, based on the grantor's instructions) and the grantor has no means of avoiding payment.

Initial recognition is at fair value at the settlement date, which generally equals the transaction price, without considering the expenses and income attributable to the transaction, which are instead recognised in the income statement.

After initial recognition, these assets are recognised at fair value, with allocation of the realised gains and losses (from the sale or repayment) and/or valuations (due to the change in fair value) to the item "Profits (losses) on financial assets and liabilities designated at fair value" in the income statement.

Financial assets designated at fair value are derecognised when the contractual rights to the related cash flows expire or when the financial asset is sold, substantially transferring all risks and rewards connected with it. Conversely, when a relevant share of the risks and rewards associated with the transferred financial assets is retained, the assets remain on the financial statements, even if legal title has been effectively transferred.

6 - Hedging transactions

Hedging transactions are executed to neutralise contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, should that particular risk effectively materialise.

In accordance with IAS 39, hedging instruments are derivatives or (limited to the hedging of foreign currency risk) non-derivative financial assets or liabilities whose fair value or cash flows are expected to offset the changes in fair value or cash flows of a designated hedged position (paragraphs 72-77 and Annex A, paragraph AG94). A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that:

a) exposes the company to the risk of a change in fair value or future cash flows; and
b) is designated as being hedged (paragraphs 78-84 and Annex A, paragraphs AG98-AG101).

The effectiveness of the hedge is the extent to which the change in fair value or cash flows of the hedged position that is attributable to a hedged risk are offset by the change in fair value or cash flows of the hedging instrument (Annex A, paragraphs AG105 - AG113).

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

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

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged item.

A hedge is deemed to be highly effective if the changes in fair value of the hedged item or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative, with the relationship of these changes falling within a range of between 80% and 125%.

At each annual or interim reporting date, the effectiveness is assessed through specific prospective and retrospective tests capable, respectively, of demonstrating the expected effectiveness and the level of effectiveness achieved.

If the hedge is not effective as described above, the hedging instrument is reclassified under financial instruments held for trading, while the hedged item continues to be measured in accordance with the criteria defined for its category. Hedge accounting also ceases when the hedging instrument expires, is sold or exercised or when the hedged item expires, is sold or is repaid.

Hedging derivatives are initially recognised at their fair value on the contract date. In particular:

- for fair value hedges, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is accounted for by recognising the changes in value through profit or loss, in the item "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 an available for sale financial asset; if there were no hedging, this change would be recognised in equity.
- for cash flow hedges, the changes in fair value of the derivative are recognised, net of the tax effect, in a specific "Valuation reserve" of equity, for the effective portion of the hedge, and are only recognised through profit or loss when there is a change in the cash flows to be offset for the hedged item. The amount of the gain or loss of the hedging instrument considered ineffective is recognised through profit

or loss, in the item "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.

The CDP Group has not concluded hedging transactions in relation to the latter type of operation.

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 recognized in the "Valuation reserves" of equity is immediately recycled through profit or loss. Conversely, if the hedging instrument is transferred or no longer qualifies as an effective hedge, the portion of the item "Valuation reserves" representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the manifestation of the financial effects of the transaction originally hedged.

Item 80 of the consolidated balance sheet assets and item 60 of the consolidated balance sheet liabilities report financial and credit hedging derivatives (when not considered guarantees received in accordance with IAS 39), which at the reporting date have either a positive or negative fair value.

For macro hedges, IAS 39 allows the object of a fair value hedge against interest rate risk to be not only an individual financial asset or liability, but also a monetary amount, containing multiple financial assets and liabilities (or their portions), so that a set of derivatives may be used to reduce the fair value fluctuations of the hedged items in response to changes in market interest rates. Net amounts resulting from the mismatch of assets and liabilities cannot be designated as subject to macro hedging. In the same way as for micro fair value hedges, a macro hedge is deemed to be highly effective if, both at inception and throughout its life, the changes in fair value of the monetary amount hedged are offset by changes in the fair value of the hedge derivatives and if the actual results are within a range of 80% to 125%. The positive or negative amount of the fair value changes, respectively, of the assets or liabilities subject of fair value macro hedges measured with reference to the risk hedged is recognised in Items 90 of the consolidated balance sheet assets or 70 of the consolidated balance sheet liabilities, with a balancing entry under "Fair value adjustments in hedge accounting" in the income statement.

The ineffectiveness of the hedge consists of the difference between the change in fair value of the hedging instruments and the change in fair value of the monetary amount hedged. The ineffective portion of the hedge is in any case included 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 write-back/write-down recognised in items 90 of the consolidated balance sheet assets or 70 of the consolidated balance sheet liabilities is recognised through profit or loss under interest income or expense, over the remaining lifetime of the hedged financial asset or liability.

If these assets and liabilities are sold or redeemed, the amount of fair value not amortised is recognised immediately in "Gains (Losses) on disposal or repurchase" in the income statement.

7 - Equity investments

"Equity investments" means investments in associates and joint ventures (IAS 28) and joint arrangements (IFRS 11).

Associates are companies in which the CDP Group holds, either directly or indirectly, at least 20% of the voting rights or, even with a lower voting interest, companies over which the CDP Group has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control. Non-controlling interests are recognised in "Financial assets available for sale", with the accounting treatment described above.

Joint arrangements involve companies where control is contractually shared between the CDP Group and one or more parties, or when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Equity investments are initially recognised at cost at the settlement date and subsequently measured using the equity method, 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.

The following are possible indicators of impairment:
- the recognition of losses or significantly lower results than budgeted or forecast in multi-year plans;
- the announcement or commencement of insolvency proceedings or restructuring plans;
- the receipt of a dividend that exceeds the total comprehensive income of the investee for the year or its accumulated income from previous years;
- a carrying value of the equity investment in the separate financial statements that exceeds the amount, in the consolidated financial statements, of the corresponding portion of equity, including any goodwill.

In addition, for equity investments in listed companies, the CDP Group also considers the following as evidence of impairment:
- equity higher than market capitalisation;
- a reduction in the market price exceeding the carrying value by over 40% or for more than 24 months.

The recoverable amount is the higher of the fair value of the unit, less costs of disposal and its value in use, being the present value of the future cash flows that the equity investment may generate, including the final disposal value of the investment.

If this value is lower than the carrying value, the difference is recognised in the income statement as an impairment loss. If the reasons causing the adjustment cease to exist, the impairment losses are reversed. These reversals have to be recognised in the income statement up to the amount of the previous impairment. Consequently, the reduction in the previously recognised impairment upon write-back of the value of the equity investment may not exceed the book value that would have existed if no impairment had been previously recognised. Both the adjustments and the reversals of impairment are recognised in the income statement 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 on equity instruments that are available for sale are recognised in “Dividends and similar revenues” when the right to receive payment is established.

Equity investments are derecognised 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.

8 - Property, plant and equipment

This item includes the capital assets used in operations governed by IAS 16 and investment property governed by IAS 40. These include also assets under finance leases (for the lessee) and operating leases (for the lessor). In order to determine whether a contract contains a lease, the provisions of IFRIC 4 are applied. The item includes the leasehold improvement costs, which can be separated from the assets and have their own functionality and utility.

“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 incidental expenses directly related to the purchase, non-deductible VAT and costs for bringing the asset to working condition, increased by revaluations carried out under the provisions of specific laws. Borrowing costs directly attributable to the acquisition, construction or production of an asset have to be added to the value of the asset itself and capitalised pursuant to IAS 23.

Special maintenance and repair costs, incurred after initial recognition, which result in an increase in the future economic benefits, are recognised as an addition to the value of the assets. 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 the CDP Group at the rates listed below, which are considered adequate to represent the residual useful life of each asset.

	Minimum rate	Maximum rate
Buildings	2.0%	10.0%
Movables	6.0%	100.0%
Electrical plant	4.0%	33.0%
Other:		
Power lines	4.0%	4.0%
Transformation stations	2.4%	6.7%
Gas pipelines	2.0%	2.0%
Power stations	5.0%	10.0%
Gas reduction and regulation	5.0%	5.0%
Pipelines	2.0%	2.0%
Processing stations	4.0%	20.0%
Compression stations	5.0%	5.0%
Storage wells	1.7%	20.0%
Regasification	4.0%	4.0%
Industrial and commercial equipment	8.0%	33.0%
Other assets	3.0%	25.0%
Other plant and equipment	2.0%	33.0%

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 impairments are present, 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 property, plant and equipment". If the reasons for which impairment was recognised cease to exist, the value of the asset is reversed. The adjusted value may not exceed the value that the asset would have had, net of the depreciation calculated in the absence of previous impairment.

Newly acquired assets are depreciated as from the period in which they enter service and are, therefore, ready for use.

Land and buildings are considered to be separable assets; therefore, they are treated as separate assets for accounting purposes, even if purchased together.

Each item of property, plant and equipment that has a significant value compared to the overall value of the asset it belongs to is recognised and depreciated separately.

"Investment property" consists of real estate property held for investment purposes to be leased to third parties outside the CDP Group. These assets are initially recognised in accordance with IAS 40 at purchase or construction cost, including directly attributable purchase/construction costs. However, maintenance costs relating to these assets cannot be capitalised, but are recognised in the income statement.

Subsequent measurement of said property investments in the consolidated financial statements is at cost, net of depreciation and impairment, as set out in IAS 16 in relation to operating property, plant and equipment.

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

The 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.

9 - Intangible assets

"Intangible assets" includes, pursuant to IAS 38, non-monetary assets that are identifiable and do not have physical substance. They are held to be used for a multi-year period or an indefinite period. They consist mainly of concessions, licenses and trademarks, contractual relationships with customers, research and development costs and industrial patent and intellectual property rights.

Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a transaction related to a business combination and the fair value of identifiable net assets acquired. If this difference is negative (badwill) or if the goodwill is not justified by the future earnings capacity of the investee, the difference is recognised in the income statement.

An intangible asset is recognised if the following conditions are satisfied:
- the asset is identifiable, i.e. it is separable from the rest of the enterprise;
- the asset is controlled, i.e. it is subject to the control of the enterprise;

- the asset generates future economic benefits,
- the cost of the asset can be measured reliably.

If one of these elements is missing, the purchase or realisation cost is fully recognised as a cost in the income statement in the financial year in which it is incurred.

Concessions, licenses, trademarks and similar rights arising from an acquisition are recognised at current values at the date of the acquisition. The value of the storage concessions, determined as indicated by the Ministry for Productive Activities (now the Ministry of Economic Development) in the decree of 3 November 2005, is recorded under the item "Other assets" of intangible assets valued 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 value 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 annually on goodwill, or whenever there is evidence of impairment. This involves comparing the carrying amount of goodwill and the recoverable amount of the CGUs to which the goodwill is attributed. If the carrying amount of goodwill is higher than the recoverable value of the CGU, the difference is recognised in the income statement at "Net adjustments to goodwill". 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.

10 - 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 non-current assets and 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 of disposal), without any depreciation/ amortisation being envisaged.

The individual assets of the companies classified as held for sale are not amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised. Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets (or disposal groups) 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; or
- is an investment exclusively acquired with a view to resale.

The profits and losses net of tax that can be related to disposal groups of assets and liabilities are shown in the specific income statement item “Income (loss) after tax on disposal groups held for sale”.

11 - Current and deferred taxes

Tax assets and liabilities are recognised in the balance sheet respectively under consolidated asset Item 140 “Tax assets” and consolidated liability Item 80 “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 temporarily deductible differences; and iv) deferred tax liabilities, consisting of payables for tax to be paid in future periods as a result of taxable temporary differences.

Current taxes, consisting of corporate income tax (IRES) and regional tax on business activities (IRAP), are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year. They are calculated on the basis of applicable tax rates.

Deferred tax assets and liabilities are recognised according to the tax rate that, under the legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation.

The term “deferred” tax refers, in particular, to the recognition, in terms of tax, of the temporary differences between the value assigned to an asset or liability for statutory accounting purposes and the corresponding value for tax purposes.

Deferred taxes are recognised: i) under Tax assets, if they relate to “deductible temporary differences”, which means the differences between statutory and tax values that will give rise to deductible amounts in future financial years, to the extent that they are likely to be recovered; and ii) under Tax liabilities, if they relate to “taxable temporary differences” representing liabilities because they are related to accounting entries that will become taxable in future tax periods.

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

Some of the Group’s Italian companies joined the “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.

12- Provisions for risks and charges

This item consists of the allowances set aside to cover specific types of liabilities whose existence is certain or probable, but whose amount or accrual date were uncertain at the reporting date.

Therefore, the allowances are recognised only when:
- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable/expected that a cost will have to be incurred to meet an obligation, or use of resources capable of producing economic benefits, and
- a reliable estimate can be made of the amount of the obligation.

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

Contingent — not probable — liabilities are not provided for. However, they are disclosed in the notes to the financial statements, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The allowances are used only to cover the costs for which they were originally recognised, and they are reversed in the income statement when the obligation is settled or when it is no longer probable that an outflow of resources will be required to settle the present obligation.

This item does not include the impairment resulting from impairment of the commitments to disburse funds, of the guarantees granted, and the credit derivatives assimilated to them pursuant to IAS 39, to the extent that they are included, if applicable, in “Other liabilities”.

This item also includes the company pension plans 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, reference is made to paragraph 18, “Staff severance pay”.

13 - Debt and securities issued

“Due to banks” and “Due to customers” include all forms of interbank and customer funding. In particular, these items include all debt of any kind (deposits, current accounts, loans, repo transactions) other than “Financial liabilities held for trading”, “Financial liabilities designated at fair value”, and debt securities under “Securities issued”. This includes operating payables. In particular, the CDP Group includes in these items the amounts still to be disbursed for loans being repaid, as well as liabilities in respect of postal funding products.

Postal savings bonds issued by CDP are reported under “Due to banks” and “Due to customers”, including those that have matured but have not yet been redeemed at the reporting date. These instruments are zero-coupon securities (where the interest accrued is paid when the principal is redeemed) with a step-up interest structure (the interest rate increases as the period for which the bond is held increases) and with principal and interest redeemed in a single payment upon maturity, although the bonds can be redeemed upon request of the underwriter at any time prior to their contractual maturity, with principal and interest paid in accordance with the period for which the bond was held. For financial instruments such as postal savings bonds, IAS 39 calls for the adoption of the amortised cost method and states that the effective interest rate to be used in calculating amortised cost must be equal to the internal rate of return of the estimated (not contractual) cash flows throughout the expected (and not contractual) life of the instrument. Given the aforementioned option of early redemption, the expected life of postal savings bonds is, on average, less than their contractual life. CDP has therefore developed a statistical model for forecasting early redemption of postal savings bonds based on a time series of redemptions, which is used to price the new issues. The forecasting model used at the time of the bond issue is also used to determine the initial estimated amortisation plan for each series of postal savings bonds. Based on these estimated flows, the effective interest rate and the amortised cost to be recognised in the balance sheet are then calculated. Differences between the actual early redemptions and these estimates result in an adjustment to the remaining amortisation schedule. In such cases, the IFRSs state that the amortised cost of the instrument being measured is to be equal to the present value of the new estimated future cash flows using the unchanging effective interest rate calculated upon issuing each series of postal savings bonds as the discount rate. The effective rate for floating-rate interest-bearing postal savings bonds is updated every time the estimated cash flows are revised due to changes in the benchmark indices and the review of the flow of redemptions.

“Securities issued”, both listed and unlisted, are measured net of repurchased securities. The item does not include the portion of the company’s own debt securities issued but not yet placed with third parties.

These liabilities are recognised for the first time on the date the raised funds are received or the debt instruments are issued. These items are recognised at their fair value upon first-time recognition. That value normally corresponds to the amount received or the issue price, inclusive of the costs directly attributable to the individual fund-raising operations or the costs incurred for the issue.

The financial liabilities are subsequently measured at amortised cost using the effective interest rate method, as defined in the preceding paragraphs. An exception is represented by short-term financial liabilities, which are recognised at the received value, given the negligible effect of the time factor.

In hybrid debt instruments (indexed to equity instruments, indices, foreign currencies, etc.) the embedded derivative is separated from the host contract, when the criteria for separation envisaged in IAS 39 apply, and is recognised at its fair value under financial assets/liabilities held for trading. The related changes in value are recognised in the income statement. The host contract is instead allocated an initial value corresponding to the difference between the total amount of the proceeds received and the fair value allocated to the embedded derivative. The contract is recognised and measured according to the criteria envisaged by the classification portfolio.

Debt and securities issued are eliminated when they mature or are extinguished. The elimination also takes place when there is a repurchase of previously issued bonds, with simultaneous recalculation of the residual payable only for the securities issued. The difference between the carrying value of the liability and the amount paid to purchase it is recognised in the income statement.

14 - Financial liabilities held for trading

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

In particular, this category of liabilities includes the negative value of the trading derivatives, which are not part of effective accounting hedges but are held to meet operating hedging requirements where the company wishes to standardise the measurement criterion between related assets and liabilities.

They also include the derivatives embedded in financial instruments or other contracts, which have financial and risk characteristics that are not strictly correlated with the host instrument or which meet the requirements to be classified themselves as derivatives. They are, therefore, recognised separately, after the embedded derivative has been separated from the host contract, which instead follows the accounting rules for its classification category. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

The financial liabilities are initially recognised at fair value, which generally equals the amount received net of transaction costs or revenues. When the amount paid differs from the fair value, the financial liability is recognised at fair value, and the difference between the two amounts is recognised through profit or loss. Initial recognition is 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 the measurement results through profit or loss. If the fair value of a financial liability becomes positive, it is recognised as a financial asset held for trading.

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows expire or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with the financial liability are retained, the 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” (Item 80) in the income statement. The income components are recognised following the results of the measurement of the financial liability held for trading.

15 - Financial liabilities designated at fair value

This item includes debt securities issued by the CDP Group for which the fair value option has been exercised, in accordance with the requirements established by IAS 39 for recognition in that item.

This classification is made when one of the following conditions applies:
- the designation eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring liabilities on different bases;
- the liabilities consist of a group of financial liabilities, or of financial assets and liabilities, which is managed and whose 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.

These financial liabilities are recognised for the first time on the date the debt instruments are issued.

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.

After initial recognition, these financial liabilities are recognised at fair value, with allocation of the realised gains and losses (due to repayment or sale) and/or valuations (due to the change in fair value) to the item “Profits (losses) on financial assets and liabilities designated at fair value” in the income statement.

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.

16 - Transactions in a foreign currency

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

In preparing the annual or interim financial statements, assets denominated in a foreign currency are accounted for as follows:
- monetary instruments are translated at the spot exchange rate quoted at the preparation date of the financial statements, by recognising exchange rate differences under “Profits (losses) on trading activities” in the income statement (except for financial assets and liabilities at fair value, those subject to fair value and cash flow hedges, and the related hedges, whose exchange rate differences are recognised in item 110 of the income statement and item 90 of the income statement, respectively);
- non-monetary instruments, which are carried at cost, are translated at the exchange rate quoted on the date of the original transaction;
- non-monetary instruments, 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.

17 - Insurance assets and liabilities

Insurance assets include amounts in respect of risks transferred to reinsurers under contracts governed by IFRS 4. Reinsurers’ share of technical provisions are determined on the basis of the existing contracts/treaties, in accordance with the same criteria used for quantifying the technical provisions, unless a different valuation is deemed appropriate in consideration of the recoverability of the receivable.

In accordance with IFRS 4, insurance liabilities related to actuarial reserves may continue to be accounted for in accordance with local GAAP. A review of the contracts written by the Group insurance companies found that they all qualify as insurance contracts. Technical provisions also include any 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 Legislative Decree no. 173 of 26 May 1997 and the provision for current liabilities, composed of the amounts to be

set aside to cover claims and expenses that exceed the provision for premium instalments on existing contracts for which no claims arose at year-end, to meet the liability adequacy test requirements imposed by IFRS 4;
- the provision for 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.

18 - 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 period, 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

Interest income and expense

Interest income and expense is recognised in the income statement, on a pro-rated basis over time for all instruments, based on the contractual interest rate or at the effective interest rate if the amortised cost method is applied.

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 measured using the 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 periods 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.

Profits (losses) on trading activities

The item includes the following components:
- the realised gains and losses on the derecognition of financial assets held for trading and derivatives not classified as hedges;
- the valuation gains and losses recognised on the change in the fair value of financial assets held for trading and derivatives not classified as hedges, which will be realised at the time of the their derecognition; and
- the positive and negative differentials and margins of derivatives not classified as hedges;
- the positive and negative exchange differences on financial assets and liabilities held for trading denominated in foreign currencies.

Fair value adjustments in hedge accounting

This item shows the balance resulting from the application of the hedging relationships (see paragraph "6 - Hedging transactions" for more details).

More specifically, this item includes the following components:
- the change in fair value of derivatives designated as fair value hedge and cash flow hedge for accounting hedge purposes;
- the change in fair value of the hedged financial assets and liabilities in fair value hedge accounting relationships, attributable solely to the risk hedged;
- the positive and negative exchange rate differences relating to financial assets and liabilities denominated in currency being hedged in fair value and cash flows hedge accounting relationships, and the relating hedging derivatives.

Share-based payments

These are payments to employees as consideration for their work services performed. When specific conditions are met, the cost of employee service is remunerated through stock option plans, whose value is measured according to the fair value of the options granted to employees at the grant date.

The fair value of options granted is recognised in the income statement, under the item "Staff costs" over the vesting period, with a corresponding increase in equity, considering the best possible estimate of the number of options that employees will be able to exercise. That estimate is revised where subsequent information indicates that the expected number of equity instruments that will vest differs from the estimate previously carried out, independently of market conditions.

The measurement method used to calculate fair value considers all the characteristics of the options (term, price and conditions for exercise, etc.), as well as the value of the underlying security at the grant date, volatility and the yield curve at the grant date, in line with the duration of the plan.

At maturity, the estimate is revised and recognised in the income statement to register the amount corresponding to the number of equity instruments that have effectively vested, independently of whether market conditions have been met.

Grants

The revenues are recognised when it is probable that the economic benefits of the operation will flow to the entity. However, where the recoverability of an amount already included in the revenues is uncertain, the unrecoverable amount or the amount whose recovery is no longer probable are recognised as a cost.

Grants received in relation to specific assets whose value is recognised under non-current assets are, for plants already in operation before 31 December 2002, recognised under other liabilities and recognised in the income statement over the depreciation period of the related assets. Since 2003, grants for new plants entering service are recognised as a direct reduction of the value of the related asset.

Grants for operating expenses are recognised in full in the income statement when the conditions for recognition are satisfied.

Revenue recognition

Depending on the type of transaction, revenues are recognised on the basis of the following specific criteria:
- revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- revenues from services are recognised with reference to the stage of completion of the service. If revenues cannot be reliably measured, they are recognised to the extent of recoverable costs;
- revenues from fees for the use of the National Transmission Grid (NTG) are determined on the basis of the rates set by the Authority for Electricity and Gas.

Payments collected on behalf of third parties, such as fees for other non-Group grid owners, as well as fees recognised for the balancing of the national electrical energy system, which do not increase equity, are shown net of the related costs.

Net premium income

This macro-item includes accrued premiums in respect of contracts classifiable as insurance contracts pursuant to IFRS 4 and investment contracts with discretionary participation in profits considered equivalent to insurance contracts by IFRS 4.

Insurance contracts comprise all contracts under which one party (the insurer) accepts significant insurance risk from another party by agreeing to compensate the other party (the policyholder or other beneficiary) if a specified uncertain future event adversely affects the policyholder or the other beneficiary.

All contracts written by the Group can be classified as insurance contracts pursuant to IFRS 4. Premiums are reported net of cessions in reinsurance.

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 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 inputs"); the level of fair value measurement assigned depends on the observability and significance of the inputs used in the valuation model.

For financial instruments listed on active markets, fair value corresponds to the market price at the measurement date, or as close to it as possible (Level 1). An instrument is considered to be traded on an active market if prices are readily and regularly available on regulated markets, organised trading facilities, pricing services, etc. and if those prices can reasonably be considered to be representative of actual and regular market transactions executed close to the valuation date. When there are no published prices on an active market or when, in reference to several indicators (e.g. the possibility of performing transactions at the quoted price and their number, the bid-ask spread, the effective trading volumes), it cannot be held that the price represents an active and regularly functioning market, the fair value of the financial instruments is determined by using measurement models and techniques whose purpose is to establish the price at which the asset or liability would be exchanged between market operators in an arm's length transaction at the valuation date. The fair value of unlisted financial instruments is classified under Level 2 or 3 according to whether or not the inputs used in the valuation model are observable and their significance within that model.

The Level 2 inputs are prices available on active markets or inputs based on observable market data, such as interest rates, credit spreads, or yield curves. If they are used in the pricing of an instrument, they must be available for the entire residual life of the instrument. The fair value of a financial instrument measured with techniques that use Level 2 inputs is classified in the same level for the fair value hierarchy.

The level 2 inputs may need to be adjusted to enable their use, also in view of the characteristics of the financial instrument being measured. If the adjustment is made on the basis of parameters that cannot be observed in the market or is impacted to a greater or a lesser extent by the modelling choices needed to make it (through the use of statistical or "expert-based" techniques by those carrying out the measurement), the fair value measurement is classified under Level 3, if the inputs are not observable in the market or not directly available. This category also includes the parameters estimated on the basis of proprietary models or historic data and used for the fair value measurement of unlisted financial instruments, classified under the same level.

Valuation techniques used for Level 2 and Level 3 measurements are validated by the Risk Management 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 integrated into the corporate systems of CDP.

The market parameters used as inputs for Level 2 valuations are selected on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments listed on active markets.

Specifically, the financial statements of CDP use fair value measurements assigned to level 2 for bonds receivable or payable whose measurement depends exclusively on observable market parameters, and the measurement of interest rate, currency, and plain vanilla equity derivatives designated as accounting or operational hedges for assets or liabilities and of the items relating to the exchanges of collateral referring to them.

For derivatives and bonds, CDP has developed a reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based.

The fair value of derivatives incorporates the counterparty credit risk and current and potential exposure using a simplified credit value adjustment (CVA) methodology. However, in view of the generalised use of framework netting arrangements that provide for the exchange of collateral, and considering the frequency of exchange of the collateral and the fact that it is established in the form of cash deposits, as well as the minimum ratings required from the counterparties, no adjustments of this kind have been made at 31 December 2017. With regard to the embedded derivatives in postal savings bonds which are separated out, the adjustment for the joint credit risk of CDP and the Italian Government is considered to be nil. An adjustment of this type, if made, would result in a reduction in the fair value of those liabilities.

With regard to the assets and liabilities measured at fair value on a recurring basis, the following are classified as Level 3 in the financial statements of CDP:

- the valuations of options on equity indices embedded in certain categories of postal savings bonds, which are separated and measured at fair value through profit or loss and require the use of parameters concerning the redemption behaviour of investors;
- certain bonds whose valuation depends on the conditions of use by CDP established from time to time and/or spreads that are not directly observable or representative of the creditworthiness of the issuer/debtor;
- equity interests and other unlisted equity instruments that are measured using non-market parameters.

A.4.2 Valuation processes and sensitivity

Description of the valuation process for the fair value measurement of instruments classified at Level 3 of the hierarchy of fair value inputs

Level 3 valuation techniques are also applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

The methods and processes adopted by CDP aim to ensure that the value assigned to each position appropriately reflects their current fair value, with a level of detail for the checks proportional to the quantitative significance of the assets and liabilities measured.

The reference framework that comprises the valuation criteria and models on which the valuation of each category of instrument is based is 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 by CDP for the management of securities and derivatives and subject to standard controls. The valuation process and related controls are subject to third-level checks on a regular basis

Description of non-observable inputs used in the valuation process for the fair value measurement on a recurrent basis of instruments classified at Level 3 and the sensitivity of the fair value to changes in those inputs

Fair value measurements for which significant non-observable inputs are used (Level 3), a sensitivity analysis is conducted to obtain a range of possible and reasonable alternative valuations. In general, the impact of unobservable inputs on the Level 3 fair value measurement depends on the interaction between the various inputs used in the valuation process.

Redemption profiles

The redemption of postal savings bonds is a central estimate of the nominal amount of the bonds that will be redeemed within a series of future dates, between the valuation date and the final maturity date. The estimate is made by CDP through statistical analyses and expert-based valuations. This non-observable figure is significant for the Level 3 measurement of the fair value of the options separated out from the postal savings bonds linked to the performance of the Dow Jones Euro Stoxx 50 index. If the investor 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 granted 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.

The sensitivity analysis considered changes of 10% in the remaining principal, applied to the relevant expected percentage for the expiry of each option. If redemptions are lower than estimated, a condition has been established that the current level of remaining principal shall not be exceeded.

SENSITIVITY ANALYSIS TO THE REDEMPTION PROFILE

(millions of euro)

Change in fair value resulting from the use of possibile reasonable alternatives	+10% (higher redemptions)	-10% (lower redemptions)
Embedded options in Premia ed Europa Bonds	2	(2)

Equity multiple

Equity investments in unlisted companies are valued by applying a multiplication factor to the equity in line with what is estimated would be applied for a market transaction. At 31 December 2017, all the multiples, set based on expert appraisal, were 100%. Given that this parameter acts directly on the final fair value on the final fair value in a proportional manner, no sensitivity analysis has been reported.

NAV Adjustment

The Net Asset Value (NAV) is the difference between the total value of a fund's assets and liabilities. An increase in NAV coincides with an increase in fair value. For funds classified in Level 3, fair value adjustments may be needed to take account of certain specific characteristics; such adjustments would result in a transaction being priced below NAV. At 31 December 2017 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	31/12/2017 Level 1	31/12/2017 Level 2	31/12/2017 Level 3	31/12/2016 Level 1	31/12/2016 Level 2	31/12/2016 Level 3
1. Financial assets held for trading	641,881	192,901	62,033	791,797	289,730	10,567
2. Financial assets at fair value			255,885			197,056
3. Financial assets available for sale	9,441,687		1,156,277	7,592,616	4,056	916,732
4. Hedging derivatives		988,655			1,109,475	
5. Property, plant and equipment						
6. Intangible assets						
Total	**10,083,568**	**1,181,556**	**1,474,195**	**8,384,413**	**1,403,261**	**1,124,355**
1. Financial liabilities held for trading		140,255	44,099		171,903	117,144
2. Financial liabilities at fair value		501,551	17,677			
3. Hedging derivatives		669,054			970,235	
Total		**1,310,860**	**61,776**		**1,142,138**	**117,144**

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 held for trading	Financial assets at fair value	Financial assets available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**10,567**	**197,056**	**916,732**			
2. Increases	**61,311**	**83,669**	**760,524**			
2.1 Purchases	13,831	83,669	634,275			
- of which: business combinations						
2.2 Profits taken to:	4,620		23,402			
2.2.1 Income statement	4,620		23,402			
- of which: capital gains	*3,506*		*23,402*			
2.2.2 Equity	X	X				
2.3 Transfers from other levels			102,809			
2.4 Other increases	42,860		38			
3. Decreases	**9,845**	**24,840**	**520,979**			
3.1 Sales	218		139,417			
3.2 Repayments			169,980			
3.3 Losses taken to:	86	24,832	211,508			
3.3.1 Income statement	86	24,832	183,776			
- of which: capital losses	*86*	*24,832*	*183,776*			
3.3.2 Equity	X	X	27,732			
3.4 Transfers from other levels						
3.5 Other decreases	9,541	8	74			
4. Closing balance	**62,033**	**255,885**	**1,156,277**			

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	**117,144**		
2. Increases	**62,830**	**19,972**	
2.1 Issues	2		
- of which: business combinations			
2.2 Losses taken to:	62,828	1,947	
2.2.1 Income statement	62,828	1,947	
- of which capital losses	*12,577*		
2.2.2 Equity	X	X	
2.3 Transfers from other levels		18,025	
2.4 Other increases			
3. Decreases	**135,875**	**2,295**	
3.1 Repayments	110,995		
3.2 Buybacks			
3.3 Profits taken to:	24,880		
3.3.1 Income statement	24,880		
- of which: capital gains	*19,356*		
3.3.2 Equity	X	X	
3.4 Transfers from other levels			
3.5 Other decreases		2,295	
4. Closing balance	**44,099**	**17,677**	

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)	31/12/2017				31/12/2016			
Assets and liabilities not carried at fair value or carried at fair value on a non-recurring basis	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financial assets held to maturity	30,731,007	33,387,145	5		33,773,865	36,874,535		7
2. Loans to banks	43,137,745	973,890	3,138	42,532,733	27,730,603			28,216,014
3. Loans to customers	257,183,231	788,503	9,358,282	257,312,459	261,956,715	463,313	9,684,646	262,242,310
4. Investment property, plant and equipment	52,573		54,933	7,593	33,462		27,931	7,593
5. Non current assets and disposal groups held for sale	23			11	386,864			1,035,307
Total	**331,104,579**	**35,149,538**	**9,416,358**	**299,852,796**	**323,881,509**	**37,337,848**	**9,712,577**	**291,501,231**
1. Due to banks	25,934,885			25,820,598	25,692,215			25,610,104
2. Due to customers	300,331,654		2,053	300,320,289	302,189,543			302,190,231
3. Securities issued	37,237,527	20,527,115	14,971,471	2,774,010	28,107,767	16,517,395	12,411,506	
4. Liabilities associated with disposal groups held for sale					74,557			74,557
Total	**363,504,066**	**20,527,115**	**14,973,524**	**328,914,897**	**356,064,082**	**16,517,395**	**12,411,506**	**327,874,892**

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 measures 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 or paid could in principle be recognised through profit or loss under the appropriate items, generating a “day one profit/loss”.

Such difference may only be recognised through profit or loss if it is generated by a change in the factors on which market participants base their valuations in determining prices (including the time effect).

If the instrument has a specified maturity and a model that monitors changes in the factors on which operators base prices is not immediately available, the day one profit/loss can be recognised through profit or loss over the life of the financial instrument.

CDP has not recognised any “day one profit/loss” on financial instruments in accordance with the provisions of 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)	31/12/2017	31/12/2016
a) Cash	1,015	1,418
b) Free deposits with central banks		
Total	**1,015**	**1,418**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: breakdown by type

(thousands of euro)	31/12/2017									31/12/2016		
	Banking group			Insurance companies			Other entities					
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets												
1. Debt securities				105,696				91,644	42,860	156,651		
1.1 Structured securities												
1.2 Other debt securities				105,696				91,644	42,860	156,651		
2. Equity securities				6,207						4,275		
3. Units in collective investment undertakings				529,978	370					630,871	11,098	
4. Loans												
4.1 Repurchase agreements												
4.2 Other												
Total A				**641,881**	**370**			**91,644**	**42,860**	**791,797**	**11,098**	
B. Derivatives												
1. Financial derivatives		92,588			340			7,959	19,173		278,632	10,567
1.1 Trading					340			7,959	16,566		72,937	
1.2 Associated with fair value option		94										
1.3 Other		92,494							2,607		205,695	10,567
2. Credit derivatives												
2.1 Trading												
2.2 Associated with fair value option												
2.3 Other												
Total B		**92,588**			**340**			**7,959**	**19,173**		**278,632**	**10,567**
Total (A + B)		**92,588**		**641,881**	**710**			**99,603**	**62,033**	**791,797**	**289,730**	**10,567**

The financial derivatives related to the banking group and shown in the table include (for approximately 24 million euro) options purchased to hedge the embedded option component of bonds indexed to baskets of shares. This option component was separated from the host instrument and was classified among financial liabilities held for trading.

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

(thousands of euro) Items/Values	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
A. On-balance sheet assets					
1. Debt securities		**105,696**	**134,504**	**240,200**	**156,651**
a) Governments and central banks		82,218		82,218	83,598
b) Other government agencies					
c) Banks					50,352
d) Other		23,478	134,504	157,982	22,701
2. Equity securities		**6,207**		**6,207**	**4,275**
a) Banks					
b) Other issuers:		6,207		6,207	4,275
- insurance undertakings					
- financial companies					
- non-financial companies					
- other		6,207		6,207	4,275
3. Units in collective investment undertakings		**530,348**		**530,348**	**641,969**
4. Loans					
a) Governments and central banks					
b) Other government agencies					
c) Banks					
d) Other					
Total A		**642,251**	**134,504**	**776,755**	**802,895**
B. Derivatives					
a) Banks	73,108	340	7,959	81,407	252,093
- fair value	73,108	340	7,959	81,407	252,093
b) Customers	19,480		19,173	38,653	37,106
- fair value	19,480		19,173	38,653	37,106
Total B	**92,588**	**340**	**27,132**	**120,060**	**289,199**
Total (A + B)	**92,588**	**642,591**	**161,636**	**896,815**	**1,092,094**

Section 3 - Financial assets designated at fair value - Item 30

3.1 Financial assets designated at fair value: breakdown by type

(thousands of euro) Items/Values	31/12/2017			31/12/2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities			172,216			197,056
1.1 Structured securities			172,216			197,056
1.2 Other debt securities						
2. Equity securities						
3. Units in collective investment undertakings			10,166			
4. Loans			73,503			
4.1 Structured						
4.2 Other			73,503			
Total			**255,885**			**197,056**
Cost			**295,087**			**153,089**

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 172,216 thousand euro at 31 December 2017. The decrease compared to 31 December 2016 is mainly due to the fair value change of Valvitalia, considered as the benchmark for estimating the price of the underlying assets of the CB.

The Other Loans, for the whole amount of 74 million euro, are referred to financial assets at fair value recognized in application of IFRIC 12 by the TERNA group, with reference to concessions for the period regarding infrastructures in Brazil.

3.2 Financial assets at fair value: breakdown by debtor/issuer

(thousands of euro) Items/Values	31/12/2017	31/12/2016
1. Debt securities	172,216	197,056
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other issuers	172,216	197,056
2. Equity securities		
a) Banks		
b) Other issuers:		
- insurance undertakings		
- financial companies		
- non-financial companies		
- other		
3. Units in collective investment undertakings	10,166	
4. Loans	73,503	
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other	73,503	
Total	255,885	197,056

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by type

(thousands of euro)	31/12/2017			31/12/2016		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	9,441,056			7,591,089		
1.1 Structured securities						
1.2 Other debt securities	9,441,056			7,591,089		
2. Equity securities	631		62,159	1,527		18,860
2.1 At fair value	631		9,595	1,489		10,118
2.2 At cost			52,564	38		8,742
3. Units in collective investment undertakings			1,094,118		4,056	897,872
4. Loans						
Total	9,441,687		1,156,277	7,592,616	4,056	916,732

4.1 of which: pertaining to the Banking Group

(thousands of euro)	31/12/2017			31/12/2016		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	9,441,056			7,591,089		
1.1 Structured securities						
1.2 Other debt securities	9,441,056			7,591,089		
2. Equity securities			11,085			11,680
2.1 At fair value			9,019			9,568
2.2 At cost			2,066			2,112
3. Units in collective investment undertakings			1,094,118			897,872
4. Loans						
Total	9,441,056		1,105,203	7,591,089		909,552

4.1 of which: pertaining to Other companies

(thousands of euro) Items/Values	31/12/2017 Level 1	Level 2	Level 3	31/12/2016 Level 1	Level 2	Level 3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities	631		51,074	1,527		7,180
2.1 At fair value	631		576	1,489		550
2.2 At cost			50,498	38		6,630
3. Units in collective investment undertakings					4,056	
4. Loans						
Total	**631**		**51,074**	**1,527**	**4,056**	**7,180**

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

(thousands of euro) Items/Values	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
1. Debt securities	**9,441,056**			**9,441,056**	**7,591,089**
a) Governments and central banks	8,540,363			8,540,363	6,704,204
b) Other government agencies					
c) Banks	900,693			900,693	886,885
d) Other					
2. Equity securities	**11,085**		**51,705**	**62,790**	**20,387**
a) Banks	2,066			2,066	2,066
b) Other issuers:	9,019		51,705	60,724	18,321
- insurance undertakings					
- financial companies	4,019		5,164	9,183	9,011
- non-financial companies	5,000		2,379	7,379	8,978
- other			44,162	44,162	332
3. Units in collective investment undertakings	**1,094,118**			**1,094,118**	**901,928**
4. Loans					
a) Governments and central banks					
b) Other government agencies					
c) Banks					
d) Other					
Total	**10,546,259**		**51,705**	**10,597,964**	**8,513,404**

The increase in the item against the previous year mainly reflects the investment in Italian government bonds.

4.3 Financial assets available for sale: subject to specific hedging

At 31 December 2017, inflation-linked Italian government securities, included under financial assets available for sale, are hedged against the interest rate risk (398 million euro).

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by type

	31/12/2017				31/12/2016			
	Carrying amount	Fair value			Carrying amount	Fair value		
(thousands of euro)		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities:	30,731,007	33,387,145	5		33,773,865	36,874,535		7
- structured								
- other	30,731,007	33,387,145	5		33,773,865	36,874,535		7
2. Loans								
Total	**30,731,007**	**33,387,145**	**5**		**33,773,865**	**36,874,535**		**7**

The item mainly includes fixed-rate government securities held by the Parent Company with a carrying amount of about 24 billion euro, and inflation-linked government securities with a carrying amount of about 5.2 billion euro, the latter held to hedge the exposure to inflation.

5.2 Financial assets held to maturity: debtors/issuers

(thousands of euro) Type of transactions/Values	31/12/2017	31/12/2016
1. Debt securities	**30,731,007**	**33,773,865**
a) Governments and central banks	30,682,464	33,706,254
b) Other government agencies		
c) Banks		20,534
d) Other	48,543	47,077
2. Loans		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**30,731,007**	**33,773,865**
Total (fair value)	**33,387,150**	**36,874,542**

5.3 Financial assets held to maturity: subject to specific hedging

This item has a nil balance.

Section 6 - Loans to banks - Item 60

6.1 Loans to banks: breakdown by type

(thousands of euro) Type of transactions/Values	31/12/2017				31/12/2016			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Claims on central banks	**23,997,985**			**23,997,985**	**8,036,062**			**8,036,062**
1. Fixed-term deposits		X	X	X		X	X	X
2. Reserve requirement	23,997,985	X	X	X	8,036,062	X	X	X
3. Repurchase agreements		X	X	X		X	X	X
4. Other		X	X	X		X	X	X
B. Loans to banks	**19,139,760**	**973,890**	**3,138**	**18,534,748**	**19,694,541**			**20,179,952**
1. Loans	17,881,932		3,138	18,230,249	19,545,099			20,030,693
1.1 Current accounts and free deposits	4,065,690	X	X	X	3,561,225	X	X	X
1.2 Fixed-term deposits	1,128,239	X	X	X	971,360	X	X	X
1.3 Other financing:	12,688,003	X	X	X	15,012,514	X	X	X
- Repurchase agreements		X	X	X	510,560	X	X	X
- Finance leasing		X	X	X		X	X	X
- Other	12,688,003	X	X	X	14,501,954	X	X	X
2. Debt securities	1,257,828	973,890		304,499	149,442			149,259
2.1 Structured		X	X	X		X	X	X
2.2 Other debt securities	1,257,828	X	X	X	149,442	X	X	X
Total	**43,137,745**	**973,890**	**3,138**	**42,532,733**	**27,730,603**			**28,216,014**

Loans to banks are primarily composed of:

- the balance on the management account of the reserve requirement of about 23,998 million euro;
- loans of approximately 12,688 million euro, mostly attributable to loans granted by the Parent Company to the banking system as part of initiatives to support SMEs;
- fixed-term deposits for approximately 1,128 million euro, of which about 192 million euro in respect of Credit Support Annexes (cash collateral) opened by the Parent Company to hedge counterparty credit risk on derivatives and 17 million euro due to the contribution from SACE;
- current account balances amounting to about 4,066 million euro related to Terna, CDP Equity and SNAM.

6.1 of which: pertaining to the Banking group

(thousands of euro) Type of transactions/Values	31/12/2017 Carrying amount	31/12/2017 Fair value Level 1	31/12/2017 Fair value Level 2	31/12/2017 Fair value Level 3	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3
A. Claims on central banks	23,997,985			23,997,985	8,036,062			8,036,062
1. Fixed-term deposits		X	X	X		X	X	X
2. Reserve requirement	23,997,985	X	X	X	8,036,062	X	X	X
3. Repurchase agreements		X	X	X		X	X	X
4. Other		X	X	X		X	X	X
B. Loans to banks	14,630,247	973,890		14,028,424	16,114,713			16,600,124
1. Loans	13,372,419			13,723,925	15,965,271			16,450,865
1.1 Current accounts and free deposits	473,476	X	X	X	544,208	X	X	X
1.2 Fixed-term deposits	210,940	X	X	X	408,549	X	X	X
1.3 Other financing:	12,688,003	X	X	X	15,012,514	X	X	X
- Repurchase agreements		X	X	X	510,560	X	X	X
- Finance leasing		X	X	X		X	X	X
- Other	12,688,003	X	X	X	14,501,954	X	X	X
2. Debt securities	1,257,828	973,890		304,499	149,442			149,259
2.1 Structured		X	X	X		X	X	X
2.2 Other debt securities	1,257,828	X	X	X	149,442	X	X	X
Total	38,628,232	973,890		38,026,409	24,150,775			24,636,186

6.1 of which: pertaining to the Insurance companies

(thousands of euro) Type of transactions/Values	31/12/2017 Carrying amount	31/12/2017 Fair value Level 1	31/12/2017 Fair value Level 2	31/12/2017 Fair value Level 3	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3
A. Claims on central banks								
1. Fixed-term deposits		X	X	X		X	X	X
2. Reserve requirement		X	X	X		X	X	X
3. Repurchase agreements		X	X	X		X	X	X
4. Other		X	X	X		X	X	X
B. Loans to banks	59,668		3,138	56,530	514,256			514,256
1. Loans	59,668		3,138	56,530	514,256			514,256
1.1 Current accounts and free deposits	42,991	X	X	X	96,047	X	X	X
1.2 Fixed-term deposits	16,677	X	X	X	418,209	X	X	X
1.3 Other financing:		X	X	X		X	X	X
- Repurchase agreements		X	X	X		X	X	X
- Finance leasing		X	X	X		X	X	X
- Other		X	X	X		X	X	X
2. Debt securities								
2.1 Structured		X	X	X		X	X	X
2.2 Other debt securities		X	X	X		X	X	X
Total	59,668		3,138	56,530	514,256			514,256

6.1 of which: pertaining to Other companies

(thousands of euro) Type of transactions/Values	31/12/2017 Carrying amount	31/12/2017 Fair value Level 1	31/12/2017 Fair value Level 2	31/12/2017 Fair value Level 3	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3
A. Claims on central banks								
1. Fixed-term deposits		X	X	X		X	X	X
2. Reserve requirement		X	X	X		X	X	X
3. Repurchase agreements		X	X	X		X	X	X
4. Other		X	X	X		X	X	X
B. Loans to banks	**4,449,845**			**4,449,794**	**3,065,572**			**3,065,572**
1. Loans	4,449,845			4,449,794	3,065,572			3,065,572
1.1 Current accounts and free deposits	3,549,223	X	X	X	2,920,970	X	X	X
1.2 Fixed-term deposits	900,622	X	X	X	144,602	X	X	X
1.3 Other financing:		X	X	X		X	X	X
- Repurchase agreements		X	X	X		X	X	X
- Finance leasing		X	X	X		X	X	X
- Other		X	X	X		X	X	X
2. Debt securities								
2.1 Structured		X	X	X		X	X	X
2.2 Other debt securities		X	X	X		X	X	X
Total	**4,449,845**			**4,449,794**	**3,065,572**			**3,065,572**

6.2 Loans to banks: assets subject to specific hedging

(thousands of euro) Type of transactions/Values	31/12/2017	31/12/2016
1. Loans with specific fair value hedges	**436,956**	**327,468**
a) Interest rate risk	436,956	327,468
b) Exchange rate risk		
c) Credit risk		
d) Multiple risks		
2. Loans with specific cash flow hedges		
a) Interest rate risk		
b) Exchange rate risk		
c) Other		
Total	**436,956**	**327,468**

Loans subject to specific hedging are included in the assets of the Parent Company.

6.2 Finance leases

This item has a nil balance.

Section 7 - Loans to customers - Item 70

Loans to customers mainly regard lending operations under the Separate Account and Ordinary Account of CDP. The item also reports cash and cash equivalents held with the Central State Treasury.

The following table provides a breakdown of the positions by technical form.

7.1 Loans to customers: breakdown by type

	31/12/2017						31/12/2016					
	Carrying amount			Fair value			Carrying amount			Fair value		
(thousands of euro)	Performing	Non-performing		Level 1	Level 2	Level 3	Performing	Non-performing		Level 1	Level 2	Level 3
Type of transactions/Values		Acquired	Other					Acquired	Other			
Loans	244,556,092		491,327		8,000	255,343,480	249,843,778		406,047		8,000	260,588,137
1. Current accounts	488,818			X	X	X	488,104			X	X	X
1.1 Cash and cash equivalents held with Central State Treasury	149,097,764			X	X	X	147,845,566			X	X	X
2. Repurchase agreements				X	X	X	4,037,652			X	X	X
3. Loans	90,646,579		245,929	X	X	X	93,047,626		233,945	X	X	X
4. Credit cards, personal loans and loans repaid by automatic deductions from wages	347			X	X	X	466			X	X	X
5. Finance leasing				X	X	X				X	X	X
6. Factoring	1,423,332		213,003	X	X	X	1,735,114		159,235	X	X	X
7. Other	2,899,252		32,395	X	X	X	2,689,250		12,867	X	X	X
Debt securities	12,135,812			788,503	9,350,282	1,968,979	11,706,890			463,313	9,676,646	1,654,173
8. Structured				X	X	X				X	X	X
9. Other debt securities	12,135,812			X	X	X	11,706,890			X	X	X
Total	256,691,904		491,327	788,503	9,358,282	257,312,459	261,550,668		406,047	463,313	9,684,646	262,242,310

Cash and cash equivalents held with the Central State Treasury consists mainly of the balance on current account no. 29814 in the name of "Cassa DP S.p.A. - Gestione Separata", which comprises liquidity generated by Separate Account transactions executed by the Parent Company. Since 1 January 2016 the Ministry of the Economy and Finance has paid CDP semi-annual interest at a floating rate equal to the weighted average (using weightings at 20% and 80%) of the yields recorded at auction, in the reference half year, respectively on 6-month BOTs and 10-year BTPs.

The volume of mortgage loans and other financing, totalling about 93,823 million euro, decreased by about 2,161 million euro on 31 December 2016.

Factoring receivables, which total 1,636 million euro, regard loans granted by the subsidiary SACE Fct and show a decline of 258 million euro over 2016.

The item relating to debt securities, totalling about 12,136 million euro, refers mainly to the balance of the Parent Company for 12,127 million euro and shows an increase of about 429 million euro compared to the end of 2016, mainly attributable to the operations of the Parent Company.

Impaired loans amounted to about 492 million euro (of which about 246 million euro pertaining to the Parent Company), with an increase of about 86 million euro compared to 31 December 2016.

The positive difference between the fair value and the carrying amount of loans to customers reflects the lower interest rates prevailing on the market.

7.2 Loans to customers: breakdown by debtor/issuer

(thousands of euro) Type of transactions/Values	31/12/2017 Performing	31/12/2017 Non-performing Acquired	31/12/2017 Non-performing Other	31/12/2016 Performing	31/12/2016 Non-performing Acquired	31/12/2016 Non-performing Other
1. Debt securities	**12,135,812**			**11,706,890**		
a) Governments	8,762,430			8,661,382		
b) Other government agencies	451,733			418,661		
c) Other issuers:	2,921,649			2,626,847		
- non-financial companies	1,906,807			1,846,206		
- financial companies	1,014,842			780,641		
- insurance undertakings						
- other						
2. Loans to	**244,556,092**		**491,327**	**249,843,778**		**406,047**
a) Governments	184,610,309		28,040	184,897,419		34,760
b) Other government agencies	46,061,164		45,723	47,304,964		58,923
c) Other:	13,884,619		417,564	17,641,395		312,364
- non-financial companies	10,824,899		415,350	10,857,824		308,872
- financial companies	2,502,812			6,359,943		
- insurance undertakings						
- other	556,908		2,214	423,628		3,492
Total	**256,691,904**		**491,327**	**261,550,668**		**406,047**

7.3 Loans to customers: assets subject to specific hedging

(thousands of euro) Type of transactions/Values	31/12/2017	31/12/2016
1. Loans with specific fair value hedges	**24,436,630**	**29,736,493**
a) Interest rate risk	24,235,942	29,615,065
b) Exchange rate risk		
c) Credit risk		
d) Multiple risks	200,688	121,428
2. Loans with specific cash flow hedges	**428,483**	**458,264**
a) Interest rate risk		
b) Exchange rate risk		
c) Other	428,483	458,264
Total	**24,865,113**	**30,194,757**

7.4 Finance leases

This item has a nil balance.

Section 8 - Hedging Derivatives - Item 80

8.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	Fair value 31/12/2017 Level 1	Fair value 31/12/2017 Level 2	Fair value 31/12/2017 Level 3	Notional value 31/12/2017	Fair value 31/12/2016 Level 1	Fair value 31/12/2016 Level 2	Fair value 31/12/2016 Level 3	Notional value 31/12/2016
A. Financial derivatives		**988,655**		**23,519,284**		**1,109,475**		**20,921,669**
1) Fair value		717,098		21,111,738		1,015,389		20,328,315
2) Cash flow		271,557		2,407,546		94,086		593,354
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**988,655**		**23,519,284**		**1,109,475**		**20,921,669**

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

(thousands of euro) Transactions/Hedging transactions	Fair value						Cash flow		Investment in foreign operation
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale						X		X	X
2. Loans	292,669			X	24,258	X	121,277	X	X
3. Financial assets held to maturity	X			X		X		X	X
4. Portfolio	X	X	X	X	X	42,943	X		X
5. Other		3,214				X	149,368	X	
Total assets	**292,669**	**3,214**			**24,258**	**42,943**	**270,645**		
1. Financial liabilities	354,014			X		X	912	X	X
2. Portfolio	X	X	X	X	X		X		X
Total liabilities	**354,014**						**912**		
1. Forecast transactions	X	X	X	X	X	X		X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X		X		

Section 9 - Fair value change of financial assets in hedged portfolios - Item 90

9.1 Fair value change of hedged financial assets: breakdown by hedged portfolio

(thousands of euro) Fair value change of financial assets in hedged portfolios	31/12/2017	31/12/2016
1. Positive fair value change	**16,645**	
1.1 Of specific portfolios:	16,645	
a) loans	16,645	
b) financial assets available for sale		
1.2 overall		
2. Negative fair value change	**(58,148)**	
2.1 Of specific portfolios:	(58,148)	
a) loans	(58,148)	
b) financial assets available for sale		
2.2 Overall		
Total	**(41,503)**	

9.2 Assets hedged generically against the interest rate risk

(thousands of euro) Hedged assets	31/12/2017	31/12/2016
1. Loans	6,880,792	
2. Financial assets available for sale		
3. Portfolios		
Total	**6,880,792**	

Section 10 - Equity investments - Item 100

10.1 Information on equity investments

Company name	Registered office	Operational headquarters	Type of relation-ship [1]	Equity investment		% of votes [2]
				Investor	% holding	
A. Joint ventures						
1. Alfiere S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
2. Ansaldo Energia	Genoa	Genoa	7	CDP Equity S.p.A.	59.94%	59.94%
3. AS Gasinfrastruktur Beteiligung GmbH	Wien	Wien	7	SNAM S.p.A.	40.00%	40.00%
4. Camper and Nicholsons International S.A.	Luxembourg	Luxembourg	7	Fincantieri S.p.A.	49.96%	49.96%
5. CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	Hong Kong	7	Fincantieri S.p.A.	40.00%	40.00%
6. ELMED Etudes S.a.r.l.	Tunis	Tunis	7	Terna S.p.A.	50.00%	50.00%
7. ETIHAD SHIP BUILDING LLC	Abu Dhabi	Abu Dhabi	7	Fincantieri S.p.A.	35.00%	35.00%
8. FSIA INVESTIMENTI S.r.l.	Milan	Milan	7	FSI Investimenti S.p.A.	70.00%	70.00%
9. GasBridge 1 B.V.	Rotterdam	Rotterdam	7	SNAM S.p.A.	50.00%	50.00%
10. GasBridge 2 B.V.	Rotterdam	Rotterdam	7	SNAM S.p.A.	50.00%	50.00%
11. Hotelturist S.p.A.	Padua	Padua	7	CDP Equity S.p.A.	45.95%	45.95%
12. IQ Made in Italy Investment Company S.p.A.	Milan	Milan	7	FSI Investimenti S.p.A.	50.00%	50.00%
13. Issel Middle East Information Technology Consultancy LLC	Abu Dhabi	Abu Dhabi	7	Issel Nord S.r.l.	49.00%	49.00%
14. Luxury Interiors Factory S.r.l.	Naples	Naples	7	Marine Interiors S.p.A.	40.00%	40.00%
15. M.T. Manifattura Tabacchi S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	90.91%	90.91%
16. Manifatture Milano S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
17. Metano S. Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano (LO)	Sant'Angelo Lodigiano (LO)	7	Italgas Reti S.p.A.	50.00%	50.00%
18. Open Fiber S.p.A.	Milan	Milan	7	CDP Equity S.p.A.	50.00%	50.00%
19. Orizzonte Sistemi Navali S.p.A.	Genoa	Genoa	7	Fincantieri S.p.A.	51.00%	51.00%
20. Pentagramma Perugia S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
21. Pentagramma Piemonte S.p.A.	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
22. SAIPEM S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	7	CDP Equity S.p.A.	12.55%	12.55%
23. TIGF Holding S.a.s.	Pau	Pau	7	SNAM S.p.A.	40.50%	40.50%
24. Toscana Energia S.p.A.	Florence	Florence	7	Italgas Reti S.p.A.	48.08%	48.08%
25. Trans Austria Gasleitung GmbH [4]	Vienna	Vienna	7	SNAM S.p.A.	84.47%	84.47%
26. Umbria Distribuzione GAS S.p.A.	Terni	Terni	7	Italgas Reti S.p.A.	45.00%	45.00%
27. Unifer Navale S.r.l.	Finale Emilia (MO)	Finale Emilia (MO)	7	Seaf S.p.A.	20.00%	20.00%
28. Valvitalia Finanziaria S.p.A.	Milan	Milan	7	FSI Investimenti S.p.A.	0.50%	0.50%
B. Companies subject to significant influence						
1. African Trade Insurance Company	Nairobi	Nairobi	4	SACE S.p.A.	4.95%	4.95%
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. B.F. S.p.A.	Milan	Jolanda di Savoia (FE)	4	CDP Equity S.p.A.	19.98%	19.98%
5. Brevik Technology AS	Brevik	Brevik	4	Vard Group AS	34.00%	34.00%
6. Bridge Eiendom AS	Brevik	Brevik	4	Vard Group AS	50.00%	50.00%
7. Castor Drilling Solution AS	Kristiansand	Kristiansand	4	Seaonics AS	34.13%	34.13%
8. CESI S.p.A.	Milan	Milan	4	Terna S.p.A.	42.70%	42.70%
9. CGES A.D.	Podgorica	Podgorica	4	Terna S.p.A.	22.09%	22.09%
10. CORESO S.A.	Brussells	Brussells	4	Terna S.p.A.	15.84%	15.84%
11. CSS Design Limited	British Virgin Islands (GB)	British Virgin Islands (GB)	4	Vard Marine Inc.	31.00%	31.00%
12. DOF Iceman AS	Norvegia	Norvegia	4	Vard Group AS	50.00%	50.00%
13. Elite S.p.A.	Milan	Milan	4	CDP S.p.A.	15.00%	15.00%
14. ENI S.p.A.	Rome	Rome	4	CDP S.p.A.	25.76%	25.76%
15. Europrogetti & Finanza S.p.A. in liquidazione	Rome	Rome	4	CDP S.p.A.	31.80%	31.80%
16. Fondo Italiano di Investimento SGR S.p.A.	Milan	Milan	4	CDP S.p.A.	43.00%	43.00%
17. FSI SGR S.p.A.	Milan	Milan	4	CDP S.p.A.	39.00%	39.00%
18. Galaxy S.àr.l. SICAR	Luxembourg	Luxembourg	4	CDP S.p.A.	40.00%	40.00%
19. Kedrion S.p.A.	Castelvecchio Pascoli (LU)	Castelvecchio Pascoli (LU)	4	FSI Investimenti S.p.A.	25.06%	25.06%
20. Ligestra DUE S.r.l.	Rome	Rome	4	Fintecna S.p.A.	100.00%	100.00%
21. Møkster Supply AS	Stavanger	Stavanger	4	Vard Group AS	40.00%	40.00%

Company name	Registered office	Operational headquarters	Type of relation-ship [1]	Equity investment		% of votes [2]
				Investor	% holding	
22. Møkster Supply KS	Stavanger	Stavanger	4	Vard Group AS	36.00%	36.00%
23. Olympic Challenger KS	Fosnavåg	Fosnavåg	4	Vard Group AS	35.00%	35.00%
24. Olympic Green Energy KS	Fosnavag	Fosnavag	4	Vard Group AS	29.50%	29.50%
25. Poste Italiane S.p.A.	Rome	Rome	4	CDP S.p.A.	35.00%	35.00%
26. QuattroR SGR S.p.A.	Milan	Milan	4	CDP S.p.A.	40.00%	40.00%
27. Rem Supply AS	Fosnavag	Fosnavag	4	Vard Group AS	26.66%	26.66%
28. Risparmio Holding S.p.A.	Rome	Rome	4	CDP S.p.A.	20.00%	20.00%
29. Rocco Forte Hotels Limited	London	London	4	FSI Investimenti S.p.A.	23.00%	23.00%
30. Taklift AS	Skien	Skien	4	Vard Group AS	25.47%	25.47%
31. Trans Adriatic Pipeline AG	Baar	Baar	4	SNAM S.p.A.	20.00%	20.00%
32. Trevi Finanziaria Industriale S.p.A.	Cesena	Cesena	4	FSI Investimenti S.p.A.	16.86%	16.86%
C. Unconsolidated subsidiaries [3]						
1. Cagliari 89 S.c.a.r.l. in liquidazione	Monastir (CA)	Monastir (CA)	1	Fintecna S.p.A.	51.00%	51.00%
2. Cinecittà Luce S.p.A. in liquidazione	Rome	Rome	1	Ligestra Quattro S.r.l.	100.00%	100.00%
3. Consorzio Aerest in liquidazione	Rome	Rome	1	Fintecna S.p.A.	97.38%	97.38%
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 G1 in liquidazione	Rome	Rome	1	CDP Immobiliare S.r.l.	99.90%	99.90%
7. Consorzio IMAFID in liquidazione	Naples	Naples	1	Fintecna S.p.A.	56.85%	56.85%
8. Consorzio Italtecnasud in liquidazione	Rome	Rome	1	Fintecna S.p.A.	75.00%	75.00%
9. Consorzio MED.IN. in liquidazione	Rome	Rome	1	Fintecna S.p.A.	85.00%	85.00%
10. Ligestra Quattro S.r.l.	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
11. XXI Aprile S.r.l.	Rome	Rome	1	Fintecna S.p.A.	100.00%	100.00%
D. Unconsolidated associates [3]						
1. Consorzio Condif in liquidazione	Rome	Rome	4	CDP Immobiliare S.r.l.	33.33%	33.33%
2. Consorzio Edinca in liquidazione	Naples	Naples	4	Fintecna S.p.A.	47.32%	47.32%
3. Consorzio INCOMIR in liquidazione	Mercogliano (AV)	Mercogliano (AV)	4	Fintecna S.p.A.	45.46%	45.46%
4. Pentagramma Romagna S.p.A. in liquidazione and arrangement with creditors	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
5. Quadrifoglio Brescia S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
6. Quadrifoglio Genova S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
7. Quadrifoglio Modena S.p.A. in liquidazione and arrangement with creditors	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
8. Quadrifoglio Piacenza S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
9. Quadrifoglio Verona S.p.A. in liquidazione	Rome	Rome	7	CDP Immobiliare S.r.l.	50.00%	50.00%
10. 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 liquidation or subsidiaries in the start-up phase without assets and liabilities.
(4) Participation in financial rights is equal to 89.2%.
(5) It concerns companies established to run some separate accounts whose revenues belong, for their majority, to Ministry for the Economy and Finance. For this reason these companies, even if are totally owned, are consolidated with the equity method

10.2 Significant equity investments: carrying amount, fair value and dividends received

Company name (thousands of euro)	Carrying amount	Fair value	Dividends received
A. Joint ventures			
1. SAIPEM S.p.A.	592,642	483,510	
B. Companies subject to significant influence			
1. ENI S.p.A.	12,806,706	12,919,277	748,944
2. Poste Italiane S.p.A.	2,519,439	2,870,830	178,284

Equity investments were affected by the restatement of comparative figures, as illustrated in Section 5 "Other issues" – "Restatement of the comparative figures at 31 December 2016", which caused an increase in the opening balance of 97 million euro for the equity investment held in Poste Italiane, up to a total amount of 20,667 million euro.

Considering the restated opening balance, the main changes in the year, which generated a net decrease of 897 million euro, related substantially to:

- the effect of the restatement at fair value and measurement according to the equity method for the residual equity investment in FSIA Investimenti (659 million euro) pursuant to the agreements signed in relation to the sale of a 30% stake in the foregoing investee to Poste Italiane;
- the measurement according to the equity method for the investments in ENI (-1,484 million euro) and Poste Italiane (-144 million euro), which, despite posting positive results, reported a significant decrease in valuation reserves in the half-year period;
- the measurement according to the equity method and the impairment recognised in relation to the equity investment in SAIPEM (the latter amounting to -22 million euro).

Concerning FSIA, at the beginning of the year, FSI Investimenti, a subsidiary of CDP Equity, finalised the sale to Poste Italiane of a 30% stake in FSIA Investimenti for 278 million euro and also defined new governance agreements with the new shareholder. Following the analysis of said agreements and the underlying relationship based on the IFRS, FSIA is now classed under companies subject to joint control and no longer as a subsidiary. In the consolidated financial statements, this entailed the requirement to apply paragraph 25 of IFRS 10 and thus the need to deconsolidate the assets and liabilities of FSIA, which was previously consolidated line by line. The company was therefore recognised as an "equity investment" and initially measured at fair value (based on the sale price) and then accounted for using the equity method.

Please note that, with a view to correctly assessing the accounting effects of the transaction, the equity investment in SIA - a significant asset of FSIA - had already been measured in accordance with the equity method in the consolidated financial statements of the CDP Group prior to the sale.

Impairment testing of equity investments

In compliance with the provisions of the reference accounting standards, at every reporting date the company checks the presence of objective evidence that may give it reason to believe that the carrying amount of the 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.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying amount to determine the recognition of any impairment losses.

Certain indicators appeared at the reporting date, which entailed running impairment tests.

ENI

The interest in ENI features significantly in the equity investment portfolio of CDP. Consequently, the risk profile of CDP is linked to the principal factors that determine the value and profitability of the associate.

Considering, among the impairment indicators, the presence of a market capitalisation below the associate's equity, the equity investment was tested for impairment.

Specifically, the value in use was determined on the basis of IAS 36, by using the Discounted Cash Flow (DCF) method as provided for in the accounting standard.

The plan used to construct the cash flows and the other information needed to calculate the DCF were taken from public sources. The impairment test identified that the value in use was higher than the carrying amount and, consequently, the carrying amount of the associate was confirmed.

SAIPEM

With respect to the equity investment in SAIPEM, since its market price in 2017 resulted in a capitalisation below its equity, giving rise to an impairment indicator, the equity investment was tested for impairment pursuant to IAS 36.18 and the group policies in order to calculate its recoverable amount at the reporting date.

The results of this test, taking into account the value in use determined by using the DCF method based on information taken from public sources, led to a decrease in the carrying amount of the equity investment compared to the portion of equity pertaining to CDP (approximately -22 million euro).

The impairment test and the accuracy of the results obtained were subject to a Fairness Opinion released by an independent expert.

Open Fiber

In consideration of the negative result recorded by the investee, an impairment test was also carried out on the equity investment in Open Fiber (held through CDP Equity). The analysis produced a recoverable amount estimated, with the DCF method (determined as part of the more complex measurement of the investor by an independent expert), to be higher than the carrying amount in the consolidated financial statements. As a consequence, the carrying amount of the equity investment was confirmed.

Poste Italiane

Considering the major trigger events for the purpose of the separate financial statements, an impairment test on the equity investment in Poste Italiane was carried out. The test took account of the determination of the value in use, estimated using the method of the Dividend Discount Model and based on information taken from public sources. The impairment test found that the value in use was higher than the carrying amount and, consequently, the carrying amount of the equity investment was confirmed.

When this data became available, a comparison was made between the carrying amount of the equity investment of Poste Italiane in the consolidated financial statements and the value in use, the latter proving to be higher.

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	Methodology used
ENI	Discounted Cash Flow
SAIPEM	Discounted Cash Flow
Open Fiber	Discounted Cash Flow
Poste Italiane	Dividend Discount Model

10.3 Significant equity investments: accounting data

(millions of euro) Company name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Writedowns of property, plant and equipment and intangible assets	Income (loss) before tax from continuing operations	Income (loss) after tax on continuing operations	Income (loss) after tax on disposal groups held for sale	Income (loss) for the year (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3) = (1) + (2)
A. Joint ventures														
1. SAIPEM S.p.A.	1,751	69	10,770	3,118	4,873	9,038	(223)	(736)	(106)	(307)		(307)	46	(261)
B. Companies under significant influence														
1. ENI S.p.A.	7,363	7,894	99,671	24,707	42,142	70,977	(1,962)	(7,258)	6,844	3,377		3,377	(5,518)	(2,141)
2. Poste Italiane S.p.A.	5,624	186,766	10,280	63,244	131,876	33,441	(73)	(545)	1,067	689		689	(764)	(75)

The accounting data for significant joint operations and associates was processed based on the information made available by the investees.

10.4 Non-significant equity investments: accounting data

Company name (thousands of euro)	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 period (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
Joint ventures	3,228,469	8,025,043	4,666,749	1,900,466	273,944		204,364	(7,719)	196,645
Companies subject to significant influence	622,334	7,887,546	5,641,193	2,213,330	(84,273)		(78,647)	379	(78,268)
Unconsolidated subsidiaries	176	4,434	6,721	440					

The accounting data for non-significant joint operations and associates was processed based on the information made available by the investees.

10.5 Equity investments: changes for the year

(thousands of euro)	31/12/2017	31/12/2016
A. Opening balance	**20,666,813**	**18,172,243**
B. Increases	**2,423,404**	**5,237,121**
B.1 Purchases	319,406	4,343,045
of which: business combinations		
B.2 Writebacks	2,117	10
B.3 Revaluations	1,638,089	332,710
B.4 Other increases	463,792	561,356
C. Decreases	**3,320,451**	**2,742,551**
C.1 Sales	330,394	112,264
- *of which: business combinations*		
C.2 Writedowns	38,788	6,711
C.3 Other decreases	2,951,269	2,623,576
D. Closing balance	**19,769,766**	**20,666,813**
E. Total revaluations	**4,747,536**	**3,528,360**
F. Total writedowns	**3,347,456**	**3,123,602**

10.6 Significant assessments or assumptions made to determine whether there is joint control or significant influence

Please refer to the contents of Section 7 “Equity Investments” Part A.2 of these Notes to the Consolidated Financial Statements.

10.7 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;
- the commitments related to the investment in Kedrion S.p.A., broken down as follows:
  a) earn-out clause: Sestant, a Marcucci family SPV and shareholder in Kedrion, is to receive a bonus from FSI Investimenti in the event of changes in the ownership structure of the investee, if the value of the investment rises significantly. At 31 December 2017, the value of the option was negative by approximately 5,697 thousand euro;
  b) FSI Investimenti has undertaken to provide Kedrion with a loan of up to 50 million euro to service the general financial requirements of the Kedrion Group, to be made through one or more draw-downs upon request of the company. Kedrion will pay a gross annual interest rate of 6%, on an arm’s length basis, and will be allowed to repay the loan (principal and interest) within 120 days of its disbursement, or within 180 days if the funds are used to fund a growth project in which both parties are involved. In the event that repayment is not made within these terms, FSI Investimenti will be entitled to demand a capital increase corresponding to the amount drawn down. At 31 December 2017, this loan had not been drawn down and was treated in the accounts as a commitment, partly in view of the fact that Kedrion Group must first grant the conversion option to FSI Investimenti;
- pursuant to the existing shareholders’ agreements related to the investee Pentagramma Piemonte between CDP Immobiliare and the private shareholders in the partnerships, the shareholders are, with each being liable to the extent of its own commitment:
  a) mutually obligated to the investees (“Company”), pursuant to and in accordance with Article 1411 of the Italian Civil Code, to ensure, as necessary, any additional financial support to meet the Company’s needs in excess of third party financing, including the support needed to finance the management, ordinary operating and start-up costs and/or for the disbursement of third-party financing;
  b) mutually undertake, in favour of the Company, to cover its losses for an amount no less than necessary to replenish the minimum required capital pursuant to Article 2327 of the Italian Civil Code, by using, firstly, each part up to the amount of the receivable claimed for the partner’s loan offered by each party, and for the remaining amount required, within the limits specifically set out in current shareholders’ agreements and indicated in the report on operations in the sections relating to each partnership.

10.8 Commitments relating to companies under significant influence

They refer to the commitment undertaken by SNAM S.p.A. vis-à-vis TAP as the shareholder financing the project, given the percentage of investment held. At 31 December 2017, out of a total commitment of 776 million euro, undertaken in respect of the project overheads, SNAM disbursed a total amount of 357 million euro. However, should the market loan agreements related to the project overheads be finalised, the company will enter into loan guarantees thereby reducing the amount of the total commitment and the terms of repayment of the shareholders’ loans.

10.9 Significant restrictions

In regard to any significant restrictions on equity investments, as envisaged in IFRS 12.13 and 22, the following are mentioned:

- the subsidiary Ligestra Due S.r.l., measured using the equity method. This vehicle manages the separate asset pools entrusted by the Italian Government to Fintecna on behalf of the latter. 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;
- the equity investment in the subsidiary Ligestra Quattro S.r.l., recognised at cost, similarly to the previous year, in view of the obligation to cover the loss for the year imposed by lawmakers to the Ministry for Cultural Heritage, Activities and Tourism. For the purposes of the reporting package, measuring Ligestra Quattro's sub-consolidation accounts using the equity method would have had the same effects of applying the cost method.

10.10 Other information

The financial statements or reports of associates or joint operations with a reporting date of more than three months from 31 December 2017 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	30/09/2017
Kedrion S.p.A.	Significant influence	30/09/2017
Rocco Forte Hotels Ltd.	Significant influence	31/10/2017

Furthermore, when the accounting data of an associate or a joint operation used to apply the equity method is different from 31 December 2017, 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 11 - Reinsurers' share of technical provisions - Item 110

11.1 Reinsurers' share of technical provisions: breakdown

(thousands of euro)	31/12/2017	31/12/2016
A. Non-life insurance	**670,812**	**612,981**
A.1 Reserves for unearned premiums	580,581	508,443
A.2 Reserves for claims outstanding	53,520	62,629
A.3 Other	36,711	41,909
B. Life insurance		
B.1 Mathematical reserves		
B.2 Reserves for claims outstanding		
B.3 Other		
C. Technical reserves 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 reserves	**670,812**	**612,981**

The increase in reinsurers' share of technical provisions was due to the rise in the volume of transactions to support export and international expansion compared to the previous financial year. This triggered reinsurance with the Ministry of Economy and Finance pursuant to the Agreement between SACE and the Ministry of the Economy and Finance, approved by Decree of the Prime Minister on 20 November 2014, registered at the Court of Auditors on 23 December 2014, for reinsurance by the Ministry of the Economy and Finance of the risks that could determine high levels of concentration for SACE.

11.2 Change in item 110 "Reinsurers' share of technical provisions"

	Non-life insurance		
(thousands of euro)	Reserves for unearned premiums	Reserves for claims outstanding	Other
Opening balance	**508,443**	**62,629**	**41,909**
a) Increases	95,875	38,873	138
b) Decreases	(23,737)	(47,982)	(5,336)
Closing balance	**580,581**	**53,520**	**36,711**

Section 12 - Property, plant and equipment - Item 120

12.1 Operating property, plant and equipment: breakdown of assets measured at cost

(thousands of euro) Items/Values	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
1. Owned	305,684	67,011	35,380,900	35,753,595	35,116,227
a) Land	117,406	51,894	435,561	604,861	602,954
b) Buildings	58,253	13,439	2,239,972	2,311,664	2,323,955
c) Movables	2,869	1,450	7,107	11,426	10,915
d) Electrical plant	1,617	175	404,708	406,500	392,071
e) Other	125,539	53	32,293,552	32,419,144	31,786,332
2. Acquired under finance leases			7,827	7,827	8,968
a) Land					
b) Buildings			1,120	1,120	1,622
c) Movables					
d) Electrical plant					
e) Other			6,707	6,707	7,346
Total	305,684	67,011	35,388,727	35,761,422	35,125,195

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 9.4 billion euro, referring to power lines for 6.1 billion euro and transformation stations for 2.9 billion euro;
- investments by SNAM for approximately 17.9 billion euro for transport (gas pipelines, gas reduction regulation stations and plants), storage (wells, processing and compression stations, pipelines) and regasification;
- assets under construction and advances for 2.6 billion euro, of which 1.6 billion euro ascribable to Terna and 1.1 billion euro to SNAM.

12.2 Investment property: breakdown of assets measured at cost

(thousands of euro) Items/Values	31/12/2017				31/12/2016			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	52,573		54,933	7,593	33,462		27,931	7,593
a) Land	16,578		22,444		3,655		5,387	
b) Buildings	35,995		32,489	7,593	29,807		22,544	7,593
2. Acquired under finance leases								
a) Land								
b) Buildings								
Total	52,573		54,933	7,593	33,462		27,931	7,593

12.2 of which: pertaining to the Insurance companies

(thousands of euro) Items/Values	31/12/2017				31/12/2016			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned	31,877		41,830		12,713		14,775	
a) Land	16,578		22,444		3,655		5,387	
b) Buildings	15,299		19,386		9,058		9,388	
2. Acquired under finance leases								
a) Land								
b) Buildings								
Total	31,877		41,830		12,713		14,775	

12.2 of which: pertaining to Other companies

(thousands of euro) Items/Values	31/12/2017 Carrying amount	31/12/2017 Fair value Level 1	31/12/2017 Fair value Level 2	31/12/2017 Fair value Level 3	31/12/2016 Carrying amount	31/12/2016 Fair value Level 1	31/12/2016 Fair value Level 2	31/12/2016 Fair value Level 3
1. Owned	20,696		13,103	7,593	20,749		13,156	7,593
a) Land								
b) Buildings	20,696		13,103	7,593	20,749		13,156	7,593
2. Acquired under finance leases								
a) Land								
b) Buildings								
Total	20,696		13,103	7,593	20,749		13,156	7,593

12.3 Operating property, plant and equipment: breakdown of revalued assets

This item has a nil balance.

12.4 Investment property: breakdown of assets measured at fair value

This item has a nil balance.

12.5 Operating property, plant and equipment: changes for the year

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	628,460	3,332,002	28,843	780,501	47,448,205	52,218,011
A.1 Total net writedowns	(25,506)	(1,006,425)	(17,928)	(388,430)	(15,654,527)	(17,092,816)
A.2 Opening net balance	602,954	2,325,577	10,915	392,071	31,793,678	35,125,195
B. Increases	21,037	141,719	2,346	105,117	3,401,941	3,672,160
B.1 Purchases	1,160	17,649	1,897	33,998	2,257,289	2,311,993
- *of which: business combinations*	*240*	*146*	*618*	*68*	*183,135*	*184,207*
B.2 Capitalized improvement costs		69				69
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes	19,877	124,001	449	71,119	1,144,652	1,360,098
C. Decreases	19,130	154,512	1,835	90,688	2,769,768	3,035,933
C.1 Sales	905	10,969	25	301	45,963	58,163
- *of which: business combinations*		*26*			*32,237*	*32,263*
C.2 Depreciation		80,204	1,798	69,749	1,199,167	1,350,918
C.3 Writedowns for impairment recognised in:	96	16			21,607	21,719
a) equity						
b) income statement	96	16			21,607	21,719
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	1,149	23,542		11,749	4,254	40,694
C.6 Transfers to:	12,923	6,246	11		190	19,370
a) investment property	12,923	6,246			190	19,359
b) assets held for sale			11			11
C.7 Other changes	4,057	33,535	1	8,889	1,498,587	1,545,069
D. Closing net balance	604,861	2,312,784	11,426	406,500	32,425,851	35,761,422
D.1 Total net writedowns	(34,783)	(1,075,705)	(21,219)	(435,280)	(16,776,883)	(18,343,870)
D.2 Closing gross balance	639,644	3,388,489	32,645	841,780	49,202,734	54,105,292
E. Measurement at cost						

12.5 of which: pertaining to the Banking group

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	**117,406**	**91,065**	**13,777**	**11,770**	**115,906**	**349,924**
A.1 Total net writedowns		(31,051)	(11,801)	(10,503)	(23,822)	(77,177)
A.2 Opening net balance	117,406	60,014	1,976	1,267	92,084	272,747
B. Increases		**1,000**	**1,347**	**903**	**35,638**	**38,888**
B.1 Purchases			1,192	261	35,638	37,091
- *of which: business combinations*						
B.2 Capitalized improvement costs		69				69
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes		931	155	642		1,728
C. Decreases		**2,761**	**454**	**553**	**2,183**	**5,951**
C.1 Sales			5		18	23
- *of which: business combinations*						
C.2 Depreciation		2,761	449	553	666	4,429
C.3 Writedowns for impairment recognised in:						
a) equity						
b) income statement						
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) investment property						
b) assets held for sale						
C.7 Other changes					1,499	1,499
D. Closing net balance	**117,406**	**58,253**	**2,869**	**1,617**	**125,539**	**305,684**
D.1 Total net writedowns		(33,812)	(11,978)	(10,951)	(24,421)	(81,162)
D.2 Closing gross balance	117,406	92,065	14,847	12,568	149,960	386,846
E. Measurement at cost						

12.5 of which: pertaining to the Insurance companies

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	79,632	33,587	1,770	273	48	115,310
A.1 Total net writedowns	(24,122)	(3,054)	(402)	(64)		(27,642)
A.2 Opening net balance	55,510	30,533	1,368	209	48	87,668
B. Increases	9,307		633	36	5	9,981
B.1 Purchases			632	36	5	673
- *of which: business combinations*			*617*	*2*	*5*	*624*
B.2 Capitalized improvement costs						
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes	9,307		1			9,308
C. Decreases	12,923	17,094	551	70		30,638
C.1 Sales			15			15
- *of which: business combinations*						
C.2 Depreciation		1,541	536	70		2,147
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:	12,923	6,246				19,169
a) investment property	12,923	6,246				19,169
b) assets held for sale						
C.7 Other changes		9,307				9,307
D. Closing net balance	51,894	13,439	1,450	175	53	67,011
D.1 Total net writedowns	(33,429)	(4,285)	(2,693)	(2,344)		(42,751)
D.2 Closing gross balance	85,323	17,724	4,143	2,519	53	109,762
E. Measurement at cost						

12.5 of which: pertaining to Other companies

(thousands of euro)	Land	Buildings	Movables	Electrical plant	Other	Total
A. Opening gross balance	431,422	3,207,350	13,296	768,458	47,332,251	51,752,777
A.1 Total net writedowns	(1,384)	(972,320)	(5,725)	(377,863)	(15,630,705)	(16,987,997)
A.2 Opening net balance	430,038	2,235,030	7,571	390,595	31,701,546	34,764,780
B. Increases	11,730	150,026	366	104,178	3,366,298	3,632,598
B.1 Purchases	1,160	17,649	73	33,701	2,221,646	2,274,229
- *of which: business combinations*	*240*	*146*	*1*	*66*	*183,130*	*183,583*
B.2 Capitalized improvement costs						
B.3 Writebacks						
B.4 Fair value gains recognised in:						
a) equity						
b) income statement						
B.5 Positive exchange rate differences						
B.6 Transfers from investment property						
B.7 Other changes	10,570	132,377	293	70,477	1,144,652	1,358,369
C. Decreases	6,207	143,964	830	90,065	2,767,585	3,008,651
C.1 Sales	905	10,969	5	301	45,945	58,125
- *of which: business combinations*		*26*			*32,237*	*32,263*
C.2 Depreciation		75,902	813	69,126	1,198,501	1,344,342
C.3 Writedowns for impairment recognised in:	96	16			21,607	21,719
a) equity						
b) income statement	96	16			21,607	21,719
C.4 Fair value losses recognised in:						
a) equity						
b) income statement						
C.5 Negative exchange rate differences	1,149	23,542		11,749	4,254	40,694
C.6 Transfers to:			11		190	201
a) investment property					190	
b) assets held for sale			11			11
C.7 Other changes	4,057	33,535	1	8,889	1,497,088	1,543,570
D. Closing net balance	435,561	2,241,092	7,107	404,708	32,300,259	35,388,727
D.1 Total net writedowns	(1,354)	(1,037,608)	(6,548)	(421,985)	(16,752,462)	(18,219,957)
D.2 Closing gross balance	436,915	3,278,700	13,655	826,693	49,052,721	53,608,684
E. Measurement at cost						

12.6 Investment property: changes for the year

(thousands of euro)	Banking group		Insurance companies		Other entities	
	Land	Buildings	Land	Buildings	Land	Buildings
A. Opening balance			**3,655**	**9,058**		**20,749**
B. Increases			**13,103**	**6,246**		**294**
B.1 Purchases			180			
- *of which: business combinations*						
B.2 Increases in internally-generated intangible assets						
B.3 Fair value gains						
B.4 Writebacks						104
B.5 Positive exchange rate differences						
B.6 Transfers from operating property			12,923	6,246		
B.7 Other changes						190
C. Decreases			**180**	**5**		**347**
C.1 Sales			180			333
C.2 Depreciation						
C.3 Fair value losses						
C.4 Writedowns for impairment				5		14
C.5 Negative exchange rate differences						
C.6 Transfers to:						
a) operating property						
b) assets held for sale						
C.7 Other changes						
D. Closing balance			**16,578**	**15,299**		**20,696**
E. Measurement at fair value			**22,444**	**19,386**		**20,696**

12.7 Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment refer mainly to:

- the subsidiary Fincantieri which, at 31 December 2017, had commitments for the purchase of property, plant and equipment for approximately 37 million euro, referring mainly to investing activities in property, plant and equipment;
- the subsidiary SNAM, whose purchase commitments with respect to property, plant and equipment amounted to 1.4 billion euro.

Section 13 - Intangible assets - Item 130

13.1 Intangible assets: breakdown by category

(thousands of euro) Items/Values	Banking group		Insurance companies		Other entities		31/12/2017		31/12/2016	
	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	653,342	X	653,342	X	659,576
A.1.1 Pertaining to Group	X		X		X	653,342	X	653,342	X	659,576
A.1.2 Non-controlling interests	X		X		X		X		X	
A.2 Other intangible assets	12,318		7,834		7,361,730	15,426	7,381,882	15,426	7,258,210	17,551
A.2.1 Assets carried at cost:	12,318		7,834		7,361,730	15,426	7,381,882	15,426	7,258,210	17,551
a) internally-generated intangible assets			5,423		127,517		132,940		125,729	
b) other assets	12,318		2,411		7,234,213	15,426	7,248,942	15,426	7,132,481	17,551
A.2.2 Assets carried at fair value:										
a) internally-generated intangible assets										
b) other assets										
Total	**12,318**		**7,834**		**7,361,730**	**668,768**	**7,381,882**	**668,768**	**7,258,210**	**677,127**

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 977,909 thousand euro, which mainly include the value of concessions for the storage of natural gas;
- infrastructure rights worth 5,679,862 thousand euro, of which 5,568,892 thousand euro refers to Italgas, and the remainder to Terna. The item includes the value of the public-private service concession agreements relating to the development, maintenance and operation of infrastructure under concession arrangements. Under the terms of the agreements, the operator holds the right to use the infrastructure in order to provide the public service;
- customer contracts valued at 129,972 thousand euro;
- trademarks worth 13,413 thousand euro;
- technological know-how worth 13,000 thousand euro;
- software licences worth 213,104 thousand euro.

13.2 Intangible assets: changes for the year

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
(thousands of euro)		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening gross balance	**663,175**	**313,702**		**12,023,372**	**17,551**	**13,017,800**
A.1 Total net writedowns	(3,599)	(187,973)		(4,890,891)		(5,082,463)
A.2 Opening net balance	**659,576**	**125,729**		**7,132,481**	**17,551**	**7,935,337**
B. Increases	**26,719**	**41,978**		**709,569**		**778,266**
B.1 Purchases	26,719	9,847		707,704		744,270
- *of which: business combinations*						
B.2 Increases in internally-generated intangible assets	X					
B.3 Writebacks	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences						
B.6 Other changes		32,131		1,865		33,996
C. Decreases	**32,953**	**34,767**		**593,108**	**2,125**	**662,953**
C.1 Sales				9,588		9,588
- *of which: business combinations*				*1,625*		*1,625*
C.2 Writedowns:		34,098		530,089		564,187
- Amortisation	X	34,098		523,779		557,877
- Impairment:				6,310		6,310
+ equity	X					
+ income statement				6,310		6,310
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	11,121	669		11,435	2,125	25,350
C.6 Other changes	21,832			41,996		63,828
D. Closing net balance	**653,342**	**132,940**		**7,248,942**	**15,426**	**8,050,650**
D.1 Total net writedowns		(221,463)		(5,277,714)		(5,499,177)
E. Closing gross balance	**653,342**	**354,403**		**12,526,656**	**15,426**	**13,549,827**
F. Measurement at cost						

13.2 of which: pertaining to the Banking group

(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				**34,453**		**34,453**
A.1 Total net writedowns				(25,849)		(25,849)
A.2 Opening net balance				**8,604**		**8,604**
B. Increases				**6,581**		**6,581**
B.1 Purchases				6,581		6,581
- *of which: business combinations*						
B.2 Increases in internally-generated intangible assets	X					
B.3 Writebacks	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences						
B.6 Other changes						
C. Decreases				**2,867**		**2,867**
C.1 Sales						
- *of which: business combinations*						
C.2 Writedowns:				2,634		2,634
- Amortisation	X			2,634		2,634
- 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				233		233
D. Closing net balance				**12,318**		**12,318**
D.1 Total net writedowns				(28,481)		(28,481)
E. Closing gross balance				**40,799**		**40,799**
F. Measurement at cost						

13.2 of which: pertaining to the Insurance companies

(thousands of euro)	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening gross balance		**6,346**		**3,704**		**10,050**
A.1 Total net writedowns		(598)		(1,669)		(2,267)
A.2 Opening net balance		**5,748**		**2,035**		7,783
B. Increases		**1,209**		**1,139**		**2,348**
B.1 Purchases		1,209		1,106		2,315
- *of which: business combinations*						
B.2 Increases in internally-generated intangible assets	X					
B.3 Writebacks	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences						
B.6 Other changes				33		33
C. Decreases		**1,534**		**763**		**2,297**
C.1 Sales						
- *of which: business combinations*						
C.2 Writedowns:		1,534		763		2,297
- Amortisation	X	1,534		763		2,297
- 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		**5,423**		**2,411**		**7,834**
D.1 Total net writedowns		(1,334)		(735)		(2,069)
E. Closing gross balance		**6,757**		**3,146**		**9,903**
F. Measurement at cost						

13.2 of which: pertaining to Other companies

(thousands of euro)	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening gross balance	**663,175**	**307,356**		**11,985,215**	**17,551**	**12,973,297**
A.1 Total net writedowns	(3,599)	(187,375)		(4,863,373)		(5,054,347)
A.2 Opening net balance	**659,576**	**119,981**		**7,121,842**	**17,551**	**7,918,950**
B. Increases	**26,719**	**40,769**		**701,849**		**769,337**
B.1 Purchases	26,719	8,638		700,017		735,374
- *of which: business combinations*						
B.2 Increases in internally-generated intangible assets	X					
B.3 Writebacks	X					
B.4 Fair value gains:						
- equity	X					
- income statement	X					
B.5 Positive exchange rate differences						
B.6 Other changes		32,131		1,832		33,963
C. Decreases	**32,953**	**33,233**		**589,478**	**2,125**	**657,789**
C.1 Sales				9,588		9,588
- *of which: business combinations*						
C.2 Writedowns:		32,564		526,692		559,256
- Amortisation	X	32,564		520,382		552,946
- Impairment:				6,310		6,310
+ equity	X					
+ income statement				6,310		6,310
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	11,121	669		11,435	2,125	25,350
C.6 Other changes	21,832			41,763		63,595
D. Closing net balance	**653,342**	**127,517**		**7,234,213**	**15,426**	**8,030,498**
D.1 Total net writedowns		(220,129)		(5,248,498)		(5,468,627)
E. Closing gross balance	**653,342**	**347,646**		**12,482,711**	**15,426**	**13,499,125**
F. Measurement at cost						

Impairment testing of goodwill

Goodwill, recognised in the amount of 653 million euro, mainly consists of:

- 215 million euro for the Terna group;
- 240 million euro for the SNAM group;
- 64 million euro for the Italgas group;
- the companies headed by the Vard group, included in the scope of consolidation since 2013, in relation to which goodwill of 134 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 market value of the companies, determined on the basis of the weighted average with the volumes of the December prices.

The fair value for each of these three companies was higher than the value of their respective net assets, inclusive of the effects of purchase price allocation and goodwill.

Section 14 - Tax assets and liabilities - Item 140 of assets and Item 80 of liabilities

14.1 Deferred tax assets: breakdown

(thousands of euro)	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
Deferred tax assets recognised in income statement	**217,717**	**121,079**	**862,918**	**1,201,714**	**1,230,703**
Losses carried forward			14,134	14,134	74,600
Grants			68,709	68,709	78,444
Sundry writedowns		5,434	52,155	57,589	51,445
Financial instruments		1,041	1,527	2,568	7,106
Debts	15			15	15
Dismantling and site restoration			171,087	171,087	176,141
Provisions for risks and charges	8,719	16,093	124,526	149,338	160,429
Writedowns of receivables	85,828	6,457	35,780	128,065	134,463
Equity investments	382			382	
Property, plant and equipment/intangible assets	2,542	538	235,413	238,493	216,968
Product guarantee			10,857	10,857	9,197
Employee benefits	291	70	39,732	40,093	32,866
Technical reserves		46,582		46,582	27,926
Exchange differences	6,626	35,859		42,485	17,147
Other temporary differences	113,314	9,005	108,998	231,317	243,956
Deferred tax assets recognised in equity	**41,346**		**16,843**	**58,189**	**73,363**
Assets available for sale	40,483		2,460	42,943	44,717
Cash flow hedge	839		4,430	5,269	19,011
Other assets	24		9,953	9,977	9,635
Total	**259,063**	**121,079**	**879,761**	**1,259,903**	**1,304,066**

14.2 Deferred tax liabilities: breakdown

(thousands of euro)	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
Deferred tax liabilities recognised in income statement	**99,414**	**268,839**	**2,932,077**	**3,300,330**	**3,383,715**
Capital gains taxed in instalments			1,118	1,118	1,323
Severance pay		168	3,879	4,047	5,201
Leasing			1,305	1,305	1,311
Property, plant and equipment		6,946	2,530,630	2,537,576	2,709,504
Own securities portfolio		4,361		4,361	3,026
Equity investments	90,204	434	24,347	114,985	115,170
Other financial instruments	2,417	4,326	512	7,255	8,820
Technical reserves		169,517		169,517	54,812
Exchange differences		57,784	4	57,788	93,489
Offsetting against deferred tax assets	6,793	25,303	370,282	402,378	391,059
Deferred tax liabilities recognised in equity	**127,163**	**98**	**39,465**	**166,726**	**88,284**
Assets available for sale	117,535			117,535	75,750
Other reserves			23	23	
Other liabilities	9,628	98	39,442	49,168	12,534
Total	**226,577**	**268,937**	**2,971,542**	**3,467,056**	**3,471,999**

14.3 Changes in deferred tax assets (balancing entry in the income statement)

(thousands of euro)	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
1. Opening balance	293,203	82,937	854,563	1,230,703	1,309,569
2. Increases	20,262	58,329	115,416	194,007	209,001
2.1 Deferred tax assets recognised during the year:	20,260	58,329	108,154	186,743	158,510
a) in respect of previous periods	286			286	
b) due to change in accounting policies					
c) writebacks					
d) other	19,974	58,329	108,154	186,457	158,510
2.2 New taxes or increases in tax rates			246	246	2,304
2.3 Other increases			4,563	4,563	48,187
2.4 Business combinations	2		2,453	2,455	
3. Decreases	95,748	20,187	107,061	222,996	287,867
3.1 Deferred tax assets derecognised during the year:	75,721	20,088	89,975	185,784	161,926
a) reversals	68,357	20,088	89,546	177,991	159,423
b) writedowns for supervening non-recoverability					
c) due to change in accounting policies					
d) other	7,364		429	7,793	2,503
3.2 Reduction in tax rates			6,072	6,072	71,810
3.3 Other decreases:	20,025	99	11,014	31,138	54,131
a) transformation in tax credits under Law 214/2011					
b) other	20,025	99	11,014	31,138	54,131
3.4 Business combinations	2			2	
4. Closing balance	217,717	121,079	862,918	1,201,714	1,230,703

14.4 Change in deferred tax liabilities (recognised in the income statement)

(thousands of euro)	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
1. Opening balance	74,595	193,917	3,115,203	3,383,715	3,530,952
2. Increases	43,234	122,107	41,945	207,286	129,670
2.1 Deferred tax liabilities recognised during the year:	40,002	121,733	17,961	179,696	69,130
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	40,002	121,733	17,961	179,696	69,130
2.2 New taxes or increases in tax rates					18,465
2.3 Other increases	2,827	374	2,704	5,905	42,075
2.4 Business combinations	405		21,280	21,685	
3. Decreases	18,415	47,185	225,071	290,671	276,907
3.1 Deferred tax liabilities derecognised during the year:	18,415	43,899	161,933	224,247	254,716
a) reversals	18,415	43,899	161,933	224,247	227,023
b) due to change in accounting policies					
c) other					27,693
3.2 Reduction in tax rates			47,319	47,319	11,360
3.3 Other decreases		3,286	15,819	19,105	10,831
3.4 Business combinations					
4. Closing balance	99,414	268,839	2,932,077	3,300,330	3,383,715

14.5 Changes in deferred tax assets (recognised in equity)

(thousands of euro)	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
1. Opening balance	**45,454**		**27,909**	**73,363**	**61,432**
2. Increases	**10,151**		**3,356**	**13,507**	**71,333**
2.1 Deferred tax assets recognised during the year:	10,144		2,143	12,287	63,356
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	10,144		2,143	12,287	63,356
2.2 New taxes or increases in tax rates					
2.3 Other increases	7		1,213	1,220	7,977
2.4 Business combinations					
3. Decreases	**14,259**		**14,422**	**28,681**	**59,402**
3.1 Deferred tax assets derecognised during the year:	14,259		11,603	25,862	54,709
a) reversals	14,074		1,738	15,812	54,708
b) writedowns for supervening non-recoverability					
c) due to changes in accounting policies					
d) other	185		9,865	10,050	1
3.2 Reduction in tax rates					130
3.3 Other decreases			2,819	2,819	4,563
3.4 Business combinations					
4. Closing balance	**41,346**		**16,843**	**58,189**	**73,363**

14.6 Changes in deferred tax liabilities (recognised in equity)

(thousands of euro)	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
1. Opening balance	**88,280**		**4**	**88,284**	**81,173**
2. Increases	**65,650**	**98**	**39,909**	**105,657**	**39,315**
2.1 Deferred tax liabilities recognised during the year:	65,646	98	38,888	104,632	38,622
a) in respect of previous periods					
b) due to change in accounting policies					
c) other	65,646	98	38,888	104,632	38,622
2.2 New taxes or increases in tax rates					
2.3 Other increases	4		1,021	1,025	693
2.4 Business combinations					
3. Decreases	**26,767**		**448**	**27,215**	**32,204**
3.1 Deferred tax liabilities derecognised during the year:	26,767			26,767	32,187
a) reversals	26,763			26,763	32,187
b) due to change in accounting policies					
c) other	4			4	
3.2 Reduction in tax rates					
3.3 Other decreases			448	448	17
3.4 Business combinations					
4. Closing balance	**127,163**	**98**	**39,465**	**166,726**	**88,284**

Section 15 - Non-current assets and disposal groups held for sale and associated liabilities - Item 150 of the assets and Item 90 of the liabilities

15.1 Non-current assets and disposal groups held for sale: breakdown by category

(thousands of euro)	31/12/2017	31/12/2016
A. Individual assets		
A.1 Financial assets		533
A.2 Equity investments		
A3 Property, plant and equipment	12	185
A.4 Intangible assets		30
A.5 Other non-current assets		5,781
Total A	**12**	**6,529**
of which:		
- *carried at cost*	*12*	*6,529*
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*		
B. Groups of assets (discontinued operations)		
B.1 Financial assets held for trading		13,196
B.2 Financial assets at fair value		
B.3 Financial assets available for sale		
B.4 Financial assets held to maturity		
B.5 Loans to banks		2,548
B.6 Loans to customers		
B.7 Equity investments		339,633
B.8 Property, plant and equipment	11	24,949
B.9 Intangible assets		
B.10 Other assets		9
Total B	**11**	**380,335**
of which:		
- *carried at cost*	*11*	*342,190*
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*		*38,145*
C. Liabilities associated with individual assets held for sale		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities		5,103
Total C		**5,103**
of which:		
- *carried at cost*		*5,103*
- *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 Due to banks		63,020
D.2 Due to customers		
D.3 Securities issued		
D.4 Financial liabilities held for trading		441
D.5 Financial liabilities at fair value		
D.6 Provisions		5,970
D.7 Other liabilities		23
Total D		**69,454**
of which:		
- *carried at cost*		*63,043*
- *designated at fair value – level 1*		
- *designated at fair value – level 2*		
- *designated at fair value – level 3*		*6,411*

15.2 Other information

At 31 December 2016, assets held for sale mainly comprised the items of FSIA's financial statements presented in this grouping following the sale of 30% of the investee and its subsequent deconsolidation as per the shareholders' agreements signed with the buyer, which identified the existence of joint control over the company.

Section 16 - Other assets - Item 160

16.1 Other assets: breakdown

(thousands of euro)	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
Payments on account for withholding tax on postal passbooks	98,615			98,615	102,949
Other tax receivables	108	3,910	176,554	180,572	136,828
Leasehold improvements	8		5,985	5,993	6,606
Receivables due from investees	610		170,511	171,121	105,195
Trade receivables and advances to public entities	7,695		25,547	33,242	28,833
Construction contracts			2,032,230	2,032,230	1,409,094
Advances to suppliers	159	631	421,036	421,826	177,023
Inventories		11	2,274,994	2,275,005	2,388,713
Advances to personnel	43	1,401	12,373	13,817	14,370
Other trade receivables	1,479	93,380	3,858,860	3,953,719	4,430,230
Other items	8,725	28,302	302,697	339,724	278,656
Accrued income and prepaid expenses	7,626	1,801	240,718	250,145	222,479
Total	**125,068**	**129,436**	**9,521,505**	**9,776,009**	**9,300,976**

The item includes assets that are not classified under the previous items.

The most significant amounts refer to:
- trade receivables for 3,954 million euro, referred mainly to SNAM for 1,245 million euro, Terna for 1,229 million euro, Fincantieri for 757 million euro, Italgas for 588 million euro and SACE and SACE BT for 92 million euro;
- contract work in progress for 2,032 million euro, mainly regarding the shipbuilding activities of Fincantieri;
- inventories of semi-finished goods and work in progress in the amount of 2,275 million euro, which include:
  - mandatory gas reserves, kept at its storage sites by the subsidiary Stogit;
  - the assets for sale represented by real estate and owned by CDP Immobiliare and FIV Extra for, respectively, 648 and 578 million euro;
  - the semi-finished products of the Fincantieri Group, amounting to about 419 million euro.

Liabilities

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by type

(thousands of euro) Type of operations/Components of Group	31/12/2017	31/12/2016
1. Due to central banks	**2,498,984**	**2,474,850**
2. Due to banks	**23,435,901**	**23,217,365**
2.1 Current accounts and demand deposits	1,497,954	1,649,589
2.2 Fixed-term deposits	2,383,642	2,113,843
2.3 Loans:	19,383,009	19,116,966
2.3.1 Repurchase agreements	6,670,879	4,977,383
2.3.2 Other	12,712,130	14,139,583
2.4 Liabilities in respect of commitments to repurchase own equity instruments		
2.5 Other payables	171,296	336,967
Total	**25,934,885**	**25,692,215**
Fair value - level 1		
Fair value - level 2		
Fair value - level 3	25,820,598	25,610,104
Total fair value	**25,820,598**	**25,610,104**

“Due to central banks”, which refer exclusively to the Parent Company CDP, relate to the credit facilities granted by the ECB within the scope of the Targeted Longer-Term Refinancing Operations (TLTRO II). The balance of 2,475 million euro is unchanged compared to 31 December 2016.

“Repurchase agreements”, which refer to the Parent Company, amount to approximately 6,671 million euro, up by roughly 1,694 million euro on 31 December 2016, due to the particularly low market rates.

“Fixed-term deposits”, which refer to the Parent Company, amount to approximately 2,384 million euro and mainly comprise:

- the balance of passbook savings accounts and postal savings bonds held by banks of roughly 1,488 million euro (up by approximately 202 million euro on the 2016 year-end balance);
- the amounts referred to Credit Support Annex contracts to hedge the counterparty risk on derivative contracts of roughly 691 million euro (up by approximately 250 million euro on the 2016 year-end balance);
- the balance of interbank deposits of roughly 205 million euro (down by approximately 183 million euro on the 2016 year-end balance).

Loans payable refer mainly to:

- “Loans - Other” of about 5,073 million euro, are slightly up on the 2016 year-end balance (approximately +152 million euro) and mainly refer to the loans granted by the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) to the Parent Company.
- loans granted by the banking system to SNAM for approximately 2,573 million euro, Terna for approximately 1,881 million euro, Fincantieri for approximately 867 million euro and Italgas for 1,066 million euro.

1.2 Breakdown of item 10 “Due to banks”: subordinated debts

At 31 December 2017, there were no subordinated debts due to banks.

1.3 Breakdown of item 10 “Due to banks”: structured debts

The structured debts to banks totalled about 497 thousand euro at 31 December 2017 and are represented by postal savings bonds indexed to equity baskets from which the embedded derivative has been separated.

1.4 Due to banks: liabilities hedged specifically

(thousands of euro)	31/12/2017	31/12/2016
1. Liabilities covered by specific fair value hedges		
a) Interest rate risk		
b) Exchange rate risk		
c) Multiple risks		
2. Liabilities covered by specific cash flow hedges	**2,549,182**	**2,071,955**
a) Interest rate risk	2,549,182	2,071,955
b) Exchange rate risk		
c) Other		
Total	**2,549,182**	**2,071,955**

1.5 Due to banks for finance leases

This item has a nil balance.

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by type

(thousands of euro) Type of operations/Components of Group	31/12/2017	31/12/2016
1. Current accounts and demand deposits	13,111	359,000
2. Fixed-term deposits	273,972,332	282,416,933
3. Loans:	21,349,863	14,171,458
3.1 Repurchase agreements	21,088,764	13,718,223
3.2 Other	261,099	453,235
4. Liabilities in respect of commitments to repurchase own equity instruments		
5. Other payables	4,996,348	5,242,152
Total	**300,331,654**	**302,189,543**
Fair value - level 1		
Fair value - level 2	2,053	
Fair value - level 3	300,320,289	302,190,231
Total fair value	**300,322,342**	**302,190,231**

Due to customers consist mainly of the Parent Company's fixed-term deposits, which include:

- the balance of passbook savings accounts, equal to 108,356 million euro, and postal savings bonds, equal to 142,766 million euro, issued by the Parent Company;
- the balance of the MEF liquidity management transactions of approximately 22,498 million euro;
- repurchase agreement of about 21,089 million euro. This is a considerable increase on the 2016 year-end balance (up by roughly 7,371 million euro), due to the particularly low market rates;
- the amounts not yet disbursed at year-end on loans being repaid granted to public bodies and public-law bodies, of approximately 4,667 million euro (down by roughly 345 million euro on the 2016 year-end balance), recognised under sub-item "5. Other payables";
- deposits of investees of approximately 6,843 million euro, up considerably by 2,365 million euro on the 2016 year-end balance as a result of the progress of the cash pooling system with the Parent Company CDP, as part of management and coordination activities, through the irregular deposit arrangement between CDP and its subsidiaries;

For the part relating to postal savings bonds issued by the Parent Company, the fair value reported above is equal to the carrying amount. In theory, for postal savings bonds it would be possible, using statistical models of redemptions, to apply valuation techniques that incorporate a credit risk premium (spread) in line with that on medium/long-term government securities. The application of these valuation techniques would lead to a fair value greater than the carrying amount in cases where the rates paid to savers are higher than market rates, when also taking into account early redemption options.

The effect of these differences may offset the positive differences recognised between the fair value and the carrying amount of loans.

However, the fair value assessments based on a combination of statistical forecasts on redemptions and technical assessment of the options are not very reliable due to the uncertainty affecting market conditions at 31 December 2017. These elements are represented by the high percentage impact of credit spreads on overall interest rates, given that interest rates, net of credit spreads, are very low or, for many maturities, even negative. Taking into account the considerable uncertainty about redemption forecasts in the presence of these conditions, it was decided that the best estimate of the fair value of postal savings bonds is their carrying amount.

2.2 Breakdown of item 20 “Due to customers”: subordinated debts

At 31 December 2017, there were no subordinated debts due to customers.

2.3 Breakdown of item 20 “Due to customers”: structured debts

Structured debts at 31 December 2017 refer to the Parent Company and amount to around 5,031 million euro. They consist of postal savings bonds indexed to equity baskets for which the embedded derivative classified as a financial liability held for trading has been separated.

2.4 Due to customers: liabilities subject to specific hedging

(thousands of euro)	31/12/2017	31/12/2016
1. Liabilities covered by specific fair value hedges		
a) Interest rate risk		
b) Exchange rate risk		
c) Multiple risks		
2. Liabilities covered by specific cash flow hedges	**362,817**	**355,960**
a) Interest rate risk	362,817	355,960
b) Exchange rate risk		
c) Other		
Total	**362,817**	**355,960**

Amounts due to customers subject to specific hedging refer to part of the inflation-linked postal savings bonds issued by the Parent Company and subject to cash flow hedge.

2.5 Due to customers for finance leasing

(thousands of euro)	Discounted value of minimum payments
Up to 3 months	
From 3 months to 1 year	
From 1 year to 5 years	213
More than 5 years	200
Present value of minimum payments gross/net	**413**

Section 3 - Securities issued - Item 30

3.1 Securities issued: breakdown by type

(thousands of euro)	31/12/2017				31/12/2016			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds:	34,463,517	20,527,115	14,971,471		28,067,752	16,517,395	12,371,491	
1.1 structured	50,038		46,727		51,333		46,215	
1.2 other	34,413,479	20,527,115	14,924,744		28,016,419	16,517,395	12,325,276	
2. Other securities:	2,774,010			2,774,010	40,015		40,015	
2.1 structured								
2.2 other	2,774,010			2,774,010	40,015		40,015	
Total	**37,237,527**	**20,527,115**	**14,971,471**	**2,774,010**	**28,107,767**	**16,517,395**	**12,411,506**	

3.1 of which: pertaining to the Banking group

(thousands of euro)	31/12/2017				31/12/2016			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds:	14,498,858		14,820,696		11,897,826		12,216,723	
1.1 structured	50,038		46,727		51,333		46,215	
1.2 other	14,448,820		14,773,969		11,846,493		12,170,508	
2. Other securities:	2,774,010			2,774,010	40,015		40,015	
2.1 structured								
2.2 other	2,774,010			2,774,010	40,015		40,015	
Total	**17,272,868**		**14,820,696**	**2,774,010**	**11,937,841**		**12,256,738**	

With respect to the Banking Group, the balance of securities issued at 31 December 2017 refers to the Parent Company and includes:

- the bonds issued under the "Euro Medium Term Notes" and "Debt Issuance Programme" programmes, with a stock of approximately 10,615 million euro (+ 1,607 million euro on the 2016 year-end balance). As part of the "Debt Issuance Programme", during the year, new issues were made for a total par value of 2,135 million euro (495 million euro to support the Ordinary Account and 1,640 million euro to support the Separate Account, with this amount including 500 million euro for the first issue of the CDP Social Bond, whose proceeds were allocated to support Italian SMEs located in economically disadvantaged areas or areas hit by natural disasters);
- 4 bonds guaranteed by the Italian government, for a total carrying amount of approximately 2,508 million euro, entirely subscribed by Poste Italiane (2 issued in December 2015 for a total par value of 1,500 million euro, and the other 2 issued in December 2017 for a total par value of 1,000 million euro);
- the first bond for retail investors issued in March 2015 for a carrying amount of approximately 1,468 million euro, with a view to diversifying the source of funding for the development of public interest projects (fully part of the Separate Account);
- the stock of commercial paper with a carrying amount of about 2,774 million euro, marking a net improvement (up by 2,734 million euro) on the 2016 year-end balance, related to the "Multi-Currency Commercial Paper Programme".

3.1 of which: pertaining to the Insurance companies

(thousands of euro)	31/12/2017				31/12/2016			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds:	531,545	542,881			531,533	496,283		
1.1 structured								
1.2 other	531,545	542,881			531,533	496,283		
2. Other securities:								
2.1 structured								
2.2 other								
Total	**531,545**	**542,881**			**531,533**	**496,283**		

Securities issued pertaining to the Insurance companies refer to SACE's subordinated bond issues 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.

3.1 of which: pertaining to Other companies

(thousands of euro)	31/12/2017				31/12/2016			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds:	19,433,114	19,984,234	150,775		15,638,393	16,021,112	154,768	
1.1 structured								
1.2 other	19,433,114	19,984,234	150,775		15,638,393	16,021,112	154,768	
2. Other securities:								
2.1 structured								
2.2 other								
Total	**19,433,114**	**19,984,234**	**150,775**		**15,638,393**	**16,021,112**	**154,768**	

Securities issued by other companies mainly refer to the bond placements by SNAM, Terna and Italgas on active markets (Level 1), amounting to 8,672 million euro, 7,394 million euro and 2,652 million euro, respectively.

3.2 Breakdown of item 30 "Securities issued": subordinated securities

At 31 December 2017, subordinated securities issued, for a total of 532 million euro, related to the issues of the Insurance companies described above.

3.3 Breakdown of item 30 "Securities issued": securities subject to specific hedging

(thousands of euro)	31/12/2017	31/12/2016
1. Securities covered by specific fair value hedges	**11,527,466**	**13,183,758**
a) Interest rate risk	11,527,466	13,183,758
b) Exchange rate risk		
c) Multiple risks		
2. Securities covered by specific cash flow hedges	**722,449**	**80,958**
a) Interest rate risk	648,473	
b) Exchange rate risk	73,976	80,958
c) Other		
Total	**12,249,915**	**13,264,716**

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by type

(thousands of euro) Type of operations/Components of Group	31/12/2017					31/12/2016				
	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			140,255	44,099				171,903	117,144	
1.1 Trading	X		52,037	14,476	X	X		111,652	5,697	X
1.2 Associated with fair value option	X				X	X				X
1.3 Other	X		88,218	29,623	X	X		60,251	111,447	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		140,255	44,099	X	X		171,903	117,144	X
Total (A + B)	**X**		**140,255**	**44,099**	**X**	**X**		**171,903**	**117,144**	**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 value of the separated optional component of bonds indexed to equity baskets (approximately 29.6 million euro), issued by the Parent Company;
- the negative fair value of interest rate swaps (around 96.6 million euro) related to the Parent Company's contribution to the consolidated financial statements;

- the derivatives of SACE (mainly currency forward purchase/sale contracts) for 45.9 million euro;
- the fair value earn-out liability, equal to 9.3 million euro, related to the investment in Open Fiber made by the subsidiary CDPE during 2016.

4.2 Breakdown of item 40 “Financial liabilities held for trading”: subordinated liabilities

This item has a nil balance.

4.3 Breakdown of item 40 “Financial liabilities held for trading”: structured debts

This item has a nil balance.

Section 5 - Financial liabilities designated at fair value - Item 50

5.1 Financial liabilities designated at fair value: breakdown by type

	31/12/2017					31/12/2016				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
(thousands of euro)		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
2. Due to customers										
2.1 Structured					X					X
2.2 Other					X					X
3. Debt securities	517,677		501,551	17,677	519,228					
3.1 Structured	500,000		501,551		X					X
3.2 Other	17,677			17,677	X					X
Total	**517,677**		**501,551**	**17,677**	**519,228**					

(*) fair value calculated excluding changes in value due to changes in the issuer’s creditworthiness since the issue date

The contribution of this item mainly refers to 2 securities issued by the Parent Company in the period (total nominal value 500 million euro) under the Debt Issuance Programme (“DIP”), which were not separated from the embedded derivative.

5.2 Breakdown of item 50 “Financial liabilities designated at fair value”: subordinated liabilities

This item has a nil balance.

Section 6 - Hedging Derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedge and level

(thousands of euro)	31/12/2017 Level 1	31/12/2017 Level 2	31/12/2017 Level 3	Nominal value 31/12/2017	31/12/2016 Level 1	31/12/2016 Level 2	31/12/2016 Level 3	Nominal value 31/12/2016
A. Financial derivatives		669,054		18,120,140		970,235		18,754,572
1) Fair value		575,702		14,355,991		847,333		13,146,459
2) Cash flow		93,352		3,764,149		122,902		5,608,113
3) Investment in foreign operation								
B. Credit derivatives								
1) Fair value								
2) Cash flow								
Total		**669,054**		**18,120,140**		**970,235**		**18,754,572**

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

(thousands of euro) Transactions/Type of hedging	Fair value						Cash flow		Investment in foreign operation
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale	72,415					X		X	X
2. Loans	393,097			X		X		X	X
3. Financial assets held to maturity	X			X		X		X	X
4. Portfolio	X	X	X	X	X	74,694	X		X
5. Other		21,434				X	29,892	X	
Total assets	**465,512**	**21,434**				**74,694**	**29,892**		
1. Financial liabilities	14,062			X		X	55,001	X	X
2. Portfolio	X	X	X	X	X		X		X
Total liabilities	**14,062**			**X**			**55,001**		
1. Forecast transactions	X	X	X	X	X	X	8,459	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X		X		

Section 7 - Fair value change of financial liabilities in hedged portfolios - Item 70

7.1 Fair value change of hedged financial liabilities

(thousands of euro) Adjustment of hedged liabilities/Components of the Group	31/12/2017	31/12/2016
1. Positive adjustments of financial liabilities	32,400	38,206
2. Negative adjustments of financial liabilities		
Total	**32,400**	**38,206**

This item reports the net change in the value of the postal savings bonds portfolio hedged generically against interest rate risk. The hedging relationship was interrupted in 2009 in view of the 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.

7.2 Liabilities hedged generically against interest rate risk: breakdown

Reference should be made to note 7.1 - Section 7 - of the liabilities.

Section 8 - Tax liabilities - Item 80

For more information concerning this item, please see Section 14 of “Assets”.

Section 9 - Liabilities associated with non-current assets and disposal groups held for sale - Item 90

For more information concerning this item, please see Section 15 of “Assets”.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

(thousands of euro) Type of transactions/Values	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
Items being processed	24,377	30,063		54,440	10,148
Amounts due to employees	4,172	2,235	120,128	126,535	115,028
Charges for postal funding service	382,600			382,600	363,975
Tax payables	149,424	3,126	68,535	221,085	248,732
Construction contracts			1,353,298	1,353,298	785,249
Trade payables	29,083	100,165	5,017,859	5,147,107	4,546,416
Due to social security institutions	4,465	2,433	108,274	115,172	97,072
Debts for guarantees and commitments	188,130			188,130	209,388
Accrued expenses and deferred income			437,114	437,114	336,848
Other items of insurance companies:	40,471	30,350		70,821	30,818
- due to insured for recovered amounts					
- liabilities for premiums to be reimbursed		30,051		30,051	17,441
- premium deposits					
- processing expenses		299		299	35
- collections from factoring being processed	40,471			40,471	13,342
Other	1,027	32,654	1,779,010	1,812,691	1,307,638
Total	**823,749**	**201,026**	**8,884,218**	**9,908,993**	**8,051,312**

The item reports other liabilities not otherwise classified under the previous items and is analysed as follows.

For the Banking Group, the main items under this heading are:
- the payable to Poste Italiane of about 383 million euro, relating to the portion of commissions due in respect of the postal savings funding service not yet paid at the reporting date;
- tax payables totalling about 149 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 for about 5 billion euro, mainly related to Terna (about 2.5 billion euro), Fincantieri (about 1.7 billion euro), SNAM (about 0.4 billion euro) and Italgas (about 0.3 billion euro);
- contract work in progress for 1.4 billion euro, regarding the activities of Fincantieri;
- other SNAM items for approximately 1.2 billion euro, referred to payables for investing activities for 347 million euro and liabilities to Cassa per i Servizi Energetici e Ambientali for 564 million euro. The latter mainly refer to accessory tariff components pertaining to natural gas transportation and distribution activities.

Section 11 - Staff severance pay - Item 110

11.1 Staff severance pay: changes for the year

(thousands of euro)	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
A. Opening balance	**1,594**	**5,313**	**223,722**	**230,629**	**227,602**
B. Increases	**220**	**1,418**	**9,403**	**11,041**	**19,449**
B.1 Provision for the year	155	193	4,483	4,831	5,863
B.2 Other increases	65	1,225	4,920	6,210	13,586
- *of which: business combinations*					
C. Decreases	**86**	**1,141**	**19,404**	**20,631**	**16,422**
C.1 Severance payments	34	436	17,607	18,077	9,073
C.2 Other decreases	52	705	1,797	2,554	7,349
- *of which: business combinations*					
D. Closing balance	**1,728**	**5,590**	**213,721**	**221,039**	**230,629**

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

(thousands of euro) Items/Components	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
1. Pensions and other post-retirement benefit obligations					
2. Other provisions	**43,909**	**136,634**	**2,435,267**	**2,615,810**	**2,719,258**
2.1 Legal disputes	22,560	2,843	257,886	283,289	272,978
2.2 Staff costs	18,651	7,310	161,023	186,984	192,074
2.3 Other	2,698	126,481	2,016,358	2,145,537	2,254,206
Total	**43,909**	**136,634**	**2,435,267**	**2,615,810**	**2,719,258**

12.2 Provisions for risks and charges: changes for the year

	Banking group		Insurance companies		Other entities		31/12/2017	
(thousands of euro) Items/Components	Pensions and other post-retirement benefit obligations	Other provisions	Pensions and other post-retirement benefit obligations	Other provisions	Pensions and other post-retirement benefit obligations	Other provisions	Pensions and other post-retirement benefit obligations	Other provisions
A. Opening balance		**44,937**		**154,240**		**2,520,081**		**2,719,258**
B. Increases		**16,321**		**6,921**		**261,547**		**284,789**
B.1 Provision for the year		3,294		6,921		219,168		229,383
B.2 Changes due to passage of time		8				11,113		11,121
B.3 Changes due to changes in discount rate								
B.4 Other increases		13,019				31,266		44,285
C. Decreases		**17,349**		**24,527**		**346,361**		**388,237**
C.1 Use during the year		14,424		13,691		139,231		167,346
C.2 Changes due to changes in discount rate						21,975		21,975
C.3 Other decreases		2,925		10,836		185,155		198,916
D. Closing balance		**43,909**		**136,634**		**2,435,267**		**2,615,810**

12.3 Defined benefit pension funds

There are no defined benefit pension funds.

12.4 Provisions for risks and charges - Other provisions

(thousands of euro) Items/Values	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
2. Other provisions	**43,909**	**136,634**	**2,435,267**	**2,615,810**	**2,719,258**
2.1 Legal disputes	22,560	2,843	257,886	283,289	272,978
2.2 Staff costs:	18,651	7,310	161,023	186,984	192,074
- early retirement			81,466	81,466	81,410
- loyalty bonus			4,544	4,544	4,525
- electricity discount			13,030	13,030	28,847
- other	18,651	7,310	61,983	87,944	77,292
2.3 Other risks and charges	2,698	126,481	2,016,358	2,145,537	2,254,206

The accruals included in 2.3 “Other risks and charges”, totalling approximately 2,146 million euro at 31 December 2017, consist mainly:

- of approximately 610 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 309 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 about 57 million euro relating to potential liabilities for contractual guarantees issued to customers in line with market practices and conditions;
- of approximately 60 million euro relating to tax disputes.

Section 13 - Technical provisions - Item 130

13.1 Technical provisions: breakdown

(thousands of euro)	Direct business	Indirect business	Total 31/12/2017	Total 31/12/2016
A. Non-life insurance	**2,299,244**	**108,542**	**2,407,786**	**2,794,066**
A.1 Provision for unearned premiums	1,909,788	107,093	2,016,881	2,178,591
A.2 Provision for outstanding claims	388,300	1,449	389,749	614,489
A.3 Other	1,156		1,156	986
B. Life insurance				
B.1 Mathematical reserves				
B.2 Provision for claims outstanding				
B.3 Other				
C. Technical reserves 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	**2,299,244**	**108,542**	**2,407,786**	**2,794,066**

13.2 Technical provisions: changes for the year

(thousands of euro)	31/12/2017	31/12/2016
A. Non-life insurance	**2,407,786**	**2,794,066**
Opening balance	2,794,066	2,806,699
Business combinations		
Change in reserve (+/-)	(386,280)	(12,633)
B. Life insurance and other technical reserves		
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 reserves	**2,407,786**	**2,794,066**

Section 14 - Redeemable shares- Item 150

This item has a nil balance.

Section 15 - Group equity - Items 140, 170, 180, 190, 210 and 220

15.1 “Share capital” and “Treasury shares”: breakdown

The share capital of the Parent Company of 4,051,143,264 euro at 31 December 2017 is fully paid up and is composed of 342,430,912 ordinary shares, without par value.

At 31 December 2017, the Parent Company held treasury shares with a value of 57,220,116 euro.

15.2 Share capital - Number of shares of the Parent Company: changes for the year

Items/Type	Ordinary	Other
A. Shares at start of the year	**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		

15.4 Income reserves: additional information

(thousands of euro) Items/Type	31/12/2017	31/12/2016
Income reserves	**12,980,604**	**13,636,068**
Legal reserve	783,134	700,000
Other reserves	12,197,470	12,936,068

15.5 Equity instruments: breakdown and changes for the year

There were no equity instruments recorded under item 160 of the liabilities.

Section 16 - Non-controlling interests - Item 210

16.1 Breakdown of item 210 “Non-controlling interests”

(thousands of euro) Company name	31/12/2017	31/12/2016
Equity investments in consolidated companies with significant minority interests		
1. Terna S.p.A.	3,579,200	3,212,064
2. SNAM S.p.A.	6,620,959	6,507,659
3. Italgas	1,253,811	1,169,514
Other equity investments	1,406,318	2,261,909
Total	**12,860,288**	**13,151,146**

Other information

1. Guarantees issued and commitments

(thousands of euro) Transactions	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
1) Financial guarantees issued	**1,107,320**		**98,700**	**1,206,020**	**2,476,112**
a) Banks			73,623	73,623	1,546,736
b) Customers	1,107,320		25,077	1,132,397	929,376
2) Commercial guarantees issued	**45,826**		**161,398**	**207,224**	**268,440**
a) Banks			161,398	161,398	122,630
b) Customers	45,826			45,826	145,810
3) Irrevocable commitments to disburse funds	**18,421,430**		**11,438**	**18,432,868**	**14,189,003**
a) Banks:	345,252			345,252	125,834
i) certain use	345,252			345,252	125,834
ii) uncertain use					
b) Customers:	18,076,178		11,438	18,087,616	14,063,169
i) certain use	18,000,306		11,438	18,011,744	14,004,465
ii) uncertain use	75,872			75,872	58,704
4) Commitments underlying credit derivatives: sales of protection					
5) Assets pledged as collateral for third-party debts					
6) Other commitments	**3,241,017**		**2,579,033**	**5,820,050**	**5,737,974**
Total	**22,815,593**		**2,850,569**	**25,666,162**	**22,671,529**

2. Assets pledged as collateral for own debts and commitments

(thousands of euro) Portfolios	Banking group	Other entities	31/12/2017	31/12/2016
1. Financial assets held for trading				
2. Financial assets at fair value				
3. Financial assets available for sale	4,614,900		4,614,900	1,584,400
4. Financial assets held to maturity	22,775,297		22,775,297	20,774,500
5. Loans to banks	1,414,743		1,414,743	1,074,943
6. Loans to customers	37,938,895		37,938,895	42,519,976
7. Property, plant and equipment		263,666	263,666	268,316
8. Other assets		394,867	394,867	447,126

The assets pledged as collateral for debts of the Banking group refer to the Parent Company and are mainly represented by receivables and securities pledged as collateral in refinancing operations with the ECB, securities in repurchase agreements and receivables pledged as security for loans from the EIB.

The other assets posted as collateral derive from the contribution by CDP Immobiliare and mainly refer to the first mortgage on a property, as collateral for the associated bank loan.

3. Information on operating leases

(thousands of euro)	31/12/2017	31/12/2016
Information from lessee perspective - Future non-cancellable operating lease payments	107,974	75,412
Up to 3 months		
From 3 months to 1 year	30,406	16,513
From 1 year to 5 years	50,777	36,604
More than 5 years	26,791	22,295
Information from lessor perspective - Future non-cancellable operating lease payments		
Up to 3 months		
From 3 months to 1 year		
From 1 year to 5 years		
More than 5 years		

5. Management and intermediation services on behalf of third parties

(thousands of euro) Type of service	31/12/2017
1. Order execution on behalf of customers	
a) Purchases:	
1. settled	
2. not yet settled	
b) Sales:	
1. settled	
2. not yet settled	
2. Asset management	
a) Individual	
b) Collective	801,605
3. Securities custody and administration	
a) Third-party securities held as part of depository bank services (excluding asset management):	
1. securities issued by consolidated companies	
2. other securities	
b) Other third-party securities on deposit (excluding asset management) - other:	
1. securities issued by consolidated companies	
2. other securities	
c) Third-party securities deposited with third parties	
d) Own securities portfolio deposited with third parties	165,369,614
4. Other	**92,346,743**
Management on behalf of third parties in separate accounts on the basis of specific agreements:	
- Postal savings bonds managed on behalf of MEF (1)	68,242,723
- Loans transferred to the MEF - Ministerial Decree 5 December 2013 (2)	5,294,899
- Payment PA payable - Decree Law 8 April 2013, no. 35 (3)	6,137,479
- Funds for Approved and Subsidised Residential Building initiatives (4)	2,691,377
- Funds for Regional Agreements and Area Contracts - Law 662/96, Article 2, paragraph 203 (4)	487,355
- Funds of Public Entities and Other Entities deposited pursuant to Legislative Decree 1058/1919 and Law no. 1041/1971 (4)	929,757
- Kyoto Fund (3)	626,847
- Funds for Methanisation of Southern Italy - Law 784/80, Law 266/97 and Law 73/98 (4)	197,682
- MIUR Student Accomodation - Law 388/00 (4)	90,918
- Minimum Environmental Impact Fund (4)	27,960
- Residential Construction Mortgages - Law 179/92 art. 5 (2)	
- Contributions Fund pursuant to Law 295/73 c/o SIMEST (5)	2,241,897
- Revolving Fund pursuant to Law 394/81 c/o SIMEST (5)	711,998
- Revolving Fund for Venture Capital Operations (5)	212,421
- Start Up Fund (5)	4,035
- Revolving Fund for development cooperation (3)	4,327,604
- MEPLS Fund - contributions by the Ministry of Environment and Protection of the Land and See for cooperation	19,596
- Other funds (4)	102,195

(1) The figure represents the amount at the reporting date of the financial statements.
(2) The figure represents the remaining principal, at the reporting date of the financial statements, of loans managed on behalf of the MEF.
(3) The figure represents the sum of the remaining principal of the loans disbursed and the remaining funds on the dedicated current accounts, at the reporting date of the financial statements, of loans managed on behalf of the MEF.
(4) The figure represents the remaining balances of the funds on the dedicated current accounts at the reporting date of the financial statements.
(5) The figure shown relates to the total assets of the public subsidised fund.

6. Financial assets offset in the financial statements, or subject to master netting agreements or similar agreements

(thousands of 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)	Related amounts not offset in financial sheet		Net amount 31/12/2017 (F = C - D - E)	Net amount 31/12/2016
				Financial instruments (D)	Cash deposits received as guarantee (E)		
1. Derivatives	925,943		925,943	444,388	473,838	7,717	7,871
2. Repurchase agreements							
3. Securities lending							
4. Other							
Total 31/12/2017	**925,943**		**925,943**	**444,388**	**473,838**	**7,717**	**X**
Total 31/12/2016	**5,476,126**		**5,476,126**	**5,015,805**	**452,450**	**X**	**7,871**

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the consolidated balance sheet:

(thousands of euro) Technical forms	Balance sheet Items	Net amount of financial assets shown in financial statements (C = A - B)
1. Derivatives		925,943
	20. Financial assets held for trading	83,347
	80. Hedging derivatives	842,596
2. Repurchase agreements		
	60. Due to banks	
	70. Due to customers	
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)	Related amounts not offset in financial balance sheet		Net amount 31/12/2017 (F = C - D - E)	Net amount 31/12/2016
				Financial instruments (D)	Cash deposits received as guarantee (E)		
1. Derivatives	684,717		684,717	444,388	218,549	21,780	46,868
2. Repurchase agreements	27,759,644		27,759,644	27,709,506	46,121	4,017	
3. Securities lending							
4. Other transactions							
Total 31/12/2017	**28,444,361**		**28,444,361**	**28,153,894**	**264,670**	**25,797**	**X**
Total 31/12/2016	**19,623,327**		**19,623,327**	**19,109,272**	**467,187**	**X**	**46,868**

The table below shows the placement of the amounts shown in column c) of the table above, in the relevant items of the consolidated balance sheet:

(thousands of euro) Technical forms	Balance sheet Items	Net amount of financial liabilities shown in financial statements (C = A - B)
1. Derivatives		684,717
	40. Financial liabilities held for trading	96,633
	60. Hedging derivatives	588,084
2. Repurchase agreements		27,759,644
	40. Financial liabilities held for trading	6,670,880
	60. Hedging derivatives	21,088,764
3. Securities lending		
4. Other transactions		

For details of the valuation criteria used for the financial liabilities shown in the table above, see Section A of the Accounting Policies.

8. Securities lending transactions

This item has a nil balance.

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	31/12/2017	31/12/2016
1. Financial assets held for trading	5,785		81	5,866	5,118
2. Financial assets at fair value	3,259			3,259	3,012
3. Financial assets available for sale	85,911			85,911	95,085
4. Financial assets held to maturity	948,055		11	948,066	950,929
5. Loans to banks	10,461	241,839	5	252,305	283,421
6. Loans to customers	248,281	5,884,557	407	6,133,245	5,358,151
7. Hedging derivatives	X	X			128,103
8. Other assets	X	X	212,251	212,251	170,351
Total	**1,301,752**	**6,126,396**	**212,755**	**7,640,903**	**6,994,170**

Interest income accrued in 2017 amounts to approximately 7,641 million euro It substantially refers to the Parent Company and mainly comprises:

- interest income on loans to banks and customers, amounting to about 6,126 million euro (5,411 million euro on 2016);
- interest income on debt securities, amounting to about 1,302 million euro;
- interest income on "other assets" amounting to around 212 million euro.

Sub-item "8. Other assets" 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.

1.2 Interest income and similar income: differences on hedging transactions

(thousands of euro)	31/12/2017	31/12/2016
A. Positive differences on hedging transactions		235,509
B. Negative differences on hedging transactions		(107,406)
C. Balance (A - B)		**128,103**

In 2017, the interest difference on hedging transactions is negative by approximately 25 million euro and is therefore presented in table 1.5 "Interest expense and similar expenses: differences on hedging transactions".

1.3 Interest income and similar income: additional information

1.3.1 Interest income on financial assets in foreign currency

The item includes interest income accrued on financial assets in foreign currency of about 35,396 thousand euro.

1.3.2 Interest income on non-performing assets

The item includes interest income accrued on non-performing assets of about 13,565 thousand euro.

1.4 Interest expense and similar expenses: breakdown

(thousands of euro) Items/Technical forms	Payables	Securities	Other operations	31/12/2017	31/12/2016
1. Due to central banks		X			870
2. Due to banks	133,471	X		133,471	154,868
3. Due to customers	3,993,693	X	71	3,993,764	3,876,134
4. Securities issued	X	649,044		649,044	761,509
5. Financial liabilities held for trading					
6. Financial liabilities at fair value					
7. Other liabilities and provisions	X	X	78,218	78,218	94,383
8. Hedging derivatives	X	X	25,715	25,715	
Total	**4,127,164**	**649,044**	**104,004**	**4,880,212**	**4,887,764**

Interest expense in 2017 related mainly to:
- remuneration of the Parent Company's postal funding, amounting to approximately 4,035 million euro;
- interest expense on securities issued by industrial companies, equal to around 352 million euro, and by the Parent Company, equal to 269 million euro.

The sub-item "Other liabilities and provisions" includes, amongst others, interest accrued on financial assets that, due to negative remuneration, gave rise to a charge (interest expense).

1.5 Interest expense and similar expenses: differences on hedging transactions

(thousands of euro) Items	31/12/2017	31/12/2016
A. Positive differences on hedging transactions	188,969	
B. Negatives differences on hedging transactions	(214,684)	
C. Balance (A - B)	**(25,715)**	

In 2016, the interest difference on hedging transactions was positive by approximately 128 million euro and was therefore recognised in table 1.2 "Interest income and similar income: differences on hedging transactions".

1.6 Interest expense and similar expenses: additional information

1.6.1 Interest expense on liabilities in foreign currencies

The item includes interest expense accrued on financial liabilities accounted for in foreign currency, totalling about 25,136 thousand euro.

1.6.2 Interest expense for finance leases

The interest expense for finance leases totals about 27 thousand euro.

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

(thousands of euro) Type of services/Values	31/12/2017	31/12/2016
a) Guarantees issued	24,553	41,889
b) Credit derivatives		
c) Management, intermediation and advisory services:	5,547	8,856
1. Trading of financial instruments		
2. Trading of currencies		
3. Management of portfolios:	5,547	8,856
3.1 individual		
3.2 collective	5,547	8,856
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	12,187	22,130
g) Collection services		
h) Management multilateral trading systems		
i) Maintenance and management of current accounts		
j) Other services	116,689	81,535
Total	**158,976**	**154,410**

Commission income accrued by the Parent Company during the year mainly relates to lending activities (about 78 million euro).

This item also includes the commission income accrued by the Parent Company of 2.6 million euro relating to the agreements signed with the Ministry for the Economy and Finance in respect of assets and liabilities transferred to the MEF pursuant to article 3 of Italian Ministerial Decree of 5 December 2003, as well as commission income from the management of the Kyoto Fund and the Revolving Fund supporting enterprises and investment in research (FRI) and from other services provided (approximately 0.2 million euro).

The balance also includes commission income of 16.6 million euro received by the subsidiary SIMEST for the management of Public Funds, 12.2 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.

Commission income of around 25 million euro was accrued by the Parent Company on guarantees given.

2.2 Commission expense: breakdown

(thousands of euro) Services/Values	31/12/2017	31/12/2016
a) Guarantees received	18,147	13,587
b) Credit derivatives		
c) Management and intermediation services:	1,594,820	1,588,956
1. Trading of financial instruments		
2. Trading of currencies		
3. Management of portfolios:	1,022	1
3.1 own portfolio	1,022	1
3.2 third-party portfolios		
4. Custody and administration of securities	1	
5. Placement of financial instruments	1,593,797	1,588,955
6. Door-to-door selling of financial instruments, products and services		
d) Collection and payment services	1,588	5,235
e) Other services	12,862	9,836
Total	**1,627,417**	**1,617,614**

Commission expense is almost exclusively attributable to the Parent Company and regards the charge for the year, equal to about 1,574 million euro, of the remuneration paid to Poste Italiane S.p.A. for managing postal savings products.

The agreement between CDP and Poste Italiane S.p.A. modifies the fee structure and no longer provides for a commission directly attributable to the issue of new postal bonds, but rather a comprehensive fee for the activities involved in providing the service, which is fully expensed in the year in which it accrues. The fee structure is consistent with the developments in the service provided by Poste Italiane S.p.A., which now emphasises the overall management of postal savings rather than merely providing placement services.

Section 3 - Dividends and similar revenues - Item 70

3.1 Dividends and similar revenues: breakdown

	31/12/2017		31/12/2016	
(thousands of euro) Items/Revenues	Dividends	Units in collective investment undertakings	Dividends	Units in collective investment undertakings
A. Financial assets held for trading	240		128	
B. Financial assets available for sale	53	4,591	27	4,451
C. Financial assets at fair value				
D. Equity investments		X		X
Total	**293**	**4,591**	**155**	**4,451**

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	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gain (loss) [(A + B) - (C + D)]
1. Financial assets held for trading	**710**	**12,724**	**108,615**	**1,061**	**(96,242)**
1.1 Debt securities	628	10,503	1,063	547	9,521
1.2 Equity securities	81	2,221	614	514	1,174
1.3 Units in collective investment undertakings	1		106,938		(106,937)
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**	**(144,905)**
4. Derivatives	**44,432**	**88,248**	**56,863**	**76,164**	**(2,900)**
4.1 Financial derivatives:	44,432	88,248	56,863	76,164	(2,900)
- On debt securities and interest rates	18,808	20,398	16,622	20,104	2,480
- On equity securities and equity indices	25,549	67,218	39,745	56,060	(3,038)
- On currencies and gold	X	X	X	X	(2,553)
- Other	75	632	496		211
4.2 Credit derivatives					
Total	**45,142**	**100,972**	**165,478**	**77,225**	**(244,047)**

The net loss on trading activities of approximately 244 million euro is mainly due to the contribution of the Insurance companies which incurred losses on units of UCIs and exchange rate losses of approximately 107 million euro and 114 million euro, respectively.

The contribution of the Parent Company is a negative amount of 32.5 million euro, of which 6.7 million euro refers to the management hedges of the embedded optional component of the postal savings bonds indexed to equity baskets, made through open-market purchase of mirror options and 25.8 million euro to exchange rate losses.

The Fincantieri group provides a positive contribution of 10.3 million euro, attributable to derivatives (+ 13.8 million euro) and exchange rate differences on financial assets and liabilities in foreign currency (- 3.5 million euro).

Section 5 - Fair value adjustments in hedge accounting - Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

(thousands of euro) P&L components/Values	31/12/2017	31/12/2016
A. Income deriving from:		
A.1 Fair value hedges	511,819	228,054
A.2 Hedged financial assets (fair value)	22,427	389,691
A.3 Hedged financial liabilities (fair value)	135,780	49,356
A.4 Cash flow hedges	1,007	1,203
A.5 Assets and liabilities in foreign currencies	67,469	29,491
Total income on hedging activities (A)	738,502	697,795
B. Expense on:		
B.1 Fair value hedges	158,724	440,160
B.2 Hedged financial assets (fair value)	443,807	115,199
B.3 Hedged financial liabilities (fair value)	50,809	105,947
B.4 Cash flow hedges	9,382	5,521
B.5 Assets and liabilities in foreign currencies	67,513	29,439
Total expense on hedging activities (B)	730,235	696,266
C. Net gain (loss) on hedging activities (A - B)	**8,267**	**1,529**

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

6.1 Gains (losses) on disposal or repurchase: breakdown

(thousands of euro) P&L items	31/12/2017 Gains	31/12/2017 Losses	31/12/2017 Net gain (loss)	31/12/2016 Gains	31/12/2016 Losses	31/12/2016 Net gain (loss)
Financial assets						
1. Loans to banks	826		826	268		268
2. Loans to customers	23,206	(1,847)	21,359	26,515	(227)	26,288
3. Financial assets available for sale:	44,188	(22,617)	21,571	31,592	(3,688)	27,904
3.1 Debt securities	20,572	(22,612)	(2,040)	9,152	(3,688)	5,464
3.2 Equity securities	262	(5)	257	22,440		22,440
3.3 Units in collective investment undertakings	23,354		23,354			
3.4 Loans						
4. Financial assets held to maturity	66		66	2		2
Total assets	**68,286**	**(24,464)**	**43,822**	**58,377**	**(3,915)**	**54,462**
Financial liabilities						
1. Due to banks						
2. Due to customers						
3. Securities issued		(56,042)	(56,042)		(329,386)	(329,386)
Total liabilities		**(56,042)**	**(56,042)**		**(329,386)**	**(329,386)**

The balance of this item is negative by approximately 12 million euro. The Parent Company contributed a gain of 43 million euro on the sale of securities included under financial assets available for sale and on the compensation received from customers upon early repayment of long-term loans.

The losses on the repurchase of securities issued (56 million euro) arise from the liability management transaction carried out by SNAM, which repurchased bonds with a total nominal amount of 607 million euro on the market.

Section 7 - Profits (losses) on financial assets and liabilities designated at fair value - Item 110

7.1 Net change in value of financial assets and liabilities designated at fair value: breakdown

(thousands of euro) Type of operations/P&L items	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gain (loss) [(A + B)-(C + D)]
1. Financial assets			**25,120**		**(25,120)**
1.1 Debt securities			24,832		(24,832)
1.2 Equity securities					
1.3 Units in collective investment undertakings			288		(288)
1.4 Loans					
2. Financial liabilities			**3,498**		**(3,498)**
2.1 Debt securities			3,498		(3,498)
2.2 Due to banks					
2.3 Due to customers					
3. Foreign currency financial assets and liabilities: exchange rate differences	X	X	X	X	
4. Credit and financial derivatives	**23**		**2**		**21**
Total	**23**		**28,620**		**(28,597)**

Section 8 - Net impairment losses/recoveries - Item 130

The net negative amount, totalling 141 million euro, refers to the net balance between impairment losses and recoveries on loans and other financial transactions, calculated both analytically and all together. The recovery from interest refer to the write-backs connected with the passing of time, deriving from the accrual of interest during the financial year on the basis of the original effective interest rate used to calculate the value adjustments.

8.1 Net impairment losses/recoveries on loans: breakdown

	Writedowns			Writebacks				31/12/2017	31/12/2016
	Specific		Portfolio	Specific		Portfolio			
(thousands of euro) Type of operations/P&L items	Derecognitions	Other		From interest	Other writebacks	From interest	Other writebacks		
A. Loans to banks			**(847)**				**17,816**	**16,969**	**(77,279)**
- Loans							17,816	17,816	(77,036)
- Debt securities			(847)					(847)	(243)
B. Loans to customers		**(43,021)**	**(30,399)**	**364**	**18,188**		**7,931**	**(46,937)**	**(104,287)**
Impaired loans acquired:									
- Loans			X			X	X		
- Debt securities			X			X	X		
Other receivables:									
- Loans		(43,021)	(28,240)	364	18,188		7,931	(44,778)	(99,890)
- Debt securities			(2,159)					(2,159)	(4,397)
C. Total		**(43,021)**	**(31,246)**	**364**	**18,188**		**25,747**	**(29,968)**	**(181,566)**

8.2 Net impairment losses/recoveries on financial assets available for sale: breakdown

	Writedowns		Writebacks		31/12/2017	31/12/2016
	Specific		Specific			
(thousands of euro) Type of operations/P&L items	Derecognitions	Other	From interest	Other writebacks		
A. Debt securities						
B. Equity securities		(712)	X	X	(712)	(3,135)
C. Units in collective investment undertakings		(190,776)	X		(190,776)	(215,948)
D. Loans to banks						
E. Loans to customers						
F. Total		**(191,488)**			**(191,488)**	**(219,083)**

8.4 Net impairment losses/recoveries on other financial transactions: breakdown

	Writedowns			Writebacks				31/12/2017	31/12/2016
	Specific		Portfolio	Specific		Portfolio			
(thousands of euro) Type of operations/P&L items	Derecognitions	Other		From interest	Other writebacks	From interest	Other writebacks		
A. Guarantees issued			(558)		69		3,264	2,775	(4,667)
B. Credit derivatives									
C. Commitments to disburse funds			(1,124)				212	(912)	4,940
D. Other operations					78,282			78,282	(78,201)
E. Total			**(1,682)**		**78,351**		**3,476**	**80,145**	**(77,928)**

Fondo Atlante

CDP holds 500 units of the alternative investment fund Fondo Atlante (out of a total of 4,249), against a total commitment of 500 million euro, of which, approximately 460.8 million euro paid up and approximately 39.2 million euro still to be called up.

The investment in this fund is classified under financial assets available for sale. In line with the IFRS, it is measured at fair value.

Following the zeroing of the carrying amount of the investee banks, Veneto Banca S.p.A. and Banca Popolare di Vicenza S.p.A., which have been placed under compulsory administrative liquidation, net impairment losses totalling 105.6 million euro were recognised at 30 June 2017, of which 183,8 million euro was recognised under item 130.b “Net impairment losses/recoveries on financial assets available for sale”, in part offset by the recovery of approximately 78.2 million euro recognised under item 130.d "Net impairment losses/recoveries on other financial transactions" to reflect the transfer of the adjustments at 31 December 2016 on commitments called-up and paid in January 2017 to the income statement.

At 31 December 2017, the total value of the units held by CDP in Fondo Atlante totalled around 61.5 million euro, calculated on the basis of the unit value communicated by the manager Quaestio Capital Management SGR, equal to 123,053.51 euro. The fair value measurement resulted in a revaluation of Fondo Atlante of 0.4 million euro that was recognised as an increase in the valuation reserves, in accordance with IAS 39.69, which does not allow the recognition of the reversal of impairment losses on equity instruments in profit or loss, and in accordance with IFRIC 10.8, which does not allow the reversal of an impairment loss recognised in a previous interim period on an investment in an equity instrument.

Section 9 - Net premium income - Item 150

9.1 Net premium income: breakdown

(thousands of euro) Premiums from insurance activity	Direct work	Indirect work	31/12/2017	31/12/2016
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 (+)	672,672	34,054	706,726	484,155
B.2 Premiums transferred to reinsurance (-)	(126,691)	X	(126,691)	(131,541)
B.3 Change in gross amount of provision for unearned premiums (+/-)	203,843	(10,147)	193,696	(98,227)
B.4 Change in reinsurer's share of provision for unearned reserves (-/+)	33,160	(98)	33,062	122,268
B.5 Total	782,984	23,809	806,793	376,655
C. Total net premium income	**782,984**	**23,809**	**806,793**	**376,655**

Section 10 - Other net income (expense) from insurance operations - Item 160

10.1 Other net income (expense) from insurance operations: breakdown

(thousands of euro)	31/12/2017	31/12/2016
1. Net change in technical reserves	(5,369)	(5,221)
2. Claims accrued and paid during the year	78,777	(29,124)
3. Other net profit (loss) on insurance operations	(15,422)	(10,398)
Total	**57,986**	**(44,743)**

10.2 Breakdown of sub-item "Net change in technical provisions"

(thousands of euro)	31/12/2017	31/12/2016
1. Life insurance		
A. Mathematical reserves		
A.1 Gross annual amount		
A.2 (-) Amounts borne by reinsurers		
B. Other technical reserves		
B.1 Gross annual amount		
B.2 (-) Amounts borne by reinsurers		
C. Technical reserves 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	(5,369)	(5,221)
Changes in other technical reserves for life insurance other the claims provisions net of cessions in reinsurance	(5,369)	(5,221)

10.3 Breakdown of sub-item "Claims accrued during the year"

(thousands of euro)	31/12/2017	31/12/2016
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	(371,989)	(368,593)
C.1 Gross annual amount	(413,821)	(400,383)
C.2 (-) Amounts borne by reinsurers	41,832	31,790
D. Change in recoveries net of amounts borne by reinsurers	235,135	245,599
E. Changes in claims reserve	215,631	93,870
E.1 Gross annual amount	224,540	94,713
E.2 (-) Amounts borne by reinsurers	(8,909)	(843)
Total non-life insurance claims	**78,777**	**(29,124)**

10.4 Breakdown of sub-item "Other income (expense) from insurance operations"

(thousands of euro)	31/12/2017	31/12/2016
Life insurance		
Other income		
Other expenses		
Non-life insurance	(15,422)	(10,398)
Other income	38,535	50,248
Other expenses	(53,957)	(60,646)
Total	**(15,422)**	**(10,398)**

Section 11 - Administrative expenses - Item 180

11.1 Staff costs: breakdown

(thousands of euro) Type of expenses/Sectors	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
1) Employees	**98,272**	**67,363**	**1,619,127**	**1,784,762**	**1,671,600**
a) Wages and salaries	69,069	39,749	1,090,058	1,198,876	1,098,085
b) Social security costs	302	102	29,654	30,058	28,698
c) Staff severance pay	506	796	23,527	24,829	24,623
d) Pension costs	17,043	11,137	334,917	363,097	346,092
e) Allocation to staff severance pay	155	193	4,483	4,831	5,863
f) Provision for retirement and similar provisions:					
- defined contribution					
- defined benefit					
g) Payments to external supplementary pensions funds:	5,427	3,931	47,502	56,860	48,666
- defined contribution	5,269	3,931	44,913	54,113	46,236
- defined benefit	158		2,589	2,747	2,430
h) Costs arising from share-based payment arrangements			3,330	3,330	
i) Other employee benefits	5,770	11,455	85,656	102,881	119,573
2) Other personnel in service	**459**	**433**	**7,592**	**8,484**	**7,091**
3) Board of Directors and Board of Statutory Auditors	**1,488**	**795**	**14,431**	**16,714**	**21,195**
4) Retired personnel					
Total	**100,219**	**68,591**	**1,641,150**	**1,809,960**	**1,699,886**

11.2 Average number of employees by category

(number)	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
Employees	**832**	**1,087**	**30,337**	**32,256**	**31,134**
a) Senior management	94	66	639	799	752
b) Middle management	380	461	8,751	9,592	9,018
c) Other employees	358	560	20,947	21,865	21,364
Other personnel	**15**	**2**	**99**	**116**	**60**

11.3 Defined benefit pension funds: costs and revenues

This item has a nil balance.

11.4 Other employee benefits

(thousands of euro) Type of expenses/Values	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
IT costs	1,233	997	6,797	9,027	4,634
General services	2,265	2,304	1,738	6,307	5,330
Professional and financial services					
Publicity and marketing expenses	374	332	2	708	1,387
Other personnel-related expenses	431	3,072	34,243	37,746	65,915
Utilities, duties and other expenses			(10,139)	(10,139)	1,129
Information resources and databases			247	247	591
Corporate bodies	1,467	4,750	52,768	58,985	40,587
Total	**5,770**	**11,455**	**85,656**	**102,881**	**119,573**

"Other employee benefits" amount to approximately 103 million euro. The positive balance of "Bonus energia" is due to the release of the electricity discount provision, to the extent of the portion related to retired employees, by the Terna Group during the financial year.

11.5 Other administrative expenses: breakdown

(thousands of euro) Type of expenses/Values	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
IT costs	24,924	4,706	102,212	131,842	148,132
General services	12,055	2,692	4,143,602	4,158,349	3,603,282
Professional and financial services	14,082	9,781	423,496	447,359	419,755
Publicity and marketing expenses	2,633	1,825	26,371	30,829	26,378
Other personnel-related expenses	2,485	2,059	27,056	31,600	35,768
Utilities, duties and other expenses	6,255	7,537	211,511	225,303	248,151
Information resources and databases	1,307	4,704	383	6,394	6,485
Corporate bodies	348		190	538	657
Total	**64,089**	**33,304**	**4,934,821**	**5,032,214**	**4,488,608**

The following table shows the fees paid for statutory auditing and non-audit services.

	Network PricewaterhouseCoopers		Total
(thousands of euro)	Parent company	Other Group companies	
Auditing	574	4,225	4,799
Certification services	30	326	356
Tax consultancy services		78	78
Other services	364	528	892
Total	**968**	**5,157**	**6,125**

Section 12 - Net accruals to the provisions for risk and charges - Item 190

12.1 Net accruals to the provisions for risks and charges: breakdown

(thousands of euro) Type of transactions/Values	Accruals	Reversal of excess	31/12/2017
Net provisions for legal disputes	(19,863)	4,582	(15,281)
Net provisions for sundry expenses for personnel	(12,082)	780	(11,302)
Net provisions for tax disputes	(10,396)	2,175	(8,221)
Net sundry provisions	(176,398)	136,885	(39,513)
Total	**(218,739)**	**144,422**	**(74,317)**

12.1 of which: pertaining to the Banking group

(thousands of euro) Type of transactions/Values	Accruals	Reversal of excess	31/12/2017
Net provisions for legal disputes	(914)	685	(229)
Net provisions for sundry expenses for personnel	(1,059)		(1,059)
Net provisions for tax disputes	(58)	886	828
Net sundry provisions		271	271
Total	**(2,031)**	**1,842**	**(189)**

12.1 of which: pertaining to the Insurance companies

(thousands of euro) Type of transactions/Values	Accruals	Reversal of excess	31/12/2017
Net provisions for legal disputes	(264)	575	311
Net provisions for sundry expenses for personnel	(6,480)	780	(5,700)
Net provisions for tax disputes			
Net sundry provisions		14,411	14,411
Total	**(6,744)**	**15,766**	**9,022**

12.1 of which: pertaining to Other companies

(thousands of euro) Type of transactions/Values	Accruals	Reversal of excess	31/12/2017
Net provisions for legal disputes	(18,685)	3,322	(15,363)
Net provisions for sundry expenses for personnel	(4,543)		(4,543)
Net provisions for tax disputes	(10,338)	1,289	(9,049)
Net sundry provisions	(176,398)	122,203	(54,195)
Total	**(209,964)**	**126,814**	**(83,150)**

Section 13 - Net adjustments to/recoveries on property, plant and equipment - Item 200

13.1. Net adjustments to/recoveries on 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				
A.1 Owned:	(1,343,177)	(21,738)	104	(1,364,811)
- for operations	(1,343,177)	(21,719)		(1,364,896)
- for investment		(19)	104	85
A.2 Acquired under finance leases:	(7,741)			(7,741)
- for operations	(7,741)			(7,741)
- for investment				
Total	**(1,350,918)**	**(21,738)**	**104**	**(1,372,552)**

13.1 of which: pertaining to the Banking group

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Property, plant and equipment				
A.1 Owned:	(4,429)			(4,429)
- for operations	(4,429)			(4,429)
- for investment				
A.2 Acquired under finance leases:				
- for operations				
- for investment				
Total	**(4,429)**			**(4,429)**

13.1 of which: pertaining to the 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				
A.1 Owned:	(2,147)	(5)		(2,152)
- for operations	(2,147)			(2,147)
- for investment		(5)		(5)
A.2 Acquired under finance leases:				
- for operations				
- for investment				
Total	**(2,147)**	**(5)**		**(2,152)**

13.1 of which: pertaining to Other entities

(thousands of euro) Assets/P&L items	Depreciation (A)	Impairment adjustments (B)	Writebacks (C)	Net result (A + B - C)
A. Property, plant and equipment				
A.1 Owned:	(1,336,601)	(21,733)	104	(1,358,230)
- for operations	(1,336,601)	(21,719)		(1,358,320)
- for investment		(14)	104	90
A.2 Acquired under finance leases:	(7,741)			(7,741)
- for operations	(7,741)			(7,741)
- for investment				
Total	**(1,344,342)**	**(21,733)**	**104**	**(1,365,971)**

Section 14 - Net adjustments to/recoveries on intangible assets - Item 210

14.1 Net adjustments to/recoveries 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:	(557,877)	(6,310)		(564,187)
- internally generated by the company	(34,098)			(34,098)
- other	(523,779)	(6,310)		(530,089)
A.2 Acquired under finance leases				
Total	**(557,877)**	**(6,310)**		**(564,187)**

14.1 of which: pertaining to the Banking group

(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:	(2,634)			(2,634)
- internally generated by the company				
- other	(2,634)			(2,634)
A.2 Acquired under finance leases				
Total	**(2,634)**			**(2,634)**

14.1 of which: pertaining to the Insurance companies

(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:	(2,297)			(2,297)
- internally generated by the company	(1,534)			(1,534)
- other	(763)			(763)
A.2 Acquired under finance leases				
Total	**(2,297)**			**(2,297)**

14.1 of which: pertaining to Other entities

(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:	(552,946)	(6,310)		(559,256)
- internally generated by the company	(32,564)			(32,564)
- other	(520,382)	(6,310)		(526,692)
A.2 Acquired under finance leases				
Total	**(552,946)**	**(6,310)**		**(559,256)**

Section 15 - Other operating income (costs) - Item 220

15.1 Other operating costs: breakdown

(thousands of euro) Type of expenses/Values	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
Other costs from expense cycle					
Settlements for lawsuits					
Depreciation of leasehold improvements	1		1,051	1,052	1,081
Other	1,339	29,664	316,180	347,183	297,977
Total	**1,340**	**29,664**	**317,231**	**348,235**	**299,058**

15.2 Other operating income: breakdown

(thousands of euro) Type of expenses/Values	Banking group	Insurance companies	Other entities	31/12/2017	31/12/2016
Income for company engagements to employees	713		293	1,006	812
Recovery of expenses	820	7	19,978	20,805	13,283
Rental income and other income from property management	262	537	100,182	100,981	50,324
Revenues from industrial management			11,171,977	11,171,977	10,303,038
Other	24,722	6,987	143,304	175,013	110,979
Total	**26,517**	**7,531**	**11,435,734**	**11,469,782**	**10,478,436**

Revenues from industrial operations mainly derive from:
- Fincantieri in the amount of 4,900 million euro;
- SNAM in the amount of 2,465 million euro;
- Terna in the amount of 2,234 million euro;
- Italgas in the amount of 1,572 million euro.

Income from property management is primarily attributable to FIV Extra and CDP Immobiliare.

Section 16 - Gains (losses) on equity investments - Item 240

16.1 Gains (losses) on equity investments: breakdown

(thousands of euro) P&L components/Sectors	31/12/2017	31/12/2016
1. Joint ventures		
A. Income	**181,809**	**295,906**
1. Income	180,964	231,655
2. Gains on disposal	153	63,857
3. Writebacks		
4. Other	692	394
B. Expenses	**(111,850)**	**(290,683)**
1. Impairment	(88,835)	(289,890)
2. Writedowns for impairment	(23,015)	(793)
3. Losses on disposal		
4. Other		
Net result	**69,959**	**5,223**
2. Enterprises subject to significant influence		
A. Income	**1,007,940**	**103,417**
1. Income	1,002,585	101,055
2. Gains on disposal	9	
3. Writebacks	2,117	10
4. Other	3,229	2,352
B. Expenses	**(24,141)**	**(668,577)**
1. Impairment	(8,037)	(662,659)
2. Writedowns for impairment	(15,769)	(5,918)
3. Losses on disposal		
4. Other	(335)	
Net result	**983,799**	**(565,160)**
Total	**1,053,758**	**(559,937)**

Net gains on equity investments of approximately 1,054 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 ENI (692.8 million euro), Poste Italiane (302 million euro), TAG (83.6 million euro), TIGF Holdings S.A.S.(40.9 million euro) and Toscana Energia (22.8 million euro).
- the negative effect of the measurement at equity of Open Fiber (19.1 million euro), SAIPEM (approximately 41.2 million euro) and Alfiere (13.8 million euro). This item is also negatively affected by the 15.5 million euro impairment losses on the investments in Trevi Finanziaria and SAIPEM (21.6 million euro).

Section 17 - Gains (losses) on property, plant and equipment and intangible assets measured at fair value - Item 250

This item has a nil balance.

Section 19 - Gains (losses) on disposal of investments - Item 270

19.1 Gains (losses) on disposal of investments: breakdown

(thousands of euro) P&L components/Sectors	31/12/2017	31/12/2016
A. Land and buildings	**281**	**102**
- Gains on disposal	281	102
- Losses on disposal		
B. Other assets	**592,071**	**98**
- Gains on disposal	601,408	11,783
- Losses on disposal	(9,337)	(11,685)
Net gain (loss)	**592,352**	**200**

This item of 594 million euro refers to the gain on the sale of 30% of the investment in FSIA to Poste Italiane and the fair value remeasurement of the residual investment after no longer controlling the investee.

Section 20 - Income tax for the year on continuing operations - Item 290

20.1 Income tax for the year on continuing operations: breakdown

(thousands of euro) P&L components/Sectors	31/12/2017	31/12/2016
1. Current taxes (-)	(1,292,816)	(977,018)
2. Change in current taxes from previous years (+/-)	7,614	105,152
3. Reduction of current taxes for the year (+)	1,425	85
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 (+/-)	(4,867)	(72,922)
5. Change in deferred tax liabilities (+/-)	91,870	178,481
6. Taxes for the year (-) (-1 +/-2 + 3 + 3.*bis* +/-4+/-5)	**(1,196,774)**	**(766,222)**

20.2 Reconciliation of theoretical tax liability and actual tax liability recognised

(thousands of euro)	31/12/2017	Tax rate
Income (loss) before taxes	**5,658,432**	
IRES theoretical tax liability (rate 27.5%)	**(1,556,069)**	**-27.50%**
Increases in taxes:		
- non-deductible interest expense	(6,645)	-0.12%
- writedowns of equity investments	(8,334)	-0.15%
- other non-deductible costs	(61,945)	-1.09%
- adjustments on receivables (+)	(8,499)	-0.15%
- non-deductible temporary differences	(185,565)	-3.28%
- effect of different foreign tax rates (+)	(153,945)	-2.72%
Decreases in taxes:		
- ACE benefit	133,410	2.36%
- exchange difference	7,524	0.13%
- 24% rate effect	198,090	3.50%
- non-taxable income	492,850	8.71%
- use of accruals	51,880	0.92%
- technical reserves	8,083	0.14%
- other changes	90,295	1.60%
IRES Actual tax liability	**(998,870)**	**-17.7%**

(thousands of euro)	31/12/2017	Tax rate
IRAP tax amount	**6,368,357**	
IRAP Theoretical tax liability (5.57% rate)	**(354,717)**	**-5.57%**
Increases in taxes		
- non-deductible interest 4%	(61)	0.00%
- other non-deductible costs	(16,627)	-0.26%
- different regional rates	(8,849)	-0.14%
Decreases in taxes		
- costs deductible in previous years	9,811	0.15%
- deductible costs for staff costs	28,796	0.45%
- different regional rates	33,251	0.52%
- other decreases	14,450	0.23%
IRAP Actual tax liability	**(293,946)**	**-4.62%**

Section 22 - Net income (loss) for the year pertaining to non-controlling interests - Item 330

22.1 Breakdown of item 330 “Net income (loss) for the year pertaining to non-controlling interests”

Net income pertaining to non-controlling interests amounts to 1,518,344 thousand euro.

(thousands of euro) Company name	31/12/2017	31/12/2016
Equity investments in consolidated companies with significant third party interests		
1. Terna S.p.A.	547,434	497,743
2. SNAM S.p.A.	616,375	602,664
3. Italgas S.p.A.	193,674	(71,721)
Other equity investments	**160,861**	**(53,363)**
Total	**1,518,344**	**975,323**

Part D - Consolidated comprehensive income

Analytical statement of comprehensive income

(thousands of euro) Items		Gross amount	Income taxes	Net gain (loss)
10.	Net income (loss)	X	X	4,461,658
	Other comprehensive income not transferred to income statement	(1,309)	482	(827)
20.	Property, plant and equipment			
30.	Intangible assets			
40.	Defined benefit	(2,512)	482	(2,030)
50.	Non-current assets held for sale			
60.	Share of valuation reserves of equity investments accounted for using equity method	1,203		1,203
	Other comprehensive income transferred to income statement	(1,436,971)	(90,412)	(1,527,383)
70.	Hedging of foreign investments:			
	a) fair value changes			
	b) transfer to income statement			
	c) other changes			
80.	Exchange rate differences:	(59,292)	1,970	(57,322)
	a) changes in value	(52,262)	1,970	(50,292)
	b) transfer to income statement			
	c) other changes	(7,030)		(7,030)
90.	Cash flow hedges:	162,964	(47,014)	115,950
	a) fair value changes	155,620	(45,249)	110,371
	b) transfer to income statement			
	c) other changes	7,344	(1,765)	5,579
100.	Financial assets available for sale:	158,094	(45,368)	112,726
	a) fair value changes	182,482	(53,620)	128,862
	b) transfer to income statement:	(24,388)	8,252	(16,136)
	- impairment adjustments	3,122	(766)	2,356
	- gains (losses) on disposal	(27,510)	9,018	(18,492)
	c) other changes			
110.	Non-current assets held for sale:			
	a) changes in value			
	b) transfer to income statement			
	c) other changes			
120.	Share of valuation reserves of equity investments accounted for using equity method:	(1,698,737)		(1,698,737)
	a) fair value changes	(1,698,737)		(1,698,737)
	b) transfer to income statement:			
	- impairment adjustments			
	- gains (losses) on disposal			
	c) other changes			
130.	Total other comprehensive income	(1,438,280)	(89,930)	(1,528,210)
140.	**Comprehensive income (items 10 + 130)**	X	X	**2,933,448**
150.	Consolidated comprehensive income pertaining to non-controlling interests	X	X	1,527,098
160.	Consolidated comprehensive income pertaining to shareholders of the Parent company	X	X	1,406,350

Part E - Information on risks and related hedging policies

To guarantee an efficient risk management system, the Parent Company and the companies belonging to the banking group have implemented rules, procedures, resources (human, technological, and organisational), and control activities to identify, measure or evaluate, monitor, prevent or mitigate, and communicate all risks assumed or that can be assumed in the different segments to the appropriate reporting levels.

Risk management considers the specific characteristics of the activity performed by each entity of the group, and is implemented in compliance with the requirements established by the laws and regulations applicable to each company.

Within the organisational structure of the Parent Company, the Chief Risk Officer (CRO), who reports directly to the Chief Executive Officer (CEO), is responsible for the governance of all types of risk and the 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 Area (RM), the Risk Governance Area, the Compliance and Anti-Money Laundering Area and the Risk Operations Area. RM is responsible for supporting the CRO with the governance and monitoring of all types of risks, rendering transparent the overall risk profile of CDP and the capital requirements associated with each category of risk.

These types of risk are defined by the Risk Policy approved by the Board of Directors in 2010 and subsequently updated as necessary. They are classifiable in terms of market risks (which include equity risk, interest rate risk, inflation risk, and exchange rate risk), liquidity risk, credit risk (which includes concentration and counterparty risks), operational risks, and reputation risks. The Risk Policy is updated semi-annually and includes the Risk Management Rules and the related documents, each of which focuses on a specific category of risks (e.g. interest rate risk) or area exposed to those risks (e.g. treasury operations and investment in securities). The Risk Policy represents a key tool used by the Board of Directors to define the risk appetite of CDP, the tolerance thresholds, risk limits, risk management policies, and framework of related organisational processes.

The guidelines governing the risk management of the Parent Company are summarised in the Risk Management Rules and envisage:
- the separation of roles and responsibilities in the assumption and control of risks;
- the organisational independence of risk control from the operational management of risks;
- rigorous risk measurement and control systems.

The Board Risk Committee is set up within the Board of Directors and has control and guidance functions with respect to risk management and the assessment of the adoption of new products. The CEO is supported by the Internal Risks Committee. This technical and advisory body gives opinions on policy and control issues concerning the overall risk profile of CDP and operating assessment of especially important risks.

The RM verifies compliance with the limits set by the Board of Directors and the operating limits established by the CEO, recommending corrective measures to the Risk Committee that might be necessary to ensure compliance with the Risk Policy and the risk profile chosen by CDP, monitoring the use of economic capital with respect to capital requirements and participating in capital management activities.

Within the banking group companies, the bodies participating in the risk and control management systems consist not only of top management but also second level control functions (Risk Management, Compliance, Anti-Money Laundering) and third level control functions (Internal Auditing).

Section 1 - The Risks of the Banking Group

1.1 Credit risk

Qualitative disclosures

1. General aspects

Credit risk arises primarily in relation to the Parent Company's lending activity – both under the Separate Account and the Ordinary Account – and, on a secondary level, to hedging operations involving derivatives and treasury activities (in the form of counterparty risk).

The Separate Account, which easily has the largest stock of assets, is primarily exposed to the Italian Government and local entities.

Over the last several years, an increasingly important role is being played by exposures under the Separate Account to the main banking groups operating in Italy, through which CDP channels various types of financing, in particular loans to SMEs and in support of the residential real estate market.

Although still accounting for a minority share, exposures under the Separate Account to private-sector parties involved in public interest projects promoted by public entities are also significant. Other exposures include those in respect of the Revolving Fund for enterprises, which at present are essentially hedged against credit risk (as they are secured by the Government as the guarantor of last resort), and those assumed under "Export Bank" operations. The Separate Account may also have a role in energy efficiency improvement projects and in loans granted to support international development cooperation activities.

The Ordinary Account of 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.

During 2017, interventions were developed 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 with recourse and the factor assumes the risk of default by the transferred debtor. These activities expose the factor to credit risk in different and gradually increasing ways. The risk is mitigated through the introduction of specific contractual clauses. Another type of activity is final purchase of the receivable. In this case, the risks/benefits deriving from the receivable are transferred by the transferor to the Company pursuant to IAS 39 ("recognition").

CDP Investimenti SGR is exposed to credit risk in the sense of counterparty risk, in connection with the commissions received as fund manager. The exposure exists with regard to managed funds and, indirectly, their subscribers, given the nature of callable funds; to this end, it must also be pointed out that the units of the managed funds are subscribed mainly 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 Lending Rules, which also govern the lending process and the roles of the units involved.

The Risk Operations Area 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 the internal rating and estimate of 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 is approved by the CEO, who applies the methods adopted by CDP for the assignment of internal ratings to counterparties and in producing internal estimates of the recovery rate for individual financing transactions. The Risk Operations Area is also responsible for periodic review of loans, as regards the evolution of the counterparty's financial situation and developments in their industry.

The Risk Management Area is responsible for the methods used to determine the risk-adjusted pricing, monitoring the risk-adjusted return, and the measured portfolio concentration. The Risk Management Area regularly monitors the overall performance of loan portfolio risk, *inter alia* to identify those corrective measures designed to optimise the risk/return profile.

The credit risk responsibilities of the Risk Management Area also include:
- conducting second-level controls to ensure performance is monitored correctly, that the classifications of the individual exposures are consistent, that the accruals are adequate and that the recovery process is appropriate;
- preparing opinions on specific loan transactions, in the cases stipulated in the policies in effect from time to time;
- defining, selecting and implementing the models, methods, and instruments of the internal rating system.

In regard to non-performing counterparties, the Risk Operations Area reviews any proposals made for restructuring – possibly with the support of other Areas for more complex cases – while the Risk Management Area performs second-level control. Contractual amendment requests for performing loans ("waivers") are managed instead by the Transactions Management Area.

The Credit Committee is a technical and advisory body supporting the Policymaking Bodies. One of its duties is to give mandatory, non-binding opinions on financing transactions, both in regard to creditworthiness and the adequacy of the applied conditions. The composition of the Credit Committee includes members of the Risk Operations Area and the Risk Management Area, as well as the Legal, Compliance and Finance Areas.

Where predetermined concentration thresholds are exceeded and the Credit Committee does not express a unanimous opinion, a non-binding opinion of the CRO is also required on lending transactions.

During 2017, monitoring of the CDP Group risks was strengthened, with provision for a specific governance process for the most significant transactions in terms of risk. A non-binding opinion by the Parent Company has to be obtained in these cases. In addition, the Group Risk Committee was established and tasked with issuing opinions on the Group's risk monitoring and assessment systems, its risk policies and Group transactions with the greatest impact.

The management of credit risk connected with the factoring activities operated by SACE Fct is regulated by internal corporate regulations. These apply from the initiation of contact and preliminary assessment of the counterparty, to possible management of credit collection.

The factoring process is broken down into the following phases: (i) an investigation aimed at preparing an initial assessment of the counterparty; (ii) a decision based on the thresholds and delegations of authority deriving from assessment of its creditworthiness; (iii) execution of the 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 entire banking group adopts procedures for the credit risk management and measurement aimed at assessing the quality of credit assets. This is done both when the loan is first granted/approved and through the lifetime of the loan, by monitoring the performance of portfolio positions.

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 can be used to classify each loan in uniform risk categories, by adequately defining the risk level associated with the individual entities, with the aid of quantitative parameters that are differentiated by type of entity and their 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, excluding the funds in support of the economy, CDP uses a validated proprietary model to calculate portfolio credit risk. With the same system CDP also calculated the economic capital associated with the entire loan portfolio, with the sole exception of positions associated with country risk.

The Risk Management Area 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 more rigorous as the rating and recovery rate decrease, according to proportions based on the extent of capital being used.

The Risk Management Area also conducts stress tests on the level of risk in the loan portfolio, based on assumptions of generalised deterioration in the portfolio's creditworthiness, increased probability of default, decreased recovery rates and increased correlation parameters.

The Risk Management Area regularly monitors the net current and contingent exposure to banks in respect of derivatives transactions in order to prevent the emergence of concentrated exposures. The Risk Management Area also checks compliance with the minimum rating limits of the counterparty and the limits associated with the maximum notional amount and maximum credit equivalent, by counterparty or group of related counterparties, as stipulated in the CDP Risk Policy. Similarly, the Risk Management Area provides for the monitoring of exposures to counterparties in treasury activities, checking compliance with the limits and criteria set out in the Risk Policy.

The methods adopted for the assignment of internal ratings aim to ensure compliance with an adequate level of transparency and consistency, including through traceability of the assignment process.

Developed by specialised outsourcers, the internal rating models used as benchmark tools in the internal rating assignment process are broken down according to the principal types of CDP customers, according to their size, legal form, and sector.

Consistently with agency rating practice, the scale of ratings adopted by CDP is broken down into 21 classes, of which 10 are for "investment grade" positions and 11 for "speculative grade". A class is also used for counterparties in default. Given the limited number of historical defaults in the CDP portfolio, also considering the type of borrowers, default probabilities are calibrated on the basis of long-term default rates (through the cycle) calculated using databases acquired from a specialised provider.

Default is defined in accordance with 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), for monitoring loan performance, to calculate general provisions, within the limits framework and to measure the use of capital. The risk assessment assigned to the counterparty is updated at least annually. Regardless, it is reviewed at any time during the year whenever events occur or information is acquired that significantly affect the credit rating.

In accordance with 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.

2.3 Credit risk mitigation techniques

CDP mitigates the credit risk in respect of lending operations using techniques commonly adopted in the banking industry.

A significant number of the credit exposures of CDP in the Separate Account consist of special-purpose cash loans supported by payment orders 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 sale of the underlying loans to CDP and the creation of pledges on government bonds in favour of CDP. During 2017, an analysis of the portfolio of transferred receivables was conducted. The response rate was satisfactory and the level of quality of the customers transferred as a guarantee adequate, including in terms of distribution by risk classes according to the system average values. Lastly, as regards risk concentration, a system of limits has been imposed according to the overall exposure of the bank (and any group that it might belong to) in relation to the equity of CDP and the regulatory capital of the bank (or its group).

Aside from the acquisition of guarantees, largely in transactions under the Ordinary Account and in those with non-public entities under the Separate Account, there exists the possibility of including a clause in the loan agreements, obligating the counterparty to satisfy appropriate financial covenants and other typical contractual clauses in similar transactions, that allow CDP to monitor its credit risk more effectively over the life of the transaction.

With reference to loans to private-sector parties, in order to reduce the risk of involvement of criminal organisations, CDP takes part in the financing alongside the banking system, assuming a share that does not usually exceed 50% of the entire transaction.

The support provided by 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.

During 2017, a credit quality monitoring system was implemented, able to ensure, 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 to assign 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.

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 (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 by the transferor, and (iii) certification of the loan by the debtors.

When deemed appropriate, SACE Fct also assesses the possibility of acquiring collateral and unsecured guarantees to mitigate credit risk. Unsecured guarantees generally consist of bank guarantees given by individuals and companies.

2.4 Non-performing financial assets

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, or an analysis of information from the Central Credit Register.

Non-performing positions are measured on the basis of an estimate of the loan recovery plan, discounted at the effective interest rate of the specific loan. The estimate made in the repayment schedule and consequent adjustment of the value of loans receivable consider any collateral or unsecured guarantees received. In particular, these consider the amounts granted but not disbursed on special purpose loans, for which disbursements are made in several instalments according to the work progress reports on the financed project. Borrowers with substantial arrears are disqualified from accessing new CDP financing and any remaining amounts to be disbursed on problem loans are frozen.

The assessment is reviewed whenever new information is received on events that might modify the outlook for recovery of the credit exposure. 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 loans, 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 Area, 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.

After endorsement by the European Union on 9 January 2015 of the "Implementing Technical Standards" issued by the European Banking Authority (EBA) in 2013, which contain the definition of "non performing exposures" and "forbearance", and subsequent updates to the applicable banking regulations issued by the Bank of Italy, CDP has implemented appropriate methods for proper identification of "forborne" relationships. These methods call for identification of the nature of changes to the original contractual terms and conditions (i.e. total or partial refinancing of the debt) granted to a debtor, and consider the evidence of continuous monitoring, such as the number of days past due, in addition to the expert opinion of the competent units of the Risk Operations Area and Risk Governance Area, for assessment of the effective financial difficulty of the debtor.

Quantitative disclosures

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, changes, economic and geographical 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 available for sale					9,441,056	9,441,056
2. Financial assets held to maturity					30,731,007	30,731,007
3. Loans to banks			26	3,405	43,134,314	43,137,745
4. Loans to customers	39,910	243,724	207,693	130,019	256,561,885	257,183,231
5. Financial assets at fair value					245,719	245,719
6. Financial assets being divested						
Total 31/12/2017	**39,910**	**243,724**	**207,719**	**133,424**	**340,113,981**	**340,738,758**
Total 31/12/2016	**34,825**	**201,381**	**169,841**	**183,670**	**330,675,888**	**331,265,605**

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	Gross exposure	Specific writedowns	Portfolio adjustments	Net exposure at 31/12/2017	Net exposure at 31/12/2016
Forborne loans to customers:					
Bad debts	4,142	(2,660)	X	1,482	1,760
Unlikely to pay	69,526	(40,252)	X	29,274	31,288
Non-performing past-due exposures	335	(1)	X	334	244
Performing past-due exposures	982	X	(3)	979	470
Other performing exposures	781,937	X	(136,476)	645,461	646,185
Total forborne exposures at 31/12/2017	**856,922**	**(42,913)**	**(136,479)**	**677,530**	**X**
Total forborne exposures at 31/12/2016	**856,924**	**(45,932)**	**(131,045)**	**X**	**679,947**

PERFORMING CREDIT EXPOSURES: BREAKDOWN BY AGEING OF PAST-DUE ACCOUNTS

The following table shows the breakdown by portfolio and period overdue of performing past-due exposures. The amounts shown refer to the whole exposure recognised in the financial statements, including amounts not yet due, of relationships that have a past-due payment but do not meet the prerequisites for classification as a non-performing past-due exposure.

	Performing past-due exposures					
(thousands of euro) Portfolios/Values	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year	Total performing past-due net exposures 31/12/2017	Total performing past-due net exposures 31/12/2016
1. Financial assets available for sale						
2. Financial assets held to maturity						
3. Loans to banks		23			23	7,702
4. Loans to customers	33,973	9,122	1,826	84,230	129,151	175,968
- *of which: forborne exposures*	*979*				*979*	*470*
5. Financial assets at fair value						
6. Financial assets held for disposal						
Total 31/12/2017	**33,973**	**9,145**	**1,826**	**84,230**	**129,174**	**X**
Total 31/12/2016	**48,873**	**22,261**	**2,278**	**110,258**	**X**	**183,670**

A.1.2 DISTRIBUTION OF CREDIT EXPOSURES BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)

	Non performing assets			Performing assets			Total (net exposure)
(thousands of euro) Portfolios/quality	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking group							
1. Financial assets available for sale				9,441,056		9,441,056	9,441,056
2. Financial assets held to maturity				30,731,007		30,731,007	30,731,007
3. Loans to banks	26		26	43,232,131	(94,412)	43,137,719	43,137,745
4. Loans to customers	717,931	(226,604)	491,327	256,967,966	(276,062)	256,691,904	257,183,231
5. Financial assets at fair value				X	X	245,719	245,719
6. Financial assets being divested							
Total 31/12/2017	**717,957**	**(226,604)**	**491,353**	**340,372,160**	**(370,474)**	**340,247,405**	**340,738,758**
Total 31/12/2016	**633,921**	**(227,874)**	**406,047**	**331,003,775**	**(341,273)**	**330,859,558**	**331,265,605**

	Assets with markedly poor credit quality		Other assets
(thousands of euro) Portfolios/Quality	Accumulated loss	Net exposure	Net exposure
1. Financial assets held for trading			120,060
2. Hedging derivatives			988,655
Total at 31/12/2017			**1,108,715**
Total at 31/12/2016			**1,398,674**

A.1.3 BANKING GROUP - ON-BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES TO BANKS: GROSS AND NET AMOUNTS AND OVERDUE BANDS

	Gross exposure					Specific writedowns	Portfolio adjustments	Net exposure
	Non-performing assets				Performing financial assets			
(thousands of euro) Type of exposures/values	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year				
A. On-balance sheet exposures								
a) Bad debts					X		X	
- *of which: forborne exposures*					*X*		*X*	
b) Unlikely to pay					X		X	
- *of which: forborne exposures*					*X*		*X*	
c) Impaired past-due exposures				26	X		X	26
- *of which: forborne exposures*					*X*		*X*	
d) Not impaired past-due exposures	X	X	X	X	23	X		23
- *of which: forborne exposures*	*X*	*X*	*X*	*X*		*X*		
e) Other exposures not impaired	X	X	X	X	39,625,691	X	(94,412)	39,531,279
- *of which: forborne exposures*	*X*	*X*	*X*	*X*		*X*		
Total A				**26**	**39,625,714**		**(94,412)**	**39,531,328**
B. Off-balance sheet exposures								
a) Non performing					X		X	
b) Performing	X	X	X	X	354,568	X	(2,178)	352,390
Total B					**354,568**		**(2,178)**	**352,390**
Total A + B				**26**	**39,980,282**		**(96,590)**	**39,883,718**

A.1.6 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: GROSS AND NET AMOUNTS AND OVERDUE BANDS

	Gross exposure					Specific writedowns	Portfolio adjustments	Net exposure
	Non performing assets				Performing assets			
(thousands of euro) Type of exposures/values	Up to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year				
A. On-balance sheet exposures								
a) Bad debts			33	103,085	X	(63,208)	X	39,910
- *of which: forborne exposures*				*4,142*	*X*	*(2,660)*	*X*	*1,482*
b) Unlikely to pay	145,321	23,401	22,920	151,525	X	(99,443)	X	243,724
- *of which: forborne exposures*	*74*	*18*	*36*	*69,398*	*X*	*(40,252)*	*X*	*29,274*
c) Impaired past-due exposures	98,309	13,430	13,124	64,009	X	(9,832)	X	179,040
- *of which: forborne exposures*		*124*	*95*	*116*	*X*	*(1)*	*X*	*334*
d) Not impaired past-due exposures	X	X	X	X	130,120	X	(969)	129,151
- *of which: forborne exposures*	*X*	*X*	*X*	*X*	*982*	*X*	*(3)*	*979*
e) Other exposures not impaired	X	X	X	X	293,890,510	X	(262,519)	293,627,991
- *of which: forborne exposures*	*X*	*X*	*X*	*X*	*781,937*	*X*	*(136,476)*	*645,461*
Total A	**243,630**	**36,831**	**36,077**	**318,619**	**294,020,630**	**(172,483)**	**(263,488)**	**294,219,816**
B. Off-balance sheet exposures								
a) Non performing	36,547				X	(4,029)	X	32,518
b) Performing	X	X	X	X	20,434,780	X	(8,961)	20,425,819
Total B	**36,547**				**20,434,780**	**(4,029)**	**(8,961)**	**20,458,337**
Total A + B	**280,177**	**36,831**	**36,077**	**318,619**	**314,455,410**	**(176,512)**	**(272,449)**	**314,678,153**

A.1.7 BANKING GROUP - 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	**94,987**	**323,365**	**158,877**
- *of which: exposures assigned but not derecognised*			
B. Increases	**25,096**	**128,560**	**934,374**
B.1 Transfers from performing loans		90,926	600,460
B.2 Transfers from other categories of impaired exposures	24,249	24,522	988
B.3 Other increases	847	13,112	332,926
C. Decreases	**16,965**	**108,758**	**904,379**
C.1 To performing loans		8,128	477,950
C.2 Write-offs	742	14	
C.3 Collections	3,583	57,373	389,875
C.4 Gains on disposal			
C.5 Losses on disposal			
C.6 Transfers to other categories of non-performing positions	3,661	25,253	20,845
C.7 Other decreases	8,979	17,990	15,709
D. Closing gross exposure	**103,118**	**343,167**	**188,872**
- *of which: exposures assigned but not derecognised*			

A.1.7 *BIS* BANKING GROUP - ON-BALANCE SHEET EXPOSURES TO CUSTOMERS: CHANGES IN GROSS FORBORNE EXPOSURES BROKEN DOWN BY CREDIT QUALITY

(thousands of euro) Items/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening gross exposure	**79,224**	**777,700**
- *of which: exposures assigned but not derecognised*		
Increases	**15,503**	**44,883**
B.1 Transfers from performing loans not forborne	24	21,489
B.2 Transfers from forborne performing loans		X
B.3 Transfers from forborne non-performing loans	X	
B.4 Other increases	15,479	23,394
C. Decreases	**20,724**	**39,664**
C.1 Transfers to non-forborne performing loans	X	1,330
C.2 Transfers to forborne performing loans		X
C.3 Transfers to forborne non-performing loans	X	
C.4 Write-offs		
C.5 Repayments	20,723	38,216
C.6 Credit disposals		
C.7 Losses from disposals		
C.8 Other decreases	1	118
D. Closing gross exposure	**74,003**	**782,919**
- *of which: exposures assigned but not derecognised*		

A.1.8 BANKING GROUP - ON-BALANCE SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN TOTAL ADJUSTMENTS

(thousands of 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. Total opening adjustments	**60,162**	**3,035**	**121,984**	**42,897**	**1,351**	
- *of which: exposures assigned but not derecognised*						
B. Increases	**16,321**		**18,665**	**7,379**	**9,333**	**1**
B.1 Writedowns	2,777		15,712	995	8,731	1
B.2 Losses on disposal						
B.3 Transfers from other categories of impaired positions	13,544		1,985			
B.4 Other increases			968	6,384	602	
C. Decreases	**13,275**	**375**	**41,206**	**10,024**	**852**	
C.1 Writebacks from valuations	819	375	1,430	936	171	
C.2 Writebacks from collection	398		11,345	9,078		
C.3 Gains on disposal						
C.4 Writeoffs	742		14			
C.5 Transfers to other categories of impaired positions	1,862		13,544		123	
C.6 Other decreases	9,454		14,873	10	558	
D. Total closing adjustments	**63,208**	**2,660**	**99,443**	**40,252**	**9,832**	**1**
- *of which: exposures assigned but not derecognised*						

A.2 Classification of exposures based on external and internal ratings

A.2.1 BANKING GROUP - BREAKDOWN OF ON-BALANCE SHEET AND OFF-BALANCE SHEET CREDIT EXPOSURES BY EXTERNAL RATING GRADES

(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. On-balance-sheet exposures	420,846	2,026,025	248,526,448	13,983,889	3,613,848	63,931	66,991,594	335,626,581
B. Derivatives		6,652	1,065				10,221	17,938
B.1 Financial derivatives		6,652	1,065				10,221	17,938
B.2 Credit derivatives								
C. Guarantees issued			979,192	157,224			361,385	1,497,801
D. Commitments to disburse funds	2,016,150	3,271,786	7,965,401	203,968	37,203	582	5,799,898	19,294,988
E. Other								
Total	2,436,996	5,304,463	257,472,106	14,345,081	3,651,051	64,513	73,163,098	356,437,308

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 SECURED CREDIT EXPOSURES TO BANKS

		Collateral (1)				Unsecured guarantees (2)									
						Credit derivatives					Guarantees				
							Other derivatives								
(thousands of euro)	Net exposure	Land and buildings - mortgages	Land and buildings - finance lease	Securities	Other assets	CLN	Governments and central banks	Other government agencies	Banks	Other	Governments and central banks	Other government agencies	Banks	Other	Total (1) + (2)
1. Secured on-balance-sheet credit exposures															
1.1 Fully secured	10,448,788				7,165,088						3,249,218			34,482	10,448,788
- *of which: non-performing*															
1.2 Partially secured															
- *of which: non-performing*															
2. Secured off-balance-sheet credit exposures															
1.1 Fully secured	21,827				17,575						4,252				21,827
- *of which: non-performing*															
1.2 Partially secured	4,784				2,600										2,600
- *of which: non-performing*															

A.3.2 SECURED CREDIT EXPOSURES TO CUSTOMERS

		Collateral (1)				Unsecured guarantees (2)									
						Credit derivatives					Guarantees				
							Other derivatives								
(thousands of euro)	Net exposure	Land and buildings - mortgages	Land and buildings - finance lease	Securities	Other assets	CLN	Governments and central banks	Other government agencies	Banks	Other	Governments and central banks	Other government agencies	Banks	Other	Total (1) + (2)
1. Secured on-balance-sheet credit exposures															
1.1 Fully secured	8,454,890	343,068			4,007,894						966,039	447,570	202,391	2,487,924	8,454,886
- *of which: non-performing*	*265,741*	*82,050*			*126,140*						*44,905*			*12,645*	*265,740*
1.2 Partially secured	1,326,295				110,619							27,955		962,550	1,101,124
- *of which: non-performing*	*10,789*				*10,687*									*25,767*	*36,454*
2. Secured off-balance-sheet credit exposures															
1.1 Fully secured	4,304,235	84,408			116,185						227,635	20,745		3,855,262	4,304,235
- *of which: non-performing*	*10,106*	*6,351*			*93*						*2,797*			*865*	*10,106*
1.2 Partially secured	925,679				50,092									507,124	557,216
- *of which: non-performing*															

B. Breakdown and concentration of credit exposures

B.1 BANKING GROUP - ON-BALANCE SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY SECTOR (CARRYING AMOUNT)

(thousands of euro) Exposures/Counterparties	Governments			Other government agencies			Financial companies			Insurance companies			Non-financial companies			Other		
	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments	Net exposure	Specific writedowns	Portfolio adjustments
A. On-balance-sheet exposures																		
A.1 Bad debts			X	7,391	(7,700)	X			X			X	32,481	(55,299)	X	38	(209)	X
- *of which: forborne exposures*			*X*	*874*	*(874)*	*X*			*X*			*X*	*608*	*(1,785)*	*X*			*X*
A.2 Unlikely to pay			X	10,097	(35,711)	X		(10)	X			X	232,632	(63,471)	X	995	(251)	X
- *of which: forborne exposures*			*X*	*314*	*(78)*	*X*		*(10)*	*X*			*X*	*28,216*	*(40,081)*	*X*	*744*	*(83)*	*X*
A.3 Non-performing past-due positions	28,040	(5,795)	X	28,234	(2,226)	X			X			X	121,581	(1,757)	X	1,185	(54)	X
- *of which: forborne exposures*			*X*	*333*	*(1)*	*X*			*X*			*X*			*X*			*X*
A.4 Performing exposures	230,664,032	X	(6,893)	46,512,898	X	(90,824)	4,294,752	X	(2,146)		X		12,251,568	X	(163,338)	33,892	X	(287)
- *of which: forborne exposures*		*X*		*1,429*	*X*	*(5)*		*X*			*X*		*645,012*	*X*	*(136,474)*		*X*	
Total A	230,692,072	(5,795)	(6,893)	46,558,620	(45,637)	(90,824)	4,294,752	(10)	(2,146)				12,638,262	(120,527)	(163,338)	36,110	(514)	(287)
B. Off-balance-sheet exposures																		
B.1 Bad debts			X			X			X			X	134		X			X
B.2 Unlikely to pay			X			X			X			X	26,159	(4,029)	X			X
B.3 Other non-performing assets			X			X			X			X	6,206		X	19		X
B.4 Performing exposures	3,861,574	X	(4)	3,140,412	X	(3,230)	243,320	X			X		13,166,209	X	(5,727)	14,304	X	
Total B	3,861,574		(4)	3,140,412		(3,230)	243,320						13,198,708	(4,029)	(5,727)	14,323		
Total (A + B) at 31/12/2017	**234,553,646**	**(5,795)**	**(6,897)**	**49,699,032**	**(45,637)**	**(94,054)**	**4,538,072**	**(10)**	**(2,146)**				**25,836,970**	**(124,556)**	**(169,065)**	**50,433**	**(514)**	**(287)**
Total (A + B) at 31/12/2016	**234,123,633**	**(741)**	**(654)**	**50,725,219**	**(53,673)**	**(64,461)**	**8,107,230**	**(4,219)**	**(1,300)**				**22,869,103**	**(128,636)**	**(157,367)**	**50,440**	**(407)**	**(78)**

B.2 BANKING GROUP - ON-BALANCE SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY GEOGRAPHICAL AREA (CARRYING AMOUNT)

	Italy		Other European countries		Americas		Asia		Rest of the world	
(thousands of euro) Exposures/Geographical area	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures										
A.1 Bad debts	39,910	(63,208)								
A.2 Unlikely to pay	231,996	(98,784)	748	(44)	8,640	(475)	2,340	(140)		
A.3 Non-performing past-due positions	177,588	(9,808)	1,264	(20)	188	(4)				
A.4 Performing exposures	290,556,260	(260,012)	1,038,745	(1,893)	650,615	(585)	852,989	(519)	658,533	(479)
Total A	291,005,754	(431,812)	1,040,757	(1,957)	659,443	(1,064)	855,329	(659)	658,533	(479)
B. Off-balance sheet exposures										
B.1 Bad debts	134									
B.2 Unlikely to pay	26,159	(4,029)								
B.3 Other non-performing assets	6,225									
B.4 Performing exposures	11,618,708	(8,957)	250,579		6,177,561		2,302,387	(4)	76,584	
Total B	11,651,226	(12,986)	250,579		6,177,561		2,302,387	(4)	76,584	
Total 31/12/2017	302,656,980	(444,798)	1,291,336	(1,957)	6,837,004	(1,064)	3,157,716	(663)	735,117	(479)
Total 31/12/2016	307,911,403	(407,494)	1,440,743	(1,888)	5,228,936	(479)	789,011	(1,048)	505,532	(627)

B.3 BANKING GROUP - ON-BALANCE SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS BY GEOGRAPHICAL AREA (CARRYING AMOUNT)

	Italy		Other European countries		Americas		Asia		Rest of the world	
(thousands of euro)	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet exposures										
A.1 Bad debts										
A.2 Unlikely to pay										
A.3 Non-performing past-due positions	26									
A.4 Performing exposures	39,378,058	(94,412)	153,244							
Total A	39,378,084	(94,412)	153,244							
B. Off-balance sheet exposures										
B.1 Bad debts										
B.2 Unlikely to pay										
B.3 Other non-performing assets										
B.4 Performing exposures	343,812	(2,178)	8,578							
Total B	343,812	(2,178)	8,578							
Total 31/12/2017	39,721,896	(96,590)	161,822							
Total 31/12/2016	26,441,847	(116,420)	377,781							

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 2017, there was only one portfolio of securitised loans (RFI S.p.A.) outstanding. The transaction and the associated cash flows are proceeding as envisaged. It should be noted that the loans underlying this transaction were fully derecognised, since CDP applied the provisions of paragraph B2, Appendix B, of IFRS 1, which requires first-time adopters to apply rules for the prospective derecognition of financial assets for transactions effected as from 1 January 2004.

Quantitative disclosures

C.5 BANKING GROUP - SERVICER ACTIVITY - OWN SECURITISATIONS: COLLECTIONS ON SECURITISED ASSETS AND REDEMPTION OF SECURITIES ISSUED BY THE SECURITISATION VEHICLE

	Securitisation vehicle	Securitised assets (end period figure)		Collections in the year		% of redeemed securities (end-period figure)					
						Senior		Mezzanine		Junior	
(thousands of euro) Servicer		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.		143,475		31,804						

E. Asset disposals

A. Financial assets assigned but not derecognised

Qualitative disclosures

Financial assets assigned but not derecognised include Government securities classified as “Financial assets available for sale” and “Financial assets held to maturity” underlying repurchase agreements.

Quantitative disclosures

E.1 BANKING GROUP - FINANCIAL ASSETS ASSIGNED BUT NOT DERECOGNISED: CARRYING AMOUNT AND TOTAL VALUE

(thousands of euro) Type/portfolio	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale			Financial assets held to maturity			Loans to banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2017	31/12/2016
A. On-balance-sheet assets							3,969,726			21,436,379						1,023,031			26,429,136	17,294,244
1. Debt securities							3,969,726			21,436,379						1,023,031			26,429,136	17,294,244
2. Equity securities										X	X	X	X	X	X	X	X	X		
3. Units in collective investment undertakings										X	X	X	X	X	X	X	X	X		
4. Loans																				
B. Derivatives				X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Total 31/12/2017							**3,969,726**			**21,436,379**						**1,023,031**			**26,429,136**	**X**
of which: impaired																				*X*
Total 31/12/2016							**1,620,803**			**15,572,567**						***100,874***			**X**	**17,294,244**
of which: impaired																			*X*	

Key:
A = financial assets assigned recognised in full (carrying amount).
B = financial assets assigned partially recognised (carrying amount).
C = financial assets assigned partially recognised (total value).

E.2 BANKING GROUP - FINANCIAL LIABILITIES IN RESPECT OF FINANCIAL ASSETS ASSIGNED BUT NOT DERECOGNISED: CARRYING AMOUNT

(thousands of euro) Liabilities/Portfolio of assets	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Total
1. Due to customers			**2,670,882**	**18,417,883**			**21,088,765**
a) In respect of assets fully recognised			2,670,882	18,417,883			21,088,765
b) In respect of assets partially recognised							
2. Due to banks			**1,295,925**	**4,555,550**		**819,404**	**6,670,879**
a) In respect of assets fully recognised			1,295,925	4,555,550		819,404	6,670,879
b) In respect of assets partially recognised							
3. Securities issued							
a) In respect of assets fully recognised							
b) In respect of assets partially recognised							
Total 31/12/2017			**3,966,807**	**22,973,433**		**819,404**	**27,759,644**
Total 31/12/2016			**1,616,058**	**16,944,817**		**102,104**	**18,662,979**

E.3 BANKING GROUP - DISPOSALS WITH LIABILITIES WITH RECOURSE ONLY ON DIVESTED ASSETS: FAIR VALUE

(thousands of euro)	Financial assets held for trading		Financial assets at fair value		Financial assets available for sale		Financial assets held to maturity (fair value)		Loans to banks (fair value)		Loans to customers (fair value)		Total	
Type/Portfolio	A	B	A	B	A	B	A	B	A	B	A	B	31/12/2017	31/12/2016
A. On-balance-sheet assets					3,969,726		23,142,943				990,435		28,103,104	18,661,993
1. Debt securities					3,969,726		23,142,943				990,435		28,103,104	18,661,993
2. Equity securities							X	X	X	X	X	X		
3. Units in collective investment undertakings							X	X	X	X	X	X		
4. Loans														
B. Derivatives			X	X	X	X	X	X	X	X	X	X		
Total assets					3,969,726		23,142,943				990,435		28,103,104	18,661,993
C. Associated liabilities					**3,966,807**		**22,973,433**				**819,404**		**X**	**X**
1. Due to customers					2,670,882		18,417,883						X	X
2. Due to banks					1,295,925		4,555,550				819,404		X	X
3. Securities issued													*X*	*X*
Total liabilities					3,966,807		22,973,433				819,404		27,759,644	18,662,979
Net value 31/12/2017					2,919		169,510				171,031		343,460	X
Net value 31/12/2016					4,745		(5,617)				(114)		X	(986)

Key:
A = financial assets sold recognised in full.
B = financial assets sold partially recognised.

B. Financial assets assigned and derecognised with recognition of continuing involvement

There were no existing 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, no covered bond transactions have been carried out by Banking group companies.

1.2 Banking group - Market risk

1.2.1 Interest rate risk and price risk - Supervisory trading book

In 2017, the Banking group 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 of interest rate risk and price risk

as part of its activities, the Parent Company is exposed to interest rate risk in all its forms: repricing, yield curve, basis and optionality. CDP also monitors inflation risk within the same conceptual and analytical framework as interest rate risk in the banking book.

Interest rate risk and inflation risk can affect the profits and economic value of CDP.

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

The basic approach taken by CDP to measuring and managing interest rate risk is an "economic value perspective", which complements the "profitability perspective". The economic value perspective corresponds to the long-term representation of the profitability perspective, as economic value is essentially equal to the discounted sequence of future net interest income.

From this perspective, CDP analyses its exposure and risk profile by assessing balance sheet items that are sensitive to interest rates, quantifying their reaction to small changes (sensitivity analysis) and major shocks (stress testing) to the risk factors. The transition from exposure metrics (derived from the sensitivity analyses and stress testing) to risk metrics is carried out by assigning a probability to possible market scenarios. This gives a statistical distribution of the value of the balance sheet items and composite indicators representing the economic capital necessary for the risks involved.

This monitoring structure is translated into the calculation of value at risk (VaR), which CDP calculates using methods based on historical simulation.

To quantify and monitor the interest rate risk of the banking book, CDP measures VaR both over short time horizons – such as over one day or ten days – and annually, which is more suited to internal assessment of capital adequacy, with particular regard to risk pertaining to the banking book. The short-term and annual measures of VaR share the same combination of models for valuing balance sheet items and measuring sensitivity, and they use the same input data. The daily VaR is used for backtesting, because there is a larger pool of figures available over that interval.

VaR summarises in a single figure the results of the simulation of many scenarios generated in accordance with the statistical characteristics of the risk factors. While aware of the limits of any composite metric based on historical scenarios, VaR also has two significant strengths:

- it captures the consequences of complex characteristics of the markets and products (volatility, correlation, optionality and asymmetry);
- it makes it possible, by way of backtesting, to check the hypotheses underpinning not only the calculation of the daily VaR but also the entire simulation.

CDP's Risk Policy sets specific limits to manage the exposure to interest rate and inflation risk. More specifically, limits have been established on the impact on the economic value of parallel shifts (+/- 100 basis points) in the yield curve and the inflation curve. In addition to these limits, further, more granular limits are in place, which are set by the Chief Executive Officer.

CDP also assesses the impact of interest rate risk on income for shorter horizons using internal planning and ALM systems, specifically quantifying the impact of parallel shifts in the yield curve on net interest income.

CDP's ALM approach seeks to limit the volume of hedging derivatives by exploiting "operational hedges" between fixed-rate assets and liabilities. Hedging therefore regards subsets of those items, depending on the sign of the net exposure, with a view to containing the overall risk exposure.

Operational responsibility for managing interest rate risk lies with the Finance Area.

The measurement and the monitoring of interest rate risk are performed by the RM and are discussed within the Risk Committee. The Board of Directors approves risk management policies and the associated monitoring methods and receives periodic reports on the results achieved.

Price risk regards the possibility that the net economic value, profitability or the book equity of CDP could be adversely affected by variables associated with shares, in particular the market prices of such securities and related derivatives, or changes in the current and future profitability of the investment in such instruments.

In line with the net economic value approach, equity risk is quantified in terms of VaR (with a one-year time horizon). The VaR gives a proxy of the risk that the listed and liquid securities – even when they are not recognised at their current fair value – do not recover any impairment over time. It is calculated on the basis of hypotheses about the statistical distribution of the prices of shares, the related derivatives (where present) and the fair value of unlisted securities. Risk is quantified by assuming continuity in the business model of CDP, which expects to hold most of its stock investments for the long term.

An additional source of price risk lies in CDP's funding operations, namely the issue of Premia and Europe postal savings bonds, whose yield is linked to developments in the Dow Jones Euro Stoxx 50 index. The RM monitors the net exposure to such risk.

SACE Fct monitors and manages interest rate risk according to the provisions of the specific policy and by setting appropriate operating limits. Risk management is ensured by the Budget and Treasury Service, in close collaboration with the Risk Management Service, through operating management of assets and liabilities in compliance with the guidelines defined by the Board of Directors.

The Company carefully monitors any mismatching between assets and liabilities. Interest risk originates especially from final purchases of receivables (where the consideration to be paid is determined by discounting the face value of the acquired receivables at the pre-set interest rate), generated by short-term funding against the granting of fixed-rate, longer-duration loans.

The interest rate risk associated with standard transactions with and without recourse is minimal. The reason is that these are variable rate transactions with monthly repricing financed through floating or fixed rate funding with short-term maturities (from 1 to 3 months).

CDP Investimenti SGR is not directly exposed to interest rate and inflation risks resulting from its own activity but in reference to investments of liquidity. It invests principally in fixed rate securities issued by the Italian Government and in the postal savings bonds issued by the Parent Company.

In 2017, SACE Fct and CDPI SGR did not execute any interest rate hedges.

B. Fair value hedges

the purpose of fair value hedges of financial asset and liability instruments is to reduce the exposure to specifically identified risks. The hedging activity, which has been appropriately differentiated according to the characteristics of the Separate Account and Ordinary Account, also allows reducing the amount of interest rate and inflation rate risk.

Parent Company operations under the Ordinary Account are aimed at minimising non-credit risks, by defusing the interest rate risk in the origination phase.

On the liability side of the Ordinary Account, this hedging involves specific hedges of fixed-rate, variable-rate and/or structured issues in Euro and other currencies, carried out using Interest Rate Swaps (IRS) and Cross Currency Swaps (CCS) indexed to 6-month Euribor.

As regards assets, fixed-rate loans are generally hedged using amortising IRSs in which CDP pays fixed and receives floating. In this case, the hedge may regard a homogeneous aggregate of loans.

The hedges in place as of today are classified as micro fair value hedges.

The Separate Account adopts a different hedging approach, due to the very large volumes of liabilities incorporating the early redemption option. As result of the sensitivity profile for these options, the overall exposure of CDP to interest rate risk under the Separate Account undergoes significant fluctuations in relation to the level of interest rates. When the exposure reaches levels deemed excessive, it is necessary to activate the mechanisms available, such as entering into new derivative contracts, early termination of existing derivatives, and the purchase of fixed-rate government securities.

With respect to financial liabilities, fair value hedges are currently in place for bonds issued to Institutional and Retail Customers, in some cases supported by State guarantees, established through IRSs indexed to 6-month Euribor. These hedges are accounted for as micro fair value hedges, in which a hedge is contracted to match a bond issue, or partial term hedges, where, in return for the issue, only a part of the contractual flows are hedged, in order to put in place targeted exchange rate hedges for particular portions of the discount curve.

The hedging of assets under the Separate Account depends on interest rates. CDP implements fair value micro hedge programmes for specific fixed-rate loans (or homogeneous groups of items), realised with bullet or amortising IRSs indexed to 6-month Euribor. Hedges on loans are prematurely terminated mainly after renegotiation of the hedged loan agreements that amend their terms and duration.

In 2017, interest rate hedging activity continued with the establishment of new hedges for renegotiated and new loans, in some cases favouring the partial designation of cash flows (of individual items or homogeneous groups) identified over time.

Moreover, a fair value hedge programme was launched for the interest rate risk of portfolios of loans in euro (so-called macro fair value hedge). Unlike micro hedges, there is no single relationship between the hedged loan and the hedging derivative: the hedged item is fungible and identified by a sub-set of flows in the hedged portfolio; therefore, the hedging exists at least until it is possible to identify an amount of flows in the portfolio equal to those subject to hedging.

At the end of the year, two interest rate and exchange rate risks were hedged, linked to two loans that entail repayment in US Dollars, granted within the Export Bank activity. The hedges are implemented through cross currency swaps and classed as micro fair value hedges for accounting.

The equity risk linked to postal bonds indexed to the Euro Stoxx 50 Index ("Premia" and "Europe") is defused through the purchase of options that mirror those embedded in the bonds, taking into account the risk profile resulting from the periodic monitoring and implementing of hedges from a portfolio perspective, based on the coincidence of the financial conditions (strike, fixing dates, maturity). The metrics introduced in the monitoring of the risk arising from equity options enable the verification of hedges both on a "one to one" basis and on an aggregated basis for similar positions according to the above characteristics.

C. Cash flow hedges

during 2010, CDP launched a hedging programme for the issue of postal savings bonds indexed to the consumer price index for blue-collar and office worker households (FOI), a leading source of exposure to inflation that is only partially mitigated by the operational hedge against loans with the same type of indexing. The hedges, which are classified as cash flow hedges, are implemented using zero-coupon inflation swaps with the notional determined on a conservative basis, while using the proprietary model of customer repayment behaviour to estimate the nominal amount that CDP expects to reach at maturity for each series of hedged bond. In most of the hedges in this category, CDP retains the basis risk in respect of any differences between European and Italian inflation.

CDP has also used derivatives to hedge exchange rate risk, which were designated as cash flow hedging relationships. As regards the assets of the Separate Account, two hedges are currently in place through cross currency swaps in which CDP converts the cash flows of two floating-rate securities in yen (issued by the Republic of Italy) into fixed rate securities in euro.

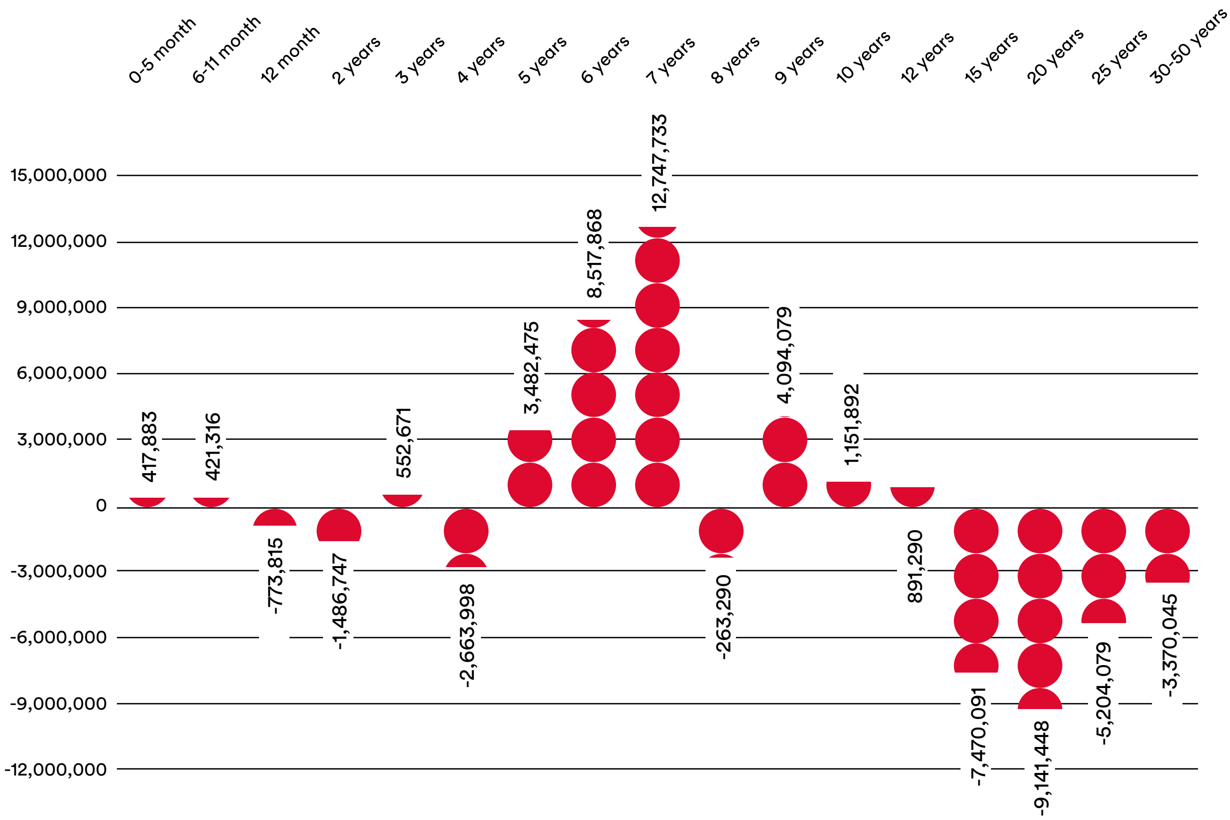
Quantitative disclosures

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

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

SENSITIVITY TO ZERO-COUPON RATES BY MATURITY

MARKET FIGURES AT 29/12/2017



1.2.3 Exchange rate risk

Qualitative disclosures

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

Exchange rate risk is the risk that changes in exchange rates might have a negative impact on the 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, equity investments the value of which can be exposed to changes in exchange rates, the purchase of bonds denominated in foreign currencies, and the granting of loans denominated in currencies other than the Euro under the "Export Bank" system.

SACE Fct undertakes activities for the purchase of commercial paper denominated in foreign currency, almost all of which is 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.

To date, CDP Investimenti SGR has assumed no exchange rate risk in its own activity.

B. Hedging exchange rate risk

no exposures to exchange rate risk deriving from issues in foreign currency are found in the liabilities of the Parent Company.

In regard to assets, exchange rate risks linked to the purchase of bonds denominated in foreign currencies (currently two Yen-denominated bonds issued by the Italian Republic) and to the granting of loans that entail repayment in US Dollars were hedged. The Italian Republic bonds issue in Yen was hedged through cross currency swaps that make the cash flows of CDP equal to those of fixed-rate bonds denominated in Euro. The loans were hedged through swaps in which CDP exchanges US dollar cash flows with variable-rate cash flows indexed to the 6-month Euribor index.

Finally, a residual component of unhinged exchange rate risk existed at 31/12/2017. This was tied to short-term treasury transactions to refinance exposures in US dollars.

SACE Fct manages the exchange rate risk associated with the purchase of commercial paper in foreign currency, largely through the acquisition of funding in the same currencies of loans made in currencies other than the euro. A general alignment between the time profile of loans and the time profile of the related funding is also required. Moreover, to maintain exposure within levels that are consistent with management policy and to avoid concentration risks on specific currencies, appropriate ceilings (maximum volume of exposure) are defined by foreign currency.

Quantitative disclosures

1. BREAKDOWN BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES

(thousands of euro) Items	Currency US dollar	Pound sterling	Yen	Canadian dollar	Swiss francs	Other currencies
A. Financial assets	505,754		444,617			321
A.1 Debt securities	134,579		444,617			
A.2 Equity securities						
A.3 Loans to banks	4,086					321
A.4 Loans to customers	350,953					
A.5 Other financial assets	16,136					
B. Other assets						
C. Financial liabilities	262,379					
C.1 Due to banks	245,566					
C.2 Due to customers	16,813					
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities						
E. Financial derivatives	203,689		444,617			
- Options:						
+ long positions						
+ short positions						
- Other derivatives:						
+ long positions						
+ short positions	203,689		444,617			
Total assets	505,754		444,617			321
Total liabilities	466,068		444,617			
Difference (+/-)	39,686					321

1.2.4 Derivatives

A. Financial derivatives

A.2 Banking book: period-end notional values

A.2.1 BANKING BOOK: PERIOD-END NOTIONAL VALUES - HEDGES

(thousands of euro) Underlying assets/Type of derivatives	31/12/2017 Over the counter	31/12/2017 Central counterparties	31/12/2016 Over the counter	31/12/2016 Central counterparties
1. Debt securities and interest rates	35,133,915		30,851,611	
a) Options				
b) Swaps	35,133,915		30,851,611	
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	644,695		601,572	
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other	644,695		601,572	
4. Commodities				
5. Other underlyings				
Total	35,778,610		31,453,183	

A.2.2. BANKING BOOK: PERIOD-END NOTIONAL VALUES - OTHER DERIVATIVES

(thousands of euro) Underlying assets/Type of derivatives	31/12/2017 Over the counter	31/12/2017 Central counterparties	31/12/2016 Over the counter	31/12/2016 Central counterparties
1. Debt securities and interest rates	3,232,890		2,183,151	
a) Options				
b) Swaps	3,232,890		2,183,151	
c) Forwards				
d) Futures				
e) Other				
2. Equity securities and equity indices	18,238,988		32,654,180	
a) Options	18,238,988		32,654,180	
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
3. Foreign currencies and gold				
a) Options				
b) Swaps				
c) Forwards				
d) Futures				
e) Other				
4. Commodities				
5. Other underlyings				
Total	21,471,878		34,837,331	

A.3 FINANCIAL DERIVATIVES: GROSS POSITIVE FAIR VALUE - BREAKDOWN BY PRODUCT

	Positive fair value			
	31/12/2017		31/12/2016	
(thousands of euro) Portfolio/Type of derivatives	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging	842,596		733,273	
a) Options				
b) Interest rate swaps	697,061		644,090	
c) Cross currency swaps	145,535		89,183	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	93,568		207,650	
a) Options	24,005		122,655	
b) Interest rate swaps	69,563		84,995	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
Total	936,164		940,923	

A.4 FINANCIAL DERIVATIVES: GROSS NEGATIVE FAIR VALUE - BREAKDOWN BY PRODUCT

(thousands of euro) Portfolio/Type of derivatives	Negative fair value			
	31/12/2017		31/12/2016	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Supervisory trading book				
a) Options				
b) Interest rate swaps				
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
B. Banking book - hedging	588,083		831,894	
a) Options				
b) Interest rate swaps	588,083		826,715	
c) Cross currency swaps			5,179	
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
C. Banking book - other derivatives	126,256		183,286	
a) Options	29,623		99,046	
b) Interest rate swaps	96,633		84,240	
c) Cross currency swaps				
d) Equity swaps				
e) Forwards				
f) Futures				
g) Other				
Total	714,339		1,015,180	

A.7 OTC FINANCIAL DERIVATIVES - BANKING BOOK - NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY - CONTRACTS NOT COVERED BY NETTING ARRANGEMENTS

(thousands of euro) Contracts not covered by netting arrangements	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt securities and interest rates							
Notional value							40,000
Positive fair value							10,221
Negative fair value							
Future exposure							
2) Equity securities and equity indices							
Notional value						5,646	8,606,392
Positive fair value							
Negative fair value							29,623
Future exposure							
3) Foreign currencies and gold							
Notional value							
Positive fair value							
Negative fair value							
Future exposure							
4) Other							
Notional value							
Positive fair value							
Negative fair value							
Future exposure							

A.8 OTC FINANCIAL DERIVATIVES - BANKING BOOK - NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY - CONTRACTS COVERED BY NETTING ARRANGEMENTS

(thousands of euro) Contracts covered by netting arrangements	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt securities and interest rates							
Notional value			35,927,233	2,399,572			
Positive fair value			737,318	19,085			
Negative fair value			652,795	31,921			
2) Equity securities and equity indices							
Notional value			9,320,200	306,750			
Positive fair value			23,232	773			
Negative fair value							
3) Foreign currencies and gold							
Notional value			644,695				
Positive fair value			145,535				
Negative fair value							
4) Other							
Notional value							
Positive fair value							
Negative fair value							

A.9 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. Supervisory trading book				
A.1 Financial derivatives on debt securities and interest rates				
A.2 Financial derivatives on equity securities and equity indices				
A.3 Financial derivatives on exchange rates and gold				
A.4 Financial derivatives on other				
B. Banking book	10,713,400	21,815,091	24,721,997	57,250,488
B.1 Financial derivatives on debt securities and interest rates	1,647,355	12,107,907	24,611,543	38,366,805
B.2 Financial derivatives on equity securities and equity indices	9,046,950	9,186,392	5,646	18,238,988
B.3 Financial derivatives on exchange rates and gold	19,095	520,792	104,808	644,695
B.4 Financial derivatives on other				
Total 31/12/2017	**10,713,400**	**21,815,091**	**24,721,997**	**57,250,488**
Total 31/12/2016	**12,545,936**	**31,137,126**	**22,607,452**	**66,290,514**

C. Financial and credit derivatives

C.1 OTC FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUE AND FUTURE EXPOSURE BY COUNTERPARTY

(thousands of euro)	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Bilateral arrangements financial derivatives							
Positive fair value			462,540	19,015			
Negative fair value			209,250	31,078			
Future exposure			462,249	23,060			
Net counterparty risk			291,868	14,042			
2) Bilateral arrangements credit derivatives							
Positive fair value							
Negative fair value							
Future exposure							
Net counterparty risk							
3) “Cross product” arrangements							
Positive fair value							
Negative fair value							
Future exposure							
Net counterparty risk							

1.3 Banking group - Liquidity risk

Qualitative disclosures

A. General aspects, management and measurement of liquidity risk

Liquidity risk is construed in the sense of asset liquidity risk[44] and of 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.

For the Parent Company, liquidity risk becomes significant mainly in the form of funding liquidity risk, in view of the dominant weight of demand deposits (passbook savings accounts) and bonds redeemable on demand (postal savings bonds) in the liabilities of the Separate Account.

In order to ensure that any scenario of uncontrolled redemptions remains remote, CDP benefits from the mitigating effect of the state guarantee on postal savings. In addition to the key function of that guarantee, the ability of CDP to ensure that such a scenario does in fact remain remote is based on its capital strength, on the protection and promotion of the reputation of postal savings with the public, on safeguarding CDP's reputation in the market and on liquidity management. With regard to the latter, CDP adopts a series of specific measures to prevent the emergence of unexpected funding requirements and to be able to meet them if it should prove necessary.

To this end, a lower limit on the stock of liquid assets has been established, which is monitored by the RM, together with a number of aggregates that represent the capacity of CDP to cope with potential crisis situations. As an operational protection measure for liquidity risk, CDP has adopted a Contingency Funding Plan (CFP). The CFP sets out the processes and strategies used by CDP to manage possible liquidity crises, whether of systemic origin – caused by an unexpected deterioration in monetary and financial market conditions – or due to idiosyncratic difficulties at CDP itself.

As regards the Ordinary Account, CDP raises funds through the market or the EIB, adopting approaches, opportunities and constraints more similar to those of ordinary banks.

CDP prevents the emergence of unexpected liquidity requirements by developing effective loan disbursement forecasting systems, setting structural limits on maturity transformation, monitoring the short-term liquidity position, carried out on a continuous basis by the Finance area, and monitoring liquidity gaps at short, medium and long term, which is performed by the RM.

Management of treasury activities by Finance enables CDP to raise funds using repos, for both the Separate and Ordinary Accounts.

CDP can also take part in European Central Bank refinancing operations, as it holds a significant stock of eligible negotiable and non-negotiable assets.

As a further control, both for the Separate and the Ordinary Account, RM monitors an incremental available liquidity buffer, in a stress scenario, through transactions with the European Central Bank and refinancing on the liquid securities market.

The controls put in place are corroborated by a stress test used in order to assess the potential effects of an extremely unfavourable scenario on the liquidity position.

In regard to the activity of SACE Fct, the liquidity risk connected with factoring operations is mitigated by 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) the transfer of receivables with recourse to leading factoring companies. In this context, the "Liquidity Risk Policy" defines the roles and responsibilities of the corporate bodies and corporate units involved in the process and the methods of measuring, managing, and monitoring liquidity risk. Moreover, a Contingency Funding Plan defines the strategies for management of a possible liquidity crisis and the specific procedures to be implemented in response to adverse fund raising situations.

In regard to liquidity risk, CDPI SGR is potentially exposed to the risk of a cash shortfall caused, among other things, by the reduction in the management fees received on the funds under management, calculated as a percentage of the net aggregate value (FIA[46]) and the total value of the assets (FIV, FIT, FT1[47] and FIA 2).

44 Asset liquidity risk means the impossibility, for a financial institution or a generic investor, of monetizing assets on the market without significantly reducing their price.
45 Funding liquidity risk means the impossibility, for a financial institution, to meet its obligations by collecting liquidity at non-penalising conditions or monetising assets held.
46 Fondo investimenti per l'Abitare
47 Respectively: Fondo Investimenti per la Valorizzazione, Fondo Investimenti per il Turismo and Fondo Turismo 1.

Any fluctuations in the value of units in collective investment undertakings and/or the real estate in which the managed funds invest, would consequently impact the management fees received. At this time, that risk appears insignificant.

From an operating point of view, liquidity risk is monitored through careful planning of Company cash flows (financial forecast), prepared by the Planning organisational unit and updated monthly.

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	**158,964,803**	**15,463**	**144,951**	**381,386**	**2,624,889**	**1,165,662**	**5,038,991**	**43,306,023**	**98,803,355**	**23,997,985**
A.1 Government securities			27,816		1,471,114	738,876	1,196,225	16,375,881	26,217,724	
A.2 Other debt securities		2,048		5,793	6,880	63,674	104,525	3,077,847	2,648,359	
A.3 Units in collective investment undertakings	1,885,220									
A.4 Loans:	157,079,583	13,415	117,135	375,593	1,146,895	363,112	3,738,241	23,852,295	69,937,272	23,997,985
- banks	1,618,477				2,750	31,285	1,181,819	5,467,872	5,207,189	23,997,985
- customers	155,461,106	13,415	117,135	375,593	1,144,145	331,827	2,556,422	18,384,423	64,730,083	
B. On-balance-sheet liabilities	**114,710,745**	**1,245,488**	**8,993,666**	**2,304,092**	**20,212,906**	**6,110,168**	**4,849,379**	**140,820,583**	**14,416,420**	
B.1 Deposits and current accounts:	114,687,409	141,464	8,546,979	1,110,184	17,028,525	3,583,222	2,759,379	128,650,833	5,411,927	
- banks	286,463	43,543	213,390	100,113	223,683	1,763	4,414	1,202,708	476,649	
- customers	114,400,946	97,921	8,333,589	1,010,071	16,804,842	3,581,459	2,754,965	127,448,125	4,935,278	
B.2 Debt securities				1,040,000	215,000	527,000	2,090,000	8,349,000	5,304,000	
B.3 Other liabilities	23,336	1,104,024	446,687	153,908	2,969,381	1,999,946		3,820,750	3,700,493	
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital:										
- long positions								538,624		
- short positions								444,412		
C.2 Financial derivatives without exchange of capital:										
- long positions		435	3,944	9,313	39,288	111,006	107,046			
- short positions		119,272			14,871	49,712	268,535			
C.3 Deposits and loans to receive:										
- long positions										
- short positions										
C.4 Irrevocable commitments to disburse funds:										
- long positions	21,997,873									
- short positions	21,997,873									
C.5 Financial guarantees issued										
C.6 Financial guarantees received										
C.7 Credit derivatives with exchange of capital:										
- long positions										
- short positions										
C.8 Credit derivatives without exchange of capital:										
- long positions										
- short positions										

1.4 Banking Group - Operational risks

Qualitative disclosures

A. General aspects, management and measurement of operational risks

Definition of operational risk

The Banking Group has adopted the guidelines established by the Basel Committee for the banking industry and incorporated by the Bank of Italy in Circular no. 285 of 17 December 2013 as the benchmark for managing operational risk.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such risk includes, among others, losses resulting from internal or external fraud, human error, employment relationships and workplace safety, business disruption, system unavailability, breach of contract, process management, damage to company assets and natural disasters.

Operational risk includes legal risk but not strategic or reputational risk.

The "legal risk" is the risk of incurring losses resulting from violations of laws or regulations, from contractual or constructive liability or from other disputes.

System for managing operational risks

The operational risk management system is a set of structured processes, functions and resources for identifying, assessing and controlling the above-mentioned risks. Its main objective is to ensure effective prevention and mitigation of such risks.

Apart from adopting best practice in the banking sector as a reference, CDP pays particular attention to industrial sector benchmarks for the management of operational risks. The methodological and organizational framework implemented is aimed at capturing the company's actual risk profile, similarly to what occurs in the most advanced companies, 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 Risk Unit, operating within the Risk Management Area, is the Organisational Unit responsible for designing, implementing and overseeing the methodological and organisational framework for (i) the assessment of the exposure to operational risks, (ii) monitoring the implementation of mitigation measures proposed by the Risk Owners, and (iii) the preparation of reporting to the Top Management.

The framework adopted involves the inclusion of information on operational losses classified according to specified Loss Event Types (i.e. a Model of loss events), Loss Effect Types (i.e. a Model of loss types) and Risk Factors (i.e. a Model of risk factors).

This information comprises:
- internal data on operational losses (Loss Data Collection);
- system loss data (external data);
- data on contingent losses (assessment of level of exposure to operational risks);
- key factors of the business environment and internal control systems.

The main elements of the operational risk management system implemented within CDP are presented below.

Loss Data Collection

The framework for Loss Data Collection adopted within CDP is in line with the approach suggested by the Basel Committee and adopted by the Italian Banking Association (ABI) within the activity of the Italian Operational Loss Database (DIPO).

In this respect, the primary activities carried out within CDP were:
- identification and updating of information sources for the continuous feeding of operating losses database (information source means the organisational unit that can provide information concerning the main features of each loss event recorded and its associated effects);
- mapping of relevant operational risk data – relating to both operational risk events that have generated losses already recognized in profit or loss and operational risk events that have not resulted in a loss (so-called near-miss events) – and filing of the supporting documentation;
- periodic reviews of the data collection and storage system.

Specific criteria were defined in terms of time and material thresholds for mapping loss events, in order to enable the creation of time series that are representative of the actual risk profile of the Company and such as not to exclude significant data on losses, in order not to affect the reliability and accuracy of the assessment of operational risk.

CDP has developed a proprietary application (LDC) for collecting the data in question, in order to ensure the integrity, confidentiality and availability of the information collected. This application enables the centralized, secure management of the following activities:

- collection of internal operational loss data;
- accounting reconciliation of collected data;
- data validation;
- preparation of record layout to be sent to DIPO.

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

External loss data

CDP joined the Italian Operational Loss Database (DIPO) managed by ABIServizi S.p.A. in order to be able to retrieve data on operational risk events that took place in other financial institutions; this enables CDP to improve its estimates about operational losses and to compare itself against the best practices used by other main Banking Groups.

Mapping of business process related risks

The mapping activity of business process adverse events - including risks linked to the introduction of new products/processes - is a preliminary step for the assessment of the level of exposure to operational risks.

The identification of risks inherent in processes, carried out by Risk Owners and by experts appointed by them, stems from the need to understand the origin of potential losses associated with operational risks – identifying the events and causes that might generate them – and to assess the advisability of taking targeted monitoring, control, prevention and mitigation actions.

As regards the adverse events mapped, in order to encourage the development of integrated risk management within CDP, special attention is devoted to (i) compliance risk, (ii) the risk of commission of the criminal offences referred to in Legislative Decree 231 of 8 June 2001 (Rules governing the administrative liability of legal persons, companies and associations, including entities without legal personality, pursuant to article 11 of Law 300 of 29 September 2000, published in Official Gazette no. 140 of 19 June 2001, arising in respect of criminal offences committed by natural persons connected with the legal person in an employment relationships and acting in its interest), (iii) the risk governed by Legislative Decree no. 231 of 21 November 2007 (Implementing Directive no. 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and Directive no. 2006/70/EC laying down implementing measures), (iv) the risk governed by Law no. 262 of 28 December 2005 (Provisions for the protection of savings and the regulation of financial markets, published in the Official Gazette no. 301 of 28 December 2005), (v) the risk of disruption or malfunction of IT systems and (vi) outsourcing risk.

Assessment of level of exposure to operational risks (Risk Self Assessment)

The qualitative Risk Self-Assessment method for the prospective assessment of the Company's level of exposure to potential operational risks was defined in order to collect information useful for the implementation of suitable mitigation measures for the most significant risks.

The Company's level of exposure to potential operational risks is estimated through a self-assessment exercise carried out by the parties involved in the processes analysed.

The assessment is performed under the supervision of the Operational Risk Unit, whose role is to ensure the process is conducted systematically, to reduce the natural "cognitive distortions" (bias) of the bank officers interviewed, and thus ensure greater reliability of the assessment performed.

The objective of the Risk Self-Assessment process is to define the so-called Risk Map, a summary of the identification and assessment of risks and relevant control measures. The risk map is a tool for the dynamic monitoring of the company's risk profile, aimed at:

- ensuring an overview of the company's main risk areas by process and type of risk;
- strengthening line controls;
- monitoring risk prevention and mitigation actions.

Based on the risk perception of the officers interviewed (Organisational 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 operational purposes (use test): the operational risks management system, integrated into the Management's decision-making, aims at strengthening corporate processes and improving the Internal Control System.

The objectives of Risk Assessment include:

- the identification of the most critical processes and/or operational areas — in terms of exposure to operational risks — to be analysed in greater depth;
- estimating the residual exposure to any risk detected (so-called residual risk) through the qualitative assessment (i) of the operational risks linked to a certain process and (ii) of the adequacy of the relevant control centres;

- the assessment of potential exposure to operational risks linked to the introduction of new products, processes and activities, allowing Management to provide for adequate counter-measures in terms of processes, systems and human resources, for a sound and prudent management of the new activity.

The main players involved in assessing exposure to operational risks are:

1) The Operational Risk Unit:
   - recommends the methodologies and procedures for identifying risks;
   - controls and ensures correct application of the methodologies and procedures;
   - provides methodological and technical support for identifying risks;
   - ensures the uniformity of the information collected through analysis of the quality and congruity of the data acquired in the survey;
2) The Risk Owners and experts:
   - identify and assess main risks in the processes under their remit;
   - propose actions to mitigate the risks identified;
   - periodically monitor the evolution of those risks and the emergence of new risks;
3) The Compliance Unit:
   - identifies compliance risk for internal and external regulations and any reputational risks, validating and, if necessary, completing the identification of the risks performed by the owner (for adverse events that could generate compliance risk);
   - proposes actions to mitigate the risks identified;
4) The Anti-Money Laundering Unit:
   - identifies money laundering risk factors in line with the methodological framework adopted;
   - identifies the risks of non-compliance with laws, regulations and internal procedures on money laundering;
   - supports the owners in identifying the risks of intentional or accidental involvement in money laundering or terrorist financing;
   - proposes actions to mitigate the risks identified;
5) The Staff of the Manager in charge with preparing the company's financial reports:
   - identifies risks that may affect the reliability of financial reporting (risks pursuant to Law no. 262 of 28 December 2005);
   - supports the owners in identifying control measures;
   - proposes actions to mitigate the risks identified;
6) The Chief Audit Officer:
   - recommends the mapping of all those risks that – while not identified by the owner and experts – have been detected in corporate processes during audit activities;
   - assesses the risk of commission of the offences referred to in Legislative Decree no. 231 of 8 June 2001.

Risk management and mitigation

With a view to implementing integrated management of events, so as to combine into a single decision-making step the assessment of mitigation actions defined during both Risk Self-Assessment and Loss Data Collection, a dedicated Working Group was established to discuss the corrective actions defined to control operational risks.

The Operational Risk Unit monitors the status of the corrective actions initiated by periodically checking their progress with the individuals responsible for the actions taken and/or to be taken.

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 Organisational Units involved, in order to enable the implementation of the most appropriate corrective actions.

The main reports produced cover:

- Loss Data Collection, for which a "management" report is prepared half-yearly and sent to the Top Management, together with "operational" reports for the various information sources containing data and information on operational loss events that fall under their respective remit;
- Risk 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;
- Management of mitigation actions, for which details of the measures defined for the most significant risks detected by Loss Data Collection and Risk Self-Assessment activities are provided.

Operational risk culture

In line with the mission of the Operational Risk Unit, which is to develop and disseminate awareness of operational risks within the Company, training courses addressed to all the staff involved in the analyses were organised during 2017.

Other periodic actions organised by the Operational Risk Unit for the staff concerned include the delivery of training, also in the form of on-the-job training. These actions ensure that the bank officers concerned have appropriate knowledge of the process and of its attendant responsibilities, so as to make the best use of support tools.

The aim is to put in place a coordinated approach at all levels within the Company, which can be achieved by wide dissemination of operational risk awareness.

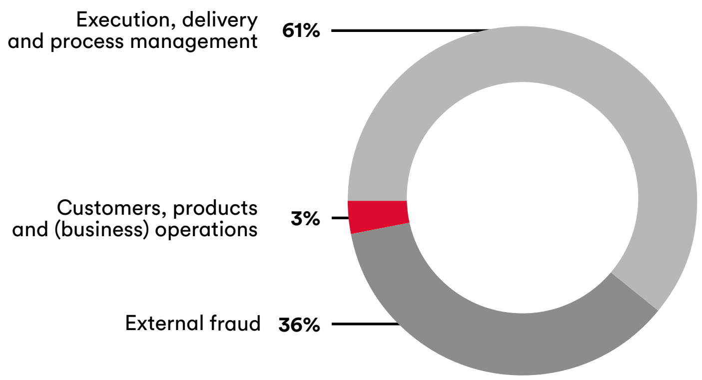
Quantitative disclosures

We provide below the percentage composition of operational risk losses by type of event, as defined by the New Basel Capital Accord. The types of operational risk events are the following:

- internal fraud: losses due to unauthorized acts, acts with intent to defraud, misappropriation of assets or infringement of laws, regulations or company policy involving at least one internal party;
- external fraud: losses due to acts with intent to defraud, misappropriation of assets or infringement of laws by a third party;
- employment practices and workplace safety: losses arising from acts not conforming to employment or employee health and safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events;
- customers, products and professional practice: losses arising from failure to meet a professional obligation to customers or from the nature or design of the product or service;
- damage to physical assets: losses arising from external events, such as natural disasters, terrorism and vandalism;
- disruption of operations and information systems failures: losses arising from disruption of business or system failures or non-availability;
- execution, delivery and process management: losses arising from failed transaction processing or process management, from relations with trade counterparties, vendors and suppliers.

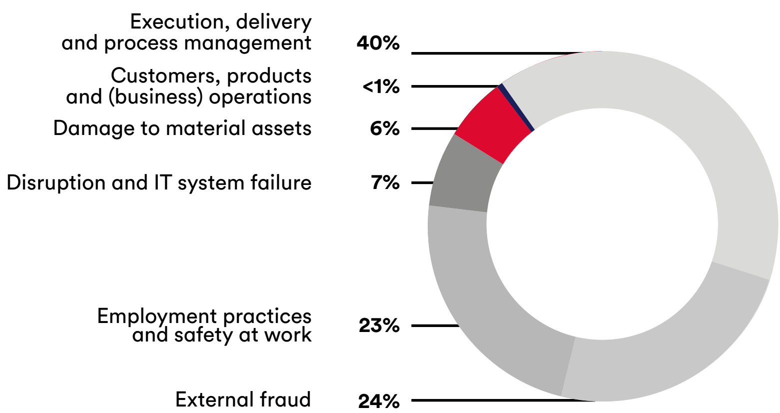
With specific reference to CDP S.p.A., the main classes in 2017, in terms of economic impact, were "External fraud" and "Execution, delivery and process management".

OPERATIONAL LOSSES RECORDED IN 2017 SORTED BY RISK CATEGORY FOR CDP S.P.A.



We also show hereunder the percentage composition of all the losses recorded by means of Loss Data Collection from process start.

OPERATIONAL LOSSES RECORDED IN THE LCD DATABASE SORTED BY RISK CATEGORY FOR CDP S.P.A.



Legal disputes

As regards the conversion of preference shares into ordinary CDP shares, following the exercise of the right of withdrawal, in June 2013 Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona filed a suit involving a claim of about 432 million euro, which was increased to 651 million euro at the time of the closing arguments. The defence team appointed by CDP has informed the company that the risk of a ruling against CDP in the first instance proceedings should now be considered probable. However, the defence team feels that a favourable judgement can be reasonably expected (in the various levels of proceedings) as the arguments made previously to the Court are considered to be well-grounded.

The defence team also determined that, considering the complexity and peculiarity of the lawsuit, the state of the trial, and the extreme uncertainty regarding the valuation criteria that will be applied, any reliable estimate of the CDP obligations, today, would be arbitrary.

With regard to Separate Account customers, it should be noted that at 31 December 2017, the estimated potential liabilities, net of the forgoing lawsuit concerned with the conversion of preference shares into ordinary shares, amounted to 30,000 euro.

With reference to the Separate Account, against the risk - considered likely - of the occurrence of a future liability connected to the request received from an investee (with which an agreement had been entered into according to which CDP would repay the dividends, received in excess, in the proportional amount established in the civil proceedings, by final ruling, to be paid by the private shareholders) a provision of 19.2 million euro was established.

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

Finally, with respect to labour disputes, potential liabilities amounted to around 3 million euro at 31 December 2017.

Therefore, potential estimated costs, both in absolute and relative terms, are altogether negligible with respect to the volumes in CDP's Financial Statements.

Section 2 - The risks of insurance companies

2.1 Insurance risks

Key risks for the insurance business include technical risk, meant as underwriting and credit risk. The former, relating to the portfolio of policies, refers to the risk of losses arising from unfavourable claim performance compared with estimated claims (pricing risk) or from mismatches between the cost of claims and the amount reserved (reserve risk). The latter refers to the risk of default of the counterparties and of changes in 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 50.6 billion euro, up 15.3% from 2016. This is a continuation of the growth trend already recorded in 2016 and 2015, mainly as a result of the guarantee portfolio that accounts for 98.7% of total exposure. The receivables portfolio fell sharply from 2016, by 21.4%, mainly due to sovereign debt, which fell by 22.5%. Sovereign debt represents 77.3% of the total receivables portfolio. The commercial component, which represents 22.7% of the portfolio, declined by 17.1%, falling from 172.9 million euro to 143.4 million euro.

SACE BT's total exposure as at 31 December 2017 amounted to 41.3 billion euro, an increase over the 2016 year-end figure (+2.5%).

Portfolio (millions of euro; %)	31/12/2017	31/12/2016	Change (+/-)	Change %
SACE	**50,562**	**43,842**	**6,720**	**15.3%**
Outstanding guarantees	49,930	43,038	6,892	16.0%
of which:				
- *principal*	*43,790*	*37,211*	*6,579*	*17.7%*
- *interest*	*6,140*	*5,827*	*313*	*5.4%*
Loans	632	804	(172)	-21.4%
SACE BT	**41,284**	**40,263**	**1,021**	**2.5%**
Short-term credit	9,696	8,894	802	9.0%
Surety Italy	6,235	6,635	(400)	-6.0%
Other property damage	25,353	24,734	619	2.5%

SACE

The geo-economic area analysis confirms its greater exposure to European Union countries (25.6% compared to 36.3% in 2016), but with a significant 18.7% reduction from the previous year. Nonetheless, we find the United States of America in first place, which has taken over from Italy in terms of concentration, carrying a weight of 14.0%. The MENA area follows, accounting for 24.1% of the portfolio (up from 2016, when it was 15.2%), marking an 82.8% increase in exposure. The Americas were in third place with 23.1% of the portfolio, up 30.0%

from 2016, when their weight was 20.5%. The other geo-economic areas had a total weight of 27.2% in the portfolio: Other European countries and CIS (Commonwealth of Independent States) rose by 8.8% (with their portfolio weight falling by 16.3% from 2016, to 15.4% in 2017). In contrast, Sub-Saharan Africa posted the most significant increase with +93.5% (with its portfolio weight up by 3.9% from 2016, to 6.5% in 2017), and finally the East Asia and Oceania area declined by 21.6% from the previous year (with its portfolio weight falling by 7.8% from 2016, to 5.3% in 2017).

The proportion of loans in US dollars decreased from 55.2% to 53.3% compared with the previous year, while 38.9% of SACE S.p.A.'s guarantee portfolio was denominated in that currency (versus 47.2% in 2016). The US dollar depreciated against the euro, moving from 1.0541 in 2016 to 1.1993 in 2017. 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 77.6% of the total private portfolio. The cruise line sector represented the single largest exposure sector, accounting for 33.5% of the total, up 48.3% from 2016, when it was 23.1% of the private portfolio. All other sectors declined compared with 2016. The Oil&Gas sector remained in second place, declining slightly by 1.3%, with its weight falling from 20.3% to 19.6% of the private portfolio. The infrastructure and construction sector came in third place, with a fall of 16.9% (and a portfolio weight that dropped from 14.6% to 11.8%). Then came the chemical/petrochemical sector, which posted the highest drop, equal to 24.6% (its portfolio weight fell from 9.5% to 7.0%). The electrical sector fell by 12.6% and the banking sector fell by 22.3%.

SACE BT

Credit insurance business

The policies in place under the credit insurance business line as at 31 December 2017 were 113,702 (+1.6% compared to 2016), for an overall value of 9.7 billion euro. The current portfolio, in terms of policy limits, was primarily concentrated in EU countries (85.4%), with Italy accounting for 66.9%.

Wholesale Trade, Agri-food and Retail Trade were the top three industries for this line of business, accounting for 21.9%, 11.7% and 8.2% of total exposure respectively.

Surety business

Exposure to the Surety business (amounts of capital insured), totalled 6.2 billion euro (-6.0% compared to 2016).

Guarantees in tenders represent 66.7% of the exposure, followed by guarantees for tax payments and reimbursements (27.8%).

Construction/Other property damage business

Nominal exposure (limits and capital insured) of the Construction/Other property damage business was equal to 25.4 billion euro (+2.5% compared to the previous financial year), of which 21.7 billion euro for the Construction portfolio (22 billion in 2016 euro) and 3.6 billion euro for Non-life policies (2.8 billion euro in 2016).

The number of existing policies was 7,797 (+0.8% versus 2016). CAR and EAR policies accounted for 45.4% of the nominal exposure, 10-year Posthumous insurance policies accounted for 36.9% and Non-life policies for the remaining 17.6%.

2.2 Financial risks

Financial management aims to achieve the following two macro-objectives:
- preserving the value of company assets: in line with developments of the reference regulatory and financial framework, the SACE group, through a process of integrated asset & liability management, concludes a number of hedging transactions (both directly and indirectly) 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.

Asset (millions of euro)	HTM	HFT	Total	%
Bonds	1,583.3	114.4	1,697.7	23.1%
Units in collective investment undertakings		638.0	638.0	8.7%
Shares		6.2	6.2	0.1%
Money Market		5,002.3	5,002.3	68.1%
Total	**1,583.3**	**5,760.9**	**7,344.2**	**100%**

The table is gross of the positions between SACE group companies.

Portfolio composition is as follows: 23.1% bonds and other debt securities, 8.7% units in collective investment undertakings mainly invested in bonds or shares, 0.1% shares and the remaining 68.1% monetary instruments.

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	3.4%
AA	3.5%
A	7.1%
BBB	84.9%
Other	1.1%

2.3 Legal disputes

At 31 December 2017 SACE S.p.A. was involved in 23 disputes, mainly relating to insurance commitments undertaken before 1998. Moreover, 57 lawsuits were pending for recognition of the legal privilege granted under Legislative Decree no. 123/98, in addition to 5 labour disputes. SIMEST S.p.A. has 2 legal proceedings under way, SACE BT S.p.A. is party to 201 insurance disputes and 6 generic disputes, while SACE Fct S.p.A. is party to 39 active lawsuits for credit recovery.

Section 3 - The risks of other entities

Terna group

In the course of its operations, the Terna group is exposed to a variety of financial risks: market risk, liquidity risk and credit risk.

Terna's risk management policies seek to identify and analyse the risks to which the group is exposed, establish appropriate limits and 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.

	31/12/2017			31/12/2016		
(millions of euro)	Loans carried at amortized cost	Hedging derivatives	Total	Loans carried at amortized cost	Hedging derivatives	Total
Assets						
Derivative financial instruments					325.7	325.7
Cash and deposits	1,989.2		1,989.2	1,135.7		1,135.7
Trade receivables	1,265.9		1,265.9	1,443.3		1,443.3
Total	**3,255.1**		**3,255.1**	**2,579.0**	**325.7**	**2,904.7**

	31/12/2017				31/12/2016			
(millions of euro)	Payables carried ad amortised cost	Loans at fair value	Hedging derivatives	Total	Payables carried ad amortised cost	Loans at fair value	Hedging derivatives	Total
Liabilities								
Long-term debt	2,264.1	7,291.8		9,555.9	2,118.5	7,190.4		9,308.9
Derivative financial instruments			10.5	10.5			12.8	12.8
Trade payables	2,497.9			2,497.9	2,280.7			2,280.7
Total	**4,762.0**	**7,291.8**	**10.5**	**12,064.3**	**4,399.2**	**7,190.4**	**12.8**	**11,602.4**

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 the planned hedging transactions in favourable market conditions.

Interest rate risk

Interest rate risk is represented by the uncertainty associated with interest rate trends. It consists of the risk that a change in market interest rates might impact the fair value or future cash flows of financial instruments.

In conducting its operations, Terna is exposed to the risk of fluctuations in interest rates. Its main source of interest rate risk derives from items of net financial debt and the associated hedging positions in derivatives, which generate financial expenses. Terna's borrowing strategy focused on debt instruments with long-term maturities reflecting the useful life of the company's assets. It also pursued an interest rate risk hedging policy that aimed to cover at least 40% of fixed-rate debt, as established in the company's policies. Considering the low level of interest rates, total group debt has been shifted to a fixed rate.

The financial assets and liabilities in respect of the derivative instruments in place during the year can be classified as:

- cash flow hedge derivatives, used to hedge the risk of changes in the cash flows associated with long-term floating-rate loans;
- fair value hedge derivatives, used to hedge the risk of changes in the fair value of a financial asset or liability, associated with interest rate fluctuations (fixed-rate bonds).

The following table shows the notional amounts and fair value of the derivatives entered into by the Terna group:

	31/12/2017		31/12/2016		Change (+/-)	
(millions of euro)	Notional	Fair value	Notional	Fair value	Notional	Fair value
FVH derivatives			1,350.0	325.7	(1,350.0)	(325.7)
CFH derivatives	2,566.0	(10.5)	2,974.1	(12.8)	(408.1)	2.3

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 (FVH) to neutralise the risk inherent in expected future cash flows referring to most of its floating-rate debt.

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 2017						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)				(12.3)	(12.8)	(13.3)
Hypothetical change				*0.5*		*(0.5)*
31 December 2016						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	(11.1)	(11.2)	(11.3)	(13.0)	(12.8)	(13.3)
Hypothetical change	*0.1*		*(0.1)*	*0.5*		*(0.5)*

Inflation risk

As regards inflation rate risk, the rates established by the Regulator to remunerate Terna S.p.A.'s activities are determined so as to allow coverage of the sector's recognised costs. These cost components are updated each year to reflect the accrued impact of inflation. In 2007, the Company used an inflation-linked bond issue, thereby obtaining an effective hedge on net income for the year: any decrease in expected revenues due to a decrease in the inflation rate would be offset by lower financial expense.

Exchange rate risk

Terna generally hedges exchange rate risk through the forward sale or purchase of currencies (forward contracts) or the use of options. Currency options give Terna the right or the obligation to buy or sell predetermined amounts of a given currency at a specific exchange rate at the end of a specific period of time. Normally, both forward contracts and options have maturities of no more than 12 months.

Such contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, or the expected cash flows, so that any change in the fair value and/or estimated cash flows deriving from an appreciation or depreciation of the euro against other currencies is fully offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position.

As at 31 December 2017, the financial instruments linked to exchange rate risk constituted a small component, attributable to the Tamini group.

Liquidity risk

Liquidity risk is the risk Terna might experience difficulties in discharging its obligations in respect of its financial liabilities and operational cycle. Liquidity risk management seeks to ensure adequate coverage of cash needs by obtaining adequate lines of credit and appropriately managing any surplus liquidity. As at 31 December 2017, Terna had approximately 622 million euro available in short-term credit lines and 2,050 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 the Authority where necessary.

At the end of the year, this exposure was as follows:

(millions of euro)	**31/12/2017**	**31/12/2016**	**Change (+/-)**
FVH derivatives		325.7	(325.7)
Cash and cash equivalents and other financial assets	1,989.2	1,135.7	853.5
Trade receivables	1,265.9	1,443.3	(177.4)
Total	**3,255.1**	**2,904.7**	**350.4**

The overall credit risk exposure as at 31 December 2017 is represented by the carrying amount of financial assets (current and non-current), trade receivables and cash and cash equivalents.

Default risk and debt covenants

This risk is associated with the possibility that the loan contracts or bond rules to which the parent company Terna is party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk.

Litigation

Outstanding legal disputes at 31 December 2017 related to the parent company Terna S.p.A. and its subsidiary Terna Rete Italia S.p.A., as well as to Tamini Group companies.

SNAM group

Although it has a limited economic and financial risk profile, since it focuses on regulated environments, SNAM has adopted a structured and systematic management system for all risks that my impact the conditions for value creation.

The risk identification, assessment, management and control system, implemented throughout the company, is subdivided into three levels, each with different objectives and responsibilities. The Chief Executive Officer is responsible for structuring and maintaining the entire system as mandated by the Board of Directors.

Risk assessment methods are integrated, cross-functional and dynamic, and leverage management systems already in place in individual business processes, starting from those pertaining to fraud and corruption prevention and health, environmental safety and quality.

By creating a dedicated corporate department, Enterprise Risk Management (ERM), SNAM committed itself to monitoring the integrated management of business risks at all group companies.

In 2017, the risk assessment cycles were completed in line with the aforementioned model, which involved the entire SNAM group. At the end of 2017, around 136 enterprise risks were mapped across all business processes.

Moreover, a project was launched in 2017 to define and implement an integrated risk assessment model which, by using a single information technology tool and a single database, would streamline and integrate all information flows of second-level controls under a common approach aimed at maximum overall efficiency.

Strategic Risks

Regulatory and legislative risk

SNAM's regulatory risk concerns mainly the rules applicable to the gas industry. The directives and other legislation issued by the European Union and the Italian government and the resolutions of the Regulatory Authority for Energy, Networks and the Environment (ARERA) 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 context in which SNAM operates, regulatory changes concerning the criteria for determining the 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 (Middle East and North Africa) area and in the former Soviet Bloc. Those regions are particularly sensitive to political, social and economic change, with underlying currents of instability, and could possibly develop into future crisis scenarios.

Commodity risk connected with gas price changes

Under the current regulatory framework, the fluctuation in the price of natural gas to hedge fuel gas and network leaks does not represent a significant risk factor for SNAM because all the gas for technical activities is supplied in kind by the Shippers.

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. The changes in the current regulatory framework might have adverse impacts on the SNAM group's business, financial position and results.

Climate change risk

In the future, to maintain compliance with the rules on greenhouse gases, SNAM might be required to upgrade its plants and to control or restrict its emissions or take other steps which might increase its regulatory compliance costs and hence affect negatively the SNAM group's business, financial position and results.

Legal and compliance risk

Legal and compliance risk is the risk of partial or total non-compliance with the European, national, regional and local rules and regulations applicable to SNAM's business activities. Breaches of rules and regulations can entail criminal, civil and/or administrative sanctions, as well as financial, economic and reputational damages. Specific cases, including infringements of workers' health and safety, environmental protection or anti-corruption rules may also entail substantial fines for the Company based on the administrative liability of entities (Legislative Decree no. 231 of 8 June 2001). With regard to the Risk of Fraud and Corruption, it is a top priority for SNAM to conduct its business fairly and transparently and to reject all forms of corruption as part of its commitment to the respect of ethical principles. SNAM's management is fully engaged in implementing an 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. Since 2014, SNAM has collaborated with Transparency International Italia and has joined the Business Integrity Forum (BIF). In 2016, it was the first Italian company to become a member of the "Global Corporate Supporter Partnership".

Financial risks

Market risks

Interest rate risk

Interest rate risk relates to fluctuations in interest rates, which may affect the market value of the company's financial assets and liabilities and the level of net financial charges. SNAM's objective is to optimise interest rate risk whilst pursuing the objectives set out in its Financial Plan. The SNAM group has adopted a centralised organisational model. Under this model, SNAM's business units cover their financial requirements through recourse to the financial markets and use funds in line with the approved objectives, ensuring that the risk profile is kept within set limits. As at 31 December 2017, the SNAM group used external financial resources through bond issues and bilateral and syndicated loan agreements with banks and other lenders, in the form of medium– and long-term loans and credit facilities at interest rates indexed to benchmark market rates – in particular the Europe Interbank Offered Rate (Euribor) – or at fixed rates. As at 31 December 2017, exposure to interest rate risk amounted to approximately 22% of total group exposure. As at 31 December 2017, SNAM had two Interest Rate Swap (IRS) contracts referring to two floating-rate bond loans totalling 650 million euro and with maturities in 2022 and in 2024. The IRS derivative contracts are used to convert the floating-rate loans into fixed-rate loans.

During 2017, SNAM entered into new IRS Forward Starting derivative contracts for an aggregate notional value of 750 million euro, with a medium-/long-term tenor, to cover highly likely prospective financial liabilities that will be assumed until 2020 to cover financial requirements.

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.

As at 31 December 2017, SNAM held foreign currency items consisting essentially of a bond for an amount of 10 billion Japanese Yen maturing in 2019, for a value of approximately 75 million euro on the issue date, fully converted into Euro through a Cross Currency Swap hedging derivative (CCS) with notional amounts and maturities mirroring those of the hedged component. This contract has been defined as a cash flow hedge. SNAM holds no currency derivatives for speculative purposes.

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 nearly 200 gas sector operators. The top 10 operators account for about 70% of the whole market (ENI, Edison and Enel 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 providing the services and the contractual clauses reducing the risk of non-compliance by customers. In specific cases, the Codes provide for the issue of guarantees covering partly the obligations entered into when the customer does not possess a credit rating issued by a major international rating agency. The regulatory framework also provides for specific clauses to guarantee the neutrality of the Balancing activity operator, a role held by SNAM Rete Gas as major transmission service operator since 1 December 2011. More specifically, the 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 guarantee 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.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company may be unable to fulfil its payment commitments, resulting in an impact on income if the company is forced to incur additional costs to honour its commitments or, in extreme cases, in a condition of insolvency endangering the company's viability.

SNAM's Risk Management goal is to implement, in its financial plan, a financial structure that, in line with business objectives, guarantees an adequate level of liquidity for the group, minimising opportunity cost and maintaining an optimal profile in terms of debt maturity and composition.

As highlighted in the paragraph "Interest rate risk", the Company has accessed a large range of funding sources through the credit system and the capital markets (bilateral contracts, syndicated loans by major national and international banks, loan agreements funded by the European Investment Bank - EIB and bond loans).

SNAM's objective is to maintain a balanced debt structure, in terms of subdivision into bonds and bank loans and in terms of availability of committed bank loan facilities, in line with SNAM's business profile and regulatory framework.

As at 31 December 2017, 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 value of 10 billion euro, used for approximately 8.2 billion euro.

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 2017, SNAM had unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions. 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 2017, 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 (S&P's/Fitch Ratings Limited) or Baa2 (Moody's) with at least two of the three rating agencies.

Occurrence of one or more of the above scenarios might have adverse impacts on the SNAM group's business, 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.

Rating risk

With regard to rating risk, SNAM's long-term rating is: (i) Baa1, confirmed on 22 September 2017 by Moody's Investors Services Ltd ("Moody's"); (ii) BBB+ with stable outlook, confirmed on 8 November 2017 by Standard & Poor's Rating Services ("S&P"); (iii) BBB+ with stable outlook, confirmed on 12 October 2017 by Fitch Ratings ("Fitch"). SNAM's long-term rating by Moody's and S&P's is one notch above that of the Italian Republic. Based on the methodology adopted by rating agencies, the downgrade by one notch of the Italian Republic's current rating would trigger a likely equivalent downgrade of SNAM's current rating.

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.

Operational risks

These consist mainly in service malfunction and sudden outages due to unforeseeable events, such as accidents, breakdowns or malfunctioning of equipment or control system, lower plant yield and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events that fall outside SNAM's control. Such events may cause a drop in revenues as well as result in significant damage to persons, with possible compensation obligations. Although SNAM has taken out specific insurance policies to cover some of these risks, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases

For SNAM, the risk connected with keeping the storage concession 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 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 application for their renewal to the Ministry of Economic Development; the procedure is currently pending. While the renewal procedure is under way and until its completion, Stogit will continue to operate under the old concessions, whose expiry is automatically extended until completion of the renewal process.

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.

Finally, operational risks include 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.

Legal disputes

SNAM is a party to civil, administrative and criminal proceedings and is involved in lawsuits linked to the normal conduct of its operations. On the basis of the information presently available and in light of the existing risks, SNAM believes that those proceedings and lawsuits will not produce significant adverse impacts on its consolidated financial statements.

Italgas group

The principal risks that are analysed and monitored by the Italgas group are illustrated as follows.

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 (banking channels) and use funds to cover financial requirements, in compliance with approved objectives, ensuring that the risk profile is contained within set limits.

As at 31 December 2017, 28.8% of the financial debt was carried at a floating rate and 71.2% was carried at a fixed rate.

At the same date, the Italgas group used external financial resources through 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).

Therefore, any increase in interest rates not included wholly or partly in the regulatory WACC might have negative effects on the business, financial position and results of the Italgas group.

Italgas aims at maintaining, at steady-state, a fixed-to-floating rate debt ratio such as to minimise the risk of rising interest rates. Specifically, the goal is to achieve a debt composition of approximately 2/3 fixed rate debt and 1/3 floating rate debt. We note in this regard that during 2017 the company issued bonds for a total of 2,650 million euro, broken down as follows: (i) 1,500 million euro, issued on 19 January 2017 and divided into two tranches, respectively with 5-year and 10-year maturities, both fixed-rate, amounting to 750 million euro each and with annual coupon of 0.50% and 1.625% respectively; (ii) 650 million euro issued on 14 March 2017, with maturity 14 March 2024 and annual fixed-rate coupon of 1.125%; and (iii) 500 million euro issued on 18 September 2017, with maturity 18 January 2029 and annual fixed-rate coupon of 1.625%.

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 the 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 issuance of demand bank or insurance guarantees.

As at 31 December 2017, no significant credit risks had been identified. However, 94% of the trade receivables on average are paid on time, and over 99% within the following 4 days, confirming the absolute reliability of its business customers.

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 incur additional costs to honour its commitments or, in extreme cases, in a condition of insolvency endangering the company's viability.

In order to mitigate this risk and to maintain a level of liquidity enabling it to preserve its rating, Italgas signed credit facility agreements in excess of its financing needs at 31 December 2017. These credit facilities (1.1 billion 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 October 2017 allows issuance of another 850 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 4 August and 12 October 2017, respectively, Fitch and Moody's confirmed their ratings of Italgas S.p.A. (BBB+ with stable outlook and Baa1 with negative 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

As at 31 December 2017, Italgas had no financial covenants and bilateral and syndicated loan agreements backed by collateral in place with banks and other financial institutions. Some of these contracts provide, *inter alia*, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on 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.

The bonds issued by Italgas on 31 December 2017 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.

Default on 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, certain of which are subject to specific materiality thresholds, trigger default situations on the part of Italgas and might trigger the relevant loan to fall due immediately.

Operational risks

The Italgas group uses specific, certified management systems to oversee corporate processes and activities so as to ensure the health and safety of workers, environmental protection, and quality and energy saving in the services offered. Its main operational risks are listed below.

Risks associated with failures and unforeseen interruption of distribution service

Managing regulated gas activities involves a number of risks of malfunctioning and unforeseeable distribution service disruptions from accidental events, such as accidents, breakdowns or malfunctioning of equipment or control systems, the under-performance of plants and non-recurring events such as explosions, fires, earthquakes, landslides or other similar events beyond Italgas' control. These events could cause a decrease in revenue and involve substantial damage to persons, property or the environment. Although Italgas has taken out specific insurance policies in line with best practices to cover some of these risks, the related insurance coverage could be insufficient to meet all the losses incurred, the compensation obligations or cost increases.

Risks to the environment and to health and safety

Italgas' activities are subject to Italian and European Union legislation on environmental protection.

Italgas conducts its business in compliance with laws and regulations on environmental protection and occupational health and safety. Nevertheless, it cannot be ruled out with certainty that the group may incur costs or liabilities, even significant ones. It is, in fact, difficult to foresee the economic-financial consequences of any prior environmental damage, also given the possible effects of new environmental protection laws and regulations, the impact of technological innovations for environmental rehabilitation, the possibility of litigation and difficulties in determining its possible consequences, including with regard to the liability of other parties.

Italgas is engaged in the remediation of contaminated sites, mainly old manufactured gas plants; it also performs waste removal and disposal (mainly from the demolition of obsolete plants) and the disposal of asbestos-containing materials.

To cover the estimated costs of compliance with current legislation, a dedicated fund of 130 million euro has been set up.

Risks related to Energy Efficiency Certificates

Article 16.4 of Legislative Decree no. 164/00 on liberalisation of the gas market provides that distributors of natural gas for civil use must pursue energy savings for end users and the development of renewable energy; in exchange for the progress made, distributors are assigned 'Energy Efficiency Certificates', which entitle them to a refund from the Energy and Environmental Services Fund, whose resources come from the ES (Energy Saving) component of distribution tariffs.

Based on the national annual energy savings targets to be pursued through the Energy Efficiency Certificate (also known as "white certificate") scheme, the Authority sets the associated energy saving targets for electricity and natural gas distributors.

There is a potential risk of economic loss due to the possible negative difference between the average purchase value of the certificates and the tariff contribution granted and to the possible failure to achieve the targets set.

Risks associated with the expiry and renewal of gas distribution concessions

The Italgas group's gas distribution activity is operated under concessions granted by individual municipalities. As at 31 December 2017, Italgas managed 1,500 natural gas distribution concessions throughout Italy.

Interministerial Decree no. 226/11 provided that the gas distribution service can only be operated on the basis of tendering procedures covering gas distribution districts (ATEM), most of which coincide with provincial boundaries.

With regard to the tendering procedures launched, there is a possibility that Italgas may not be awarded the new gas distribution concessions, or may be awarded concessions at less favourable conditions than the previous ones, with possible negative impact on its business, financial position and results. However, should Italgas fail to obtain renewal of previous concessions, it would be entitled to the reimbursement due to the outgoing operator (see next bullet list item).

Moreover, under the current tendering procedures, Italgas might also be awarded concessions for districts (ATEM) previously managed entirely or partially by other operators. Such awards could generate, at least initially, higher operating costs for the group than its standard operations.

Given the complexity of the regulations governing expiry of the concessions held by Italgas, judicial and/or arbitration disputes might occur, with possible negative effects on the business activities and on the financial position, results and cash flows of the Italgas group.

Risks associated with the reimbursement amount paid by the new operator

With regard to the gas distribution concessions for which Italgas also owns the networks and facilities, Legislative Decree no. 164/00, as amended and supplemented, provides that the reimbursement amount payable to the outgoing service operators owning the existing contracts and concessions shall be calculated in accordance with the provisions in the agreements, provided that these were concluded before the entry into force of Ministerial Decree no. 226 of 12 November 2011 (i.e. prior to 11 February 2012). Any aspects not specified by the parties, or not governed by those agreements, shall be governed by the Guidelines on criteria and procedures for assessing the reimbursement value prepared by the Ministry of Economic Development on 7 April 2014 and approved by the Ministerial Decree of 22 May 2014[48].

Where there is a disagreement between the Local Authority and the outgoing operator with regard to the reimbursement amount, the tender notice indicates a reference amount to be used for the purpose of the tender, determined as the greater amount between the estimate of the contracting Local Authority and the regulatory asset base (RAB).

Ministerial Decree no. 226/11, on tender process criteria and bid evaluation, states that the incoming operator shall acquire ownership of the plant by paying the reimbursement to the outgoing operator, with the exception of any portions of the plant that are already owned by the municipality.

Eventually, i.e. in subsequent periods, the reimbursement to the outgoing operator shall be the value of local net fixed assets, net of government grants for capital expenditure and private contributions relating to local assets, calculated on the basis of criteria used by the Authority to determine distribution tariffs (RAB).

In light of the new legal framework introduced, it cannot be ruled out that the reimbursement value of the concessions, which might be awarded to a third party following the concession tendering procedure, might be less than the value of the RAB. In that case, it may have negative effects on Italgas' financial position, results and cash flows.

Regulatory risk

Italgas carries out its activities in a gas sector subject to regulation. The relevant directives and legal provisions issued by the European Union and the Italian government and the resolutions of the ARERA and, more generally, changes to the regulatory framework, may have a significant impact on the operating activities, the economic results and financial equilibrium of the group.

Considering the specific nature of its business and the context in which Italgas operates, developments in the regulatory context with regard to criteria for determining reference tariffs are particularly significant.

Future changes to European Union policies or at the national level, which may have unforeseeable effects on the relevant legislative framework and, therefore, on Italgas' operating activities and results, cannot be ruled out.

Legal and compliance risk

Legal and compliance risk concerns the failure to comply, in full or in part, with rules and regulations at European, national, regional and local level with which Italgas must comply in relation to the activities it performs. The violation of such rules and regulations may result in criminal, civil and/or administrative penalties, as well as damage to its financial position, economic results and/or reputation. As regards specific cases, among other things, the infringement of regulations on the protection of workers' health and safety and of the environment, and the infringement of anti-corruption rules, may also result in (possibly significant) penalties for the company based on the legislation on the administrative liability of entities (Legislative Decree no. 231/01).

48 In other words, the specific methods envisaged in the individual concession agreements in force and made prior to 11 February 2012 prevail over the provisions of the Guidelines, but with the limitations envisaged by the latter and with those envisaged by the tendering procedure rules contained in Ministerial Decree no. 226/11.

Litigation and other proceedings

Italgas is a party to civil, administrative and criminal proceedings and to lawsuits linked to the normal conduct of its operations. On the basis of the information presently available and in light of the existing risks, Italgas believes that those proceedings and lawsuits will not produce significant adverse impacts on its consolidated financial statements.

Fincantieri group

In the normal course of its business activities, the Fincantieri group is exposed to various financial and non-financial risk factors that, were they to materialise, could have an impact on the group's financial position, results and cash flow.

Financial risks

Market risk

The group's market risks refer mainly to the risk that the fair value or future financial flows of assets/liabilities may fluctuate due to exchange rate changes affecting their commercial or financial transactions in foreign currency, to changes in market interest rates or to changes in the prices of raw materials.

In pursuing its corporate objectives, the Fincantieri group does not intend to take on any financial risks. Where this is not possible, the group takes on such risks only if they are linked to its core business, neutralising their impact (where possible) through the use of hedging instruments.

In order to hedge exchange rate risk, apart from resorting to financial instruments, it may enter into loan agreements in the same currency as that of the sales agreement, or establish cash deposits in the same currency as that used in supply agreements.

Exchange rate risk

Exposure to currency risk arises in connection with shipbuilding contracts denominated in foreign currency and, to a lesser extent, with sourcing supplies in currencies other than the functional currency.

Exchange rate risk hedging transactions, for which the group makes use of forward contracts or option structures, are conducted with regard to the expected time horizon of foreign currency flows; whenever possible, receipts and payments in the same currency are netted.

Risk management aims at total coverage of receipts, but only focuses on larger amounts in payments.

In 2017, the group was exposed to exchange rate risk mainly in connection with some contracts in the cruise sector. Such risk was mitigated by using financial hedging instruments.

Interest rate risk

Interest rate risk is defined as follows:
- uncertainty as to the cash flows relating to group assets and liabilities due to exchange rate movements; this risk is hedged through cash flow hedge transactions;
- variability of the fair value of group assets and liabilities linked to the change in the interest rate market value, hedged through fair value hedge instruments.

Assets and liabilities exposed to exchange rate variances are subject to the first risk, while fixed-rate assets and liabilities are subject to the second risk.

In March 2017 the group negotiated three interest rate swaps to hedge the interest rate risk connected with new sources of medium-/long-term financing expected to be negotiated during 2018 (pre-hedging). The derivative instruments have been recognised under cash flow hedge.

Other market risks

Production costs are influenced by the price trend for the main raw materials used, such as steel, copper and fuels. The Fincantieri group mitigates these risks by adopting contractual hedges, where possible, and/or financial cover. In 2017, the group entered into swap contracts to fix the purchase price of a substantial part of its gasoil and fuel oil supplies to 2019.

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.

Liquidity risk

Liquidity risk refers to Fincantieri group's ability to discharge its obligations in respect of financial liabilities.

As at 31 December 2017, the group showed a loss of 314 million euro (against a loss of 615 million euro in 2016). The change is largely influenced by the typical financial dynamics of the cruise ship business, which are characterised by receipt of the final instalment on delivered cruise ships which, together with the advances received on new cruise ship and military procurement contracts which came into force during the year, more than offset the use of financial resources generated by the increase in production volumes.

Risks connected to financial debt

Some loan contracts signed by the group include financial and legal clauses, commitments and obligations (such as the occurrence of default events, including potential ones, cross-default clauses and covenants) for the group or some group companies, which may entail early repayment of the loan in the event of default. Moreover, future interest rate increases may result in greater charges depending on outstanding debt. The group may not be able to access loans to the extent required to finance its activities (for instance in the event of particularly unsatisfactory performance) or may be able to do so only at particularly onerous conditions. As 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.

Should the ability to access loans be limited, also due to the group's financial performance, or in the event of interest rate increases or early repayment of debts, the group might be forced to delay funding or incur greater financing costs, with negative impacts on its financial position, results and cash flows.

The group monitors on an ongoing basis both the circumstances that may negatively impact its economic, asset and financial situation and its current and future capital structure and financial position, in order to guarantee access to adequate funding both in terms of amounts and conditions. In particular, to mitigate liquidity risk and maintain an appropriate level of financial flexibility, the group diversifies its sources of financing in terms of maturities, counterparties and technical form.

Operational risks

Risks connected to operational complexity

Given the operational complexity characterising the shipbuilding industry, geographical and product diversification and the group's inorganic growth strategy, the group is exposed to the risk of:
- being unable to adequately control project management activities;
- being unable to adequately manage the group's operational, logistic and organisational complexity;
- over-estimating the synergies deriving from acquisitions or suffering the consequences of slow and/or weak integration;
- 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 production capacity.

Should the group fail to deploy robust project management, with adequate and effective procedures and actions to control the correct completion and efficiency of its shipbuilding processes, or should it fail to adequately manage the complexity of its product range or be unable to distribute workloads efficiently based on the production capacity (plants and workforce) available at the various production sites from time to time, it might incur a drop in revenues and profitability with possible negative effects on its financial position, results and cash flows.

In order to manage processes of such complexity, the Fincantieri group adopts procedures and activity plans aimed at managing and monitoring the implementation of each project over its entire life cycle. Moreover, the group has adopted a flexible production structure so as to adapt to the fluctuation in ship demand in its various business areas. This flexible approach enables it to overcome the limitations of each plant's capacity and pursue several contractual opportunities in parallel, guaranteeing compliance with delivery schedules.

Risks linked to market structure

The shipbuilding industry has historically been characterised by cyclical performance, being sensitive to the trends in the industry served. The 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. Postponement of fleet renewal programmes or other events affecting the order backlog with the Fincantieri group's principal cruise ship client could impact capacity utilization and business profitability. Similarly, a downturn in the offshore market can lead and has in fact led to a reduction in the level of orders for the subsidiary Vard, exposing it to the risk of cancellation or postponement of current orders. Equally, the availability of resources earmarked by the State for defence spending on fleet modernization programs is a variable that could influence the group's financial position, results and cash flows. 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 grown in the offshore, mega-yacht, ship systems and components, repair, refitting and after-sales segments. In parallel, the group has expanded its international activities, including through acquisitions. Given the current decline in offshore market volumes, the subsidiary Vard is actively working to diversify its products and target new market segments, such as expedition cruise, offshore wind power, fishing and aquaculture, in order to reduce its exposure to the cyclical nature of the offshore Oil&Gas industry. Under its efficiency-boosting and cost-reduction programme to align its production capacity with the new market opportunities, Vard has closed down one of its Brazilian facilities to reduce its production capacity, temporarily downsized staff at its facilities in Norway through flexible work arrangements, and has converted one of the facilities in Norway to production for the aquaculture sector.

Risks linked to maintaining competitiveness in core markets

The production of standard merchant ships is now dominated by Asian shipyards. This means that competitiveness can only be maintained by specializing in high value-added markets. With regard to civilian vessels, the Parent Company has been focusing for several years on the cruise ship and cruise ferry segments, where it has a long track record. Following the acquisition of Vard, it has recently extended its focus to the production of offshore support vessels. Additional factors that may affect competitiveness are the risk of not paying sufficient attention to customer needs, or of non-compliance of product quality and safety levels with market requirements and the new applicable standards and regulations. Moreover, aggressive sales policies, the development of new products and new technologies or increased production capacity by competitors may intensify price competition and consequently impact the necessary degree of competitiveness. Inadequate monitoring of the company's markets and tardy responses to competitive challenges and customer needs may reduce competitiveness, with an associated impact on production volumes and/or less remunerative prices, and lower profit margins. The company works to maintain its competitiveness on the marketplace by assuring high quality standards and product innovation, and by seeking ways to cut costs and realise flexible technical and financial solutions so that it can make competitive sales bids. 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.

The difficult political and economic context and worsening regulatory environment of countries in which the Group operates, particularly affecting Vard's activities in Brazil, may adversely impact operations and future cash flows. In addition, the pursuit of business opportunities in emerging markets, particularly in the defence sector, leads to increased exposure to country risk and/or risk of international bribery and corruption. Situations involving country risk may have negative effects on the group's financial position, results and cash flows, due to loss of clients, profits and competitive edge. In pursuing business opportunities in emerging markets, the group safeguards itself by favouring commercial prospects that are supported by inter-governmental agreements or other forms of cooperation between States, as well as by establishing, within its own organization, appropriate safeguards to monitor the processes at risk.

Risks related to contract management

The shipbuilding contracts managed by the group are mostly multi-year contracts for a fixed consideration and any change in price must be agreed with the client. 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. Cost overruns not foreseen in the pre-contractual stage and not covered by a parallel increase in price can lead to a reduction in margins on the contracts concerned. The group takes into consideration expected increases in the components of contract costs when determining the offer price. In addition, at the time of signing the contract, fixed-price purchase options will already have been defined for some of the vessel's principal components.

Many factors can influence production schedules, as well as capacity utilization, and thus impact agreed vessel delivery dates with possible penalties payable by the group. These factors include, *inter alia*, strikes, poor industrial productivity, inadequate logistics and warehouse management, unexpected problems during design, engineering and production, events linked to adverse weather conditions, design changes or problems in procuring key supplies. When the causes of late delivery are not recognized by contract, shipbuilding contracts provide for the payment of penalties that generally increase the longer the delay. The group manages its contracts through dedicated structures that control all aspects during the contract life cycle (design, procurement, construction, outfitting). In contracts with suppliers, penalties might be set for delays or disruptions attributable to them.

The operational management of contracts carries the risk that 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. 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. Bankruptcy of one or more counterparties, be they customers or suppliers, can have serious effects on the group's production and cash flows, given the high unit value of shipbuilding orders and the strategic nature of certain supplies for the production process. In particular, the cancellation of orders by customers during the shipbuilding process would expose the Group to the risk of having to sell those ships in unfavourable market conditions or, potentially, to 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. When acquiring orders, where deemed necessary, the group performs checks on the financial strength of its counterparties, including by obtaining information from major credit rating agencies. Suppliers are subject to qualification procedures, which include assessment of potential counterparty risks. As regards the financial aspect, the group offers suppliers the opportunity to use instruments that facilitate their access to credit. To address the difficult situation of the offshore market, the subsidiary Vard is working with customers and financial institutions to ensure the delivery of the ships in the current order portfolio and of those whose orders have been cancelled. 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.

A significant number of the group's shipbuilding contracts (in general, for merchant vessels such as cruise ships and offshore support vessels) require that clients pay only a part of the contract price during ship construction; the balance of the price is paid upon delivery. As a result, the group incurs significant upfront costs, assuming the risk of incurring such costs before receiving full payment of the price from its customers and thus having to finance the working capital absorbed by ships during construction. Should the group be unable to finance the working capital needs of ships during construction, it might not be able to complete contracts or secure new ones, with negative effects on its financial position, results and cash flow. Moreover, the cancellation or postponement of orders by customers in distress might have significant impacts on the group's financial structure, thus entailing the risk that banks might limit the Company's access to credit, denying it necessary forms of working capital financing such as construction loans. The Group 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.

The group's customers often rely on loans to finalise the placement of orders. Overseas customers may be eligible for export finance schemes structured in accordance with OECD rules. Under such schemes, overseas buyers of ships can obtain bank credit against receipt of a guarantee by a national export credit agency, which in the case of Italy is SACE S.p.A., while in Norway it is GIEK. The availability of export finance is therefore a key condition for allowing overseas customers to award contracts to the group, especially for cruise ship construction. The lack of available finance for the group's customers 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. Fincantieri supports overseas customers during the process of finalizing export finance and particularly in managing relations with the agencies and companies involved in structuring such finance (for example, SACE, SIMEST and the banks). Moreover, the loan structuring process is managed in parallel with the process of finalizing the commercial contract, the enforceability of which is often subject to the ship owner's receipt of the commitment by SACE and the banks to provide an export credit guarantee. The subsidiary Vard is also working actively with Norway's export credit agency GIEK, especially in a new sector for the Norwegian market such as the expedition cruise sector. To further protect the group, in the event of customer default on its contractual obligations, Fincantieri reserves the right to terminate the contract. In this case, the company may keep the payments received and the ship under construction. The customer may also be held liable for any costs advanced by the Group.

Risks linked to production outsourcing and relations with suppliers and local communities

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 company to address social, political and legality issues. A negative performance by suppliers in terms of quality, timing or costs would cause production costs to rise, and the 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 Company's ability to compete. The group has specific units in charge of coordinating the assembly of internal ship systems and managing specific areas of outsourced production. In addition, the Fincantieri group carefully selects its key suppliers, who must meet the highest standards of performance. The parent company has developed a precise program of supplier performance evaluation in this regard, ranging from measurement of the services rendered, both in terms of quality of service offered and timeliness of delivery, to the strict observation of safety regulations, in line with the group's "Towards Zero Accidents" plan. In addition, particular attention is paid in general to relations with the local communities that interact with the group's shipyards, through appropriate relations with the authorities and 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 new suppliers operating in the new sectors into which the group entered following its diversification strategy.

Risks related to knowledge management

The Fincantieri group has developed 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. The skills gap of the domestic labour market, the group's inability to acquire the necessary profiles and the failure to transfer specific knowledge within the group's human resources, particularly in the technical area, might have negative effects on product quality. The Human Resources Department constantly monitors the labour market and maintains frequent contacts with universities, vocational schools and training institutes. The group also makes a significant investment in training its staff, not only in technical-specialist and managerial- relational skills, but also regarding safety and quality. Lastly, specific training activities are planned to ensure that key and management positions are covered in the event of staff turnover. 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.

Risks related to the legislative framework

The Fincantieri group is subject to environmental protection and occupational health and safety laws and regulations, as well as to the tax laws applicable in the countries where it operates. 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. 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. The group actively encourages compliance with all regulations to which it is subject, and has adopted and updated preventive control tools to mitigate compliance risk. Accordingly, in order to prevent and manage the risk of occurrence of unlawful acts, the Parent Company has adopted an organizational, management and control model under Italian Legislative Decree no. 231 of 8 June 2001, which is also binding for suppliers and, in general, for third parties working with Fincantieri. In particular, the parent company has implemented the provisions of Italian Legislative Decree no. 81/2008 - "Implementation of Article 1 of Law 123 of 3 August 2007, concerning health and safety at work" ("Consolidated Law on Occupational Health and Safety"). Fincantieri has adopted suitable organizational models for preventing breach of these regulations, and ensures that such models are reviewed and updated on an ongoing basis. The commitment to pursuing and promoting environmental sustainability principles has been reaffirmed in the Parent Company's Environmental Policy document, which binds the company to maintain regulatory compliance and to monitor working activities so as to ensure effective observance of the rules and regulations. The subsidiary Vard is also committed to minimizing the impact of its activities on the environment, 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.

Working in the defence and security sector, the group is exposed to the risk that the current trend in this sector could lead in the near future to restrictions on the currently permitted exceptions to competition law, with consequent limitations on the direct award of business in order to ensure greater competition in this particular market. Possible limitations on the direct award of business could prevent the group from being awarded work through negotiated procedures, without the prior publication of a public tender notice. The Group is monitoring the possible evolution of national and 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

Group activity could be negatively impacted by:
- inadequate management of the group's sensitive data, due to ineffective protection measures, enabling unauthorized third parties to access and use confidential information;
- improper access to information, involving the risk of accidental or intentional data alterations or cancellations by unauthorized persons;
- an IT infrastructure (hardware, networks, software) whose security and reliability are not guaranteed, resulting in possible disruption of the computer system or network or in illegal attempts to gain unauthorized access or breaches of the company's data security system, including coordinated attacks by groups of hackers.

IT system failures, any data loss or corruption, also as a result of external attacks, IT solutions that do not meet business requirements or updates of some IT solutions not in line with user requirements may compromise the group's operations determining errors in the performance of transactions, inefficiencies and procedural delays or other activity outages, impacting on the company's ability to compete on the market.

The Group believes it has taken all necessary steps to minimize these risks, by drawing on best practice for its governance systems and continuously monitoring the management of its IT infrastructure and applications. Access methods and the ability to operate on the IT system are managed and maintained so as to guarantee correct segregation of roles and responsibilities. Separation of duties has been reinforced by adoption of a new access management procedure using special software, enabling prior identification and management of Segregation of Duties (SoD) risks arising from inappropriate allocation of access credentials.

Legal disputes

Foreign disputes

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.

As regards the "Serene" dispute, in July 2015 Fincantieri lodged its opposition with the Trieste Court of Appeal (against the ship-owner's request for recognition of the foreign arbitration awards in Italy) asking the Court to find the awards contrary to domestic and international public order and to revoke the awards themselves on grounds of procedural fraud. The Court issued its ruling on the case in late January 2017, unexpectedly rejecting the appeal by Fincantieri. An appeal against the rejection of that appeal was lodged with the Court of Cassation, in the attempt to reveal the various defects in the Court of Appeal decision. In any event, the company has accrued a specific provision for risks for this case.

The movable and immovable property execution proceedings undertaken in Italy by the company's opponent have been suspended in anticipation of the decision of the Court of Cassation.

At the same time, with reference to the verification action brought in early February 2015 before the Court of Venice (Industrial Property Division) seeking confirmation that the ship owner is not the owner of any intellectual property rights (erroneously recognized by the Arbitration Panel and placing a latent constraint on Fincantieri's freedom to do business), the case is in the decision-making phase on the pre-trial issues.

On 24 May 2017, the Court of Amsterdam recognised the English awards concerning the proceedings for execution of the arbitration awards in the Netherlands. However, it conditioned their execution on the claimant submitting a bond covering the compensation that would be owed to Fincantieri if it subsequently won. That bond has yet to be given. In the meantime, the claimant cannot proceed with compulsory execution on the shares held by Fincantieri in Fincantieri Holding BV, which have been subjected to seizure. Fincantieri filed its appeal against the decision by the Court of Amsterdam on 20 July 2017. A decision on that appeal is expected in the second quarter of 2018.

The "Papanikolaou" lawsuit was lodged with the Court of Patras in Greece by Mr Papanikolaou and his wife against the company, against Minoan Lines and others after the injury that the claimant suffered in 2007 while on board the Europa Palace, which was built by Fincantieri. The first hearing of the appeal before the supreme court proceedings on the alleged loss of income until 2012, initially scheduled for 15 November 2017, was postponed until 18 April 2018, while the first hearing in the lawsuit on the alleged loss of income from 2012 to 2052, initially scheduled for 8 December 2015, was postponed until 17 April 2018.

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 company is awaiting a decision on its motion for the exclusion of Fincantieri due to the lack of jurisdiction in Florida.

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 2017.

Italian legal disputes

Proceedings for collection of receivables from customers

With regard to the pending legal actions against customers that are insolvent, bankrupt or undergoing other insolvency procedures, with which disputes have arisen that could not be resolved commercially, it should be noted that the legal actions against Tirrenia and Siremar in Amministrazione Straordinaria are continuing. The company has obtained from the Court preliminary deduction of part of its claim towards Tirrenia, which was received in December 2017.

Moreover, the company's entire credit claim against Amministrazione Straordinaria di Micoperi S.p.A. has been sold.

The receivables claimed by the company have been appropriately written down in those cases where the likelihood of recovery is lower than the amount of those receivables.

Litigation with suppliers

These are disputes to oppose supplier and contractor claims deemed unfounded by the company (alleged contractual liability, alleged receivables for non-payable invoices or additional amounts not due), or to recover greater costs and/or damages suffered by the company due to default by suppliers or contractors. In some cases, it has been considered appropriate to bring suit for dismissal of those alleged claims. 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 recognized 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 2017.

Other litigation

Other litigation includes: i) claims against general government bodies for environmental expenses, including disputes with the City of Ancona and disputes with the Ministry of the Environment involving the shipyards in Muggiano and Castellammare; ii) appeals against claims by social security authorities, including litigation against INPS (the Italian Social Security Agency) for claims arising from the non-payment of contributions by contractors and subcontractors under the customer co-liability principle; iii) compensation for direct and indirect damages arising from the production process; 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 six criminal cases pursuant to Italian Legislative Decree no. 231 of 2001 before the Court of Gorizia.

Fintecna group

The Fintecna group risk management model was revised during 2017. This revision provided for greater focus on more in-depth controls in view of better identifying and, when necessary, reinforcing measures to protect against risks, *inter alia* through targeted second level controls.

Operational risks

The main operational risks faced by Fintecna are related to its institutional activities in the management of equity investments, including monitoring the liquidation processes of subsidiaries under its management and coordination. The reorganisation of the group completed in 2017 has envisaged, *inter alia*, the gradual implementation of servicing agreements between the parent company Fintecna and its subsidiaries for the performance of operational activities. Organisational, procedural and compliance monitoring has been called for to mitigate the related risks.

Fintecna is also exposed to the risks deriving from the management of current litigation, largely concerning the many corporate entities which have already been liquidated or merged over the years.

In light of the complexity and considerable future uncertainty of these situations, the directors – acting on the best available information and a prudent assessment of the circumstances – periodically update their evaluations of the adequacy of the provisions for liabilities and charges made in the financial statements. Those provisions are considered adequate and capable of covering the likely costs to be incurred by the company.

Financial risks

Relevant financial risks include:

Liquidity risk

According to management assessments, financial resources are sufficient to meet the cash requirements linked to the large volume of litigation mentioned earlier and to environmental remediation activities. Indeed, cash and cash equivalents represent the ideal asset to offset the "provisions for risks and charges" on the liability side of its balance sheet.

Accordingly, as part of their assessments of the provisions for liabilities and charges, the directors also continually update their assessments on the use of these provisions, including by means of forecasts, and take them into account when setting their liquidity management policies.

Finally, it is noted that almost all group cash and cash equivalents are currently deposited with the Parent company CDP. The parties have made Irregular Deposit Agreements, which define the terms and conditions for those deposits. Fintecna's remaining cash and cash equivalents are deposited on a short-term basis with banks meeting the requirements set out in the Guidelines for Treasury Operations issued by the Parent company CDP and adopted by Fintecna.

Credit and counterparty risk

Credit risk refers to outstanding trade receivables. These receivables mainly comprise positions dating back years, are often subject to litigation, and have been almost entirely written down.

This risk also includes a bank counterparty risk, connected with the investment of residual short-term liquidity, following the completion in 2017 of the transfer of nearly all cash and cash equivalents to the Parent company CDP.

Other financial risks

The other financial risks include those linked to the majority stake in Fincantieri, over which Fintecna does not exercise any management and control activity. The Fincantieri stock price rose during 2017.

The Fintecna group pays special attention to legal compliance risk, *inter alia* in light of any reputational risk which might arise in sensitive areas such as 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.

To protect itself against legal compliance risk, Fintecna has adopted a model to identify the applicable laws and regulations and assesses the risk of violating them, and specific second-level controls to prevent the potential reputational risks deriving from relationships with third parties.

In 2017, Fintecna extended the model to the subsidiaries under its management and control, so as to mitigate the spread of any harm.

Legal disputes

The year 2017 saw continuing monitoring and optimisation of the legal strategies of the lawyers handling the disputes involving Fintecna for various reasons — in consequence of its numerous business transactions. This included specific targeted assessment of the key threats posed by individual disputes so that the company could best defend itself.

In regard to labour law disputes, the number of lawsuits filed against the company for compensation of the physical harm resulting from pathologies appearing after a long latency period and allegedly attributed to the presence of harmful materials in the industrial plants formerly owned by companies now related to Fintecna has decreased significantly from previous years.

The company continued to pursue its primary objective to streamline the litigation case load and limit its negative financial consequences as much as possible by reaching settlements in those cases where adequate financial and legal grounds existed.

The number of pending civil/administrative/tax disputes has fallen slightly after being settled at the end of the related court proceedings. However, more generally, it is objectively difficult to reach an out-of-court settlement of the pending lawsuits due to the significant differences in assessment existing between the opponents.

The following table provides key figures on the results achieved:

(no. of disputes; %)	31/12/2017	31/12/2016	Change (+/-)	Change %
Civil/administrative/tax disputes	114	122	(8)	-6.6%
Employment disputes	492	688	(196)	-28.5%
Total	**606**	**810**	**(204)**	**-25.2%**

SIMEST

With regard to the main risks and uncertainties to which the company is exposed in its investment activity, SIMEST has put in place specific monitoring for managing credit risk, market risk and liquidity risk.

Although SIMEST is not subject to prudent regulatory requirements, it adheres to current banking regulations or the classification scheme adopted by the Basel Committee to identify the risks it needs to manage. This classification, which divides risks in three categories called pillars, is included in the Risk Rules adopted by SIMEST.

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; %)	31/12/2017		31/12/2016	
Direct commitments of Italian partners	436	85%	410	83%
Commitments secured by banks and insurance companies	48	9%	58	12%
Commitments secured by collateral	31	6%	28	5%
Total	**515**		**496**	

Price risk and foreign exchange risk

Price risk and foreign exchange risk are mitigated by contractual clauses which as a rule guarantee that SIMEST will recoup its investment at the historic price paid in Euro for acquisition of the equity investment.

Liquidity risk and interest rate risk

Liquidity risk and interest rate risk are monitored constantly through analysis of expected cash flows, especially for equity investments. Furthermore, to reduce exposure to such risks, in 2017 review of the composition of financial debt continued, to align the time composition of their equity investment portfolio with the raising of the related finance through the taking out of new medium and long-term loans and the renegotiation of existing credit lines.

Legal disputes

In regard to labour law disputes, two lawsuits are pending in court at 31 December 2017. The total amount of the claims is about 280,000 euro. The third case concerns an employee's appeal against dismissal.

As regards tax litigation, the court proceedings, now in the appeal stage for the annulment of a tax assessment concerning registration tax, relating to the transfer by Mediocredito Centrale to SIMEST of its Subsidised Fund business line, a ruling in SIMEST's favour is expected, in line with the decision already taken for its joint obligor Mediocredito Centrale.

CDP Immobiliare group

The risk management service is provided to this group by its Parent Company CDP in outsourcing mode.

The description of risks to which the company and its subsidiaries are exposed and the relevant monitoring and minimisation activities are provided below.

Financial risks

Market risks

Risks relating to property values

The risk relating to property values is linked to fluctuations in the market value of the properties in the portfolio, reflecting the problems experienced by the sector, which have deepened in recent years. The CDP Immobiliare group's policy is aimed at minimising the effects of such risk, operationally, by managing the development of real estate complexes in the most critical market conditions through the selection of the best development options, taking account of the state of urbanisation and construction and of the market absorption rate; administratively, by constantly monitoring the value of property assets in the portfolio through the independent valuation of properties by third-party industry experts, whose appraisals are recognised in the Financial Statements.

In order to monitor operational risks, for valuation of the portfolio as at 31 December 2017 by the independent experts, the absence of calculation errors in the valuation models used was verified, together with the consistency of the valuation criteria applied by the independent experts, both with each other and over time.

Interest rate risk

Exposure to interest rate risk is mainly linked to the medium and long-term financial liabilities of some subsidiaries, relating to mortgages and floating-rate loans taken out for business development needs, whose remuneration is influenced by money market trends.

The policy for managing such risks for group companies is focused on reducing the possible impacts of changes in the reference interest rates on financial performance.

Exchange rate risk

The group operates only in Italy; therefore, it is not exposed to exchange rate risk.

Liquidity risk

The CDP Immobiliare group made no investments for the management of its liquidity, since such liquidity is of limited amount and is intended to fund short-term needs. A diversification policy for bank deposits was also adopted, with a preference for solutions offering the best guarantees, in light of the current conditions of the Italian banking market. Therefore, there is no risk linked to the recovery of capital invested in investment instruments or cash deposits.

On the other hand, the liquidity risk linked to the ability to meet commitments arising from financial liabilities is particularly significant within the group on account of its activities and the issues described in the section on market risk.

For joint control companies, liquidity risk is heightened by the critical issues detected in recent years in the structure of many of the partnerships' shareholders, which have experienced difficulties in meeting the companies' financial requirements, and in some cases have expressed the intention of decommitting resources from property investments.

The short and medium-term financial requirements of CDP Immobiliare have been brought to the attention of the Parent company CDP, which has confirmed its intention to make available to CDP Immobiliare, from time to time, after verifying the activities to which those requirements relate, the resources necessary to meet the Company's needs in 2018, within the previously approved ceiling.

Credit risk

Credit risk is linked to a counterparty's ability to fulfil the obligations entered into with the CDP Immobiliare group.

In view of its operational business management methods, credit risk consists essentially in the risks linked to its trade receivables from the partnerships.

For new transactions, an analysis of the counterparty's financial capacity is performed.

Operational risks

A Risk Assessment activity has been conducted on corporate processes, to identify and assess operational risks and the related control functions. Subsequently, the mitigation actions for the key risks have been designed. The analysis is currently being examined by the company's management.

Legal disputes

The 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 Patrimonio dello Stato S.p.A.

The disputes mainly concern management of the real estate assets of CDP Immobiliare and its subsidiaries. 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 liability, credit recovery actions for outstanding payments, etc.

The year ended 31 December 2017 witnessed a reduction in the number of disputes, mostly relating to the management of real estate assets (repossession of buildings occupied without authorisation, purchase and sale agreements, debt recovery, environment, etc.).

The situation of pending civil and administrative disputes involving CDP Immobiliare and its subsidiaries as at 31 December 2017 is summarised in the following table:

(number of disputes; %)	31/12/2017	31/12/2016	Change (+/-)	Change %
CDP Immobiliare S.r.l.	60	67	(7)	-10.4%
Investee companies	20	23	(3)	-13.0%
Total	80	**90**	**(10)**	**-11.1%**

In addition to the disputes listed above, CDP Immobiliare is involved in 8 tax disputes handled by the company's Administration, Budget and Tax Unit with the assistance of an external tax law firm. Of these, 5 relate to national taxes (specifically, registration tax, mortgage tax and cadastral tax) and 3 to local authority claims for municipal property taxes.

Part F - Consolidated capital

Section 1 - Consolidated capital

Qualitative disclosures

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

Accordingly, in agreement with the Supervisory Authority, the CDP Group did not calculate regulatory capital or the related supervisory capital requirements in 2017.

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)
Issel Nord S.r.l.	13/06/2017	9,000	100%	5,395	635
Infrastrutture Trasporto Gas S.p.A.	13/10/2017	106,219	100%	19,232	5,907
Bonafous S.p.A. in liquidazione	09/11/2017	984	100%		(1,563)
Cinque Cerchi S.p.A. in liquidazione	04/12/2017	47,574	100%	4	(4,010)
Enerco Distribuzione S.p.A.	06/12/2017	35,918	100%	251	(56)

Key
(1) = Cost of transaction.
(2) = Percentage of voting rights in the Ordinary Shareholder's Meeting.
(3) = Total Group revenues.
(4) = Group net Profit (Loss).

Acquisition of Issel Nord S.r.l.

On 13 June 2017, the subsidiary Fincantieri, via Delfi S.r.l., acquired an 83.5% interest in Issel Nord S.r.l., a company specialised in engineering and IT technologies applied in the defence sector. The agreement also provides for a call option to acquire the remaining interest of 16.5%, which Fincantieri can exercise within two years of the acquisition at a pre-agreed price.

The following table shows the consideration paid for the acquisition of the company, and gives breakdown of the assets acquired and liabilities assumed at the date of the transaction:

(thousands of euro)	Book value	Adjustment	Fair value
Assets			
10. Cash and cash equivalents	2		2
50. Financial assets held to maturity	3		3
60. Loans to banks	2,085		2,085
110. Property, plant and equipment	3,378		3,378
120. Intangible assets	21	3,328	3,349
130. Tax assets	221		221
150. Other assets	6,116		6,116
Total acquired assets	**11,826**	**3,328**	**15,154**
Liabilities			
10. Due to banks	482		482
80. Tax liabilities	157	917	1,074
100. Other liabilities	2,328		2,328
110. Staff severance pay	2,270		2,270
Total liabilities assumed	**5,237**	**917**	**6,154**
Net acquired assets	**6,589**	**2,411**	**9,000**
Cost of business combination	**6,589**	**2,411**	**9,000**

The purchase price allocation process resulted in the recognition of about 3.3 million euro in amortisable intangible assets and deferred tax liabilities of about 1 million euro. The acquisition price of 9 million euro was in part paid at the acquisition date (7.5 million euro) and in part deferred via the aforesaid call option to be exercised in accordance with the terms and conditions of the agreement (1.5 million euro).

Acquisition of Infrastrutture Trasporto Gas S.p.A.

After satisfaction of the conditions precedent for completion of the transaction, SNAM S.p.A. completed the acquisition from Edison of 100% of the share capital of Infrastrutture Trasporto Gas S.p.A. (ITG) on 13 October 2017, in exchange for consideration, net of the price adjustment, totalling 172 million euro, of which 106 million euro as contractual consideration and 66 million euro as repayment of the outstanding inter-company loan between ITG and Edison.

The details of the assets acquired and the liabilities assumed at the transaction date in exchange for the consideration paid are shown as follows:

(thousands of euro)	Book value	Adjustment	Fair value
Assets			
10. Cash and cash equivalents	5,382		5,382
70. Loans to customers	4,628		4,628
110. Property, plant and equipment	106,118	45,071	151,189
120. Intangible assets	588		588
130. Tax assets	2,450		2,450
150. Other assets	727		727
Total acquired assets	**119,893**	**45,071**	**164,964**
Liabilities			
20. Due to customers	65,581		65,581
80. Tax liabilities	176	12,570	12,746
100. Other liabilities	6,222		6,222
110. Staff severance pay	384		384
120. Provisions	469		469
Total liabilities assumed	**72,832**	**12,570**	**85,402**
Net acquired assets	**47,061**	**32,501**	**79,562**
Goodwill		26,657	26,657
Cost of business combination	**47,061**	**59,158**	**106,219**

ITG is the third largest Italian natural gas transport company, operating the gas pipeline between Cavarzere (Veneto) and Minerbio (Emilia Romagna). This investment allows SNAM to reinforce its infrastructure in Italy and to exploit additional opportunities for efficiency improvements in the integrated management of the entire gas system, by connecting a strategic entry point for the Italian natural gas market with the national transport network. This acquisition was completed through the special purpose vehicle Asset Company 2 S.r.l., whose share capital has been wholly subscribed and paid in by the sole shareholder, SNAM S.p.A.

As this involves regulated activities in the natural gas transport sector, the RAB value, including the current value of the rate incentives granted on specific kinds of previously made investments, has been taken as the reference value for determining the fair value of the assets, comprised mainly of the Cavarzere - Minerbio gas pipeline.

Starting from the acquisition date, the contribution by ITG to the consolidated net profit of SNAM amounts to about 2 million euro. If the business combination had been effective from 1 January 2017, ITG would have made a 7 million euro contribution to net profit.

Acquistion of Bonafous S.p.A. in liquidazione

On 9 November 2017, CDP Immobiliare acquired 100% of the equity investment in Bonafous S.p.A., which was previously 50% owned and placed in voluntary liquidation in July.

The acquisition occurred after negotiations with the banks and unrelated shareholder, and the execution of a framework agreement with the lending institutions to fully relieve the company of its debts.

The following table shows the consideration paid for the acquisition of the company, and gives breakdown of the assets acquired and liabilities assumed at the date of the transaction:

(thousands of euro)	Book value	Adjustment	Fair value
Assets			
60. Loans to banks	11		11
150. Other assets	4,942	1,600	6,542
Total acquired assets	**4,953**	**1,600**	**6,553**
Liabilities			
10. Due to banks	12,640	(7,640)	5,000
20. Due to customers	1,782	(1,782)	
100. Other liabilities	2,319	(1,750)	569
120. Provisions	2,635	(2,635)	
Total liabilities assumed	**19,376**	**(13,807)**	**5,569**
Net acquired assets	**(14,423)**	**15,407**	**984**
Cost of business combination	**(14,423)**	**15,407**	**984**

On 19 February 2018, the company Shareholders' Meeting gave its final approval to the business and financial plan. The bank debt restructuring agreement was signed between Bonafous and the banks on 5 March 2018, in performance of the agreements made with CDP Immobiliare, at the same time the aforementioned plan was certified. The application for endorsement of the debt restructuring agreement (comprised essentially of the debts owed to the banks and the sole shareholder, since no specific agreements with other creditors are envisaged) pursuant to Article 182-*bis* of the Italian Bankruptcy Law was submitted to the Court of Rome – Bankruptcy Division on March 2018. Once the Court grants its endorsement (expected by July 2018), equity contributions will be made to settle the credit claims of the banks and other suppliers, in accordance with the restructuring plan and the executed agreements.

Acquisition of Cinque Cerchi S.p.A. in liquidazione

On 4 December 2017, CDP Immobiliare acquired 100% of the equity investment in Cinque Cerchi S.p.A., which was previously 50% owned and placed in voluntary liquidation in July. After certification and publication of the restructuring plan pursuant to Art. 67 of the Italian Bankruptcy Law (which are expected to occur in the first half of 2018), the financial restructuring of the company will be completed, with it coming out of the liquidation phase.

The following table shows the consideration paid for the acquisition of the company, and gives breakdown of the assets acquired and liabilities assumed at the date of the transaction:

(thousands of euro)	Book value	Adjustment	Fair value
Assets			
60. Loans to banks	314		314
110. Property, plant and equipment	13		13
130. Tax assets	17		17
150. Other assets	46,005	2,577	48,582
Total acquired assets	**46,349**	**2,577**	**48,926**
Liabilities			
20. Due to customers	78,211	(78,211)	
100. Other liabilities	2,861	(1,736)	1,125
120. Provisions	913	(913)	
Total liabilities assumed	**81,985**	**(80,860)**	**1,125**
Net acquired assets	**(35,636)**	**83,437**	**47,801**
Badwill		227	227
Cost of business combination	**(35,636)**	**83,210**	**47,574**

Acquisition of Enerco Distribuzione S.p.A.

Italgas completed its acquisition of 100% of Enerco Distribuzione on 6 December 2017. The final value of the equity investment was 35.9 million euro, corresponding to an enterprise value of 50.3 million euro.

(thousands of euro)	Book value	Adjustment	Fair value
Assets			
10. Cash and cash equivalents	1,092		1,092
110. Property, plant and equipment	53		53
120. Intangible assets	59,990		59,990
130. Tax assets	132		132
150. Other assets	2,990		2,990
Total acquired assets	**64,257**		**64,257**
Liabilities			
10. Due to banks	11,665		11,665
80. Tax liabilities	9,152		9,152
100. Other liabilities	5,339		5,339
110. Staff severance pay	244		244
120. Provisions	1,939		1,939
Total liabilities assumed	**28,339**		**28,339**
Net acquired assets	**35,918**		**35,918**
Cost of business combination	**35,918**		**35,918**

Enerco Distribuzione, holder of 27 concessions in the provinces of Padua and Vicenza, operates a network of over 800 kilometres of pipeline and serves about 30 thousand customers.

This transaction allows Italgas to reinforce its presence in a part of northeast Italy which is considered to be of great importance to development of the Group and to implement possible synergies with the concessions already managed in the Region.

Section 2 - Business combinations completed after the end of the year

The following business combinations were completed after the end of 2017:
- on 15 February 2018, the subsidiary Terna signed the closing for acquisition of 70% of a NewCo, pursuant to the agreement signed on 10 October 2017, through its subsidiary Terna Plus, to which the principal assets of Avvenia, a leader in the energy efficiency sector and certified Energy Service Company (ESCo), have been transferred;
- on 23 February 2018, the subsidiary SNAM signed an agreement for the acquisition of a controlling interest, equal to 82% of the share capital, in TEP Energy Solution (TEP), one of the main Italian companies active in the energy efficiency sector, certified as an Energy Service Company (ESCo). The agreement was reached on the basis of the enterprise value of 100% of TEP, amounting to 21 million euro. A price adjustment based on the results for the next three years and put and call options exercisable by 2020 are envisaged. This venture is part of the strategic plans of the company to reduce its reliance on fossil fuels and improve the use of energy in the territories where it operates. The transaction is scheduled for closing by September 2018, and is conditioned on the Italian Antitrust Authority (Autorità Garante della Concorrenza e del Mercato – AGCM) issuing its own authorisations;
- in implementation of the binding agreement signed on 8 November 2017, on 28 February 2018 Italgas acquired from CPL Concordia and Impresa Costruzioni Ing. Raffello Pellegrini S.r.l. 100% of the company Ichnusa Gas, a holding company which controls 12 companies that in turn hold 12 concessions for the construction and operation of gas distribution networks in 81 municipalities in Sardinia. The entire enterprise value of Ichnusa Gas has been appraised at 26.2 million euro. At the acquisition date, two of the twelve concessions were operating on a provisional basis with the first customers provided with LPG, while the remaining ten refer to networks either under construction or to be realised, for a total expected investment of over 170 million euro, partly financed with regional public contributions;
- Italgas completed, on 13 March 2018, the acquisition of the entire company capital of Seaside S.r.l., one of the major Italian Energy Service Companies (ESCo), with a cutting edge offer in digital services, thanks to its expertise in the Big Data, Business Intelligence and Machine Learning sectors. Seaside is certified UNI CEI 11352, is based in Bologna and has a portfolio of over 400 clients in Italy, operating in various sectors: from large industries to SMEs from the services sector to the Public Administration. The overall asset measurement of Seaside (enterprise value) was determined to be €8.5 million.

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 2017 to members of the management and control bodies and Key management personnel of the Parent Company and the wholly-owned subsidiaries.

Directors' and Statutory Auditors' remuneration

(thousands of euro)	Directors	Statutory Auditors	Other key managers
a) Short-term benefits	12,439	2,280	20,905
b) Post-employment benefits	183		1,827
c) Other long-term benefits	692		822
d) Severance benefits			1
e) Share-based payments	1,120		838
Total	**14,434**	**2,280**	**24,393**

2. Information on transactions with related parties

Certain transactions between the CDP Group and related parties, notably those with the Ministry of the Economy and Finance and Poste Italiane S.p.A., arise as a result of legislative provisions.

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 2017 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;
- post-employment benefit plans for employees of the CDP Group.

(thousands of euro) Items/Related parties	Ministry of Economy and Finance	Associates and joint operations of the CDP Group	Direct and indirect MEF subsidiaries and associates	Others	Total transactions with related parties
Assets					
Financial assets designated at fair value		172,216			172,216
Financial assets available for sale	8,479,468		147,601		8,627,069
Financial assets held to maturity	29,236,673				29,236,673
Loans to banks			3,369,924		3,369,924
Loans to customers	190,210,184	1,398,649	2,814,008		194,422,841
Other assets	573,544	532,812	599,309	64	1,705,729
Liabilities					
Due to customers	23,952,942	26,173	2,542	4,690	23,986,347
Other liabilities	58,322	533,980	77,222	2,105	671,629
Off-balance sheet	2,006,721	494,122	1,638,751		4,139,594
Income statement					
Interest income and similar income	5,219,548	17,487	104,579		5,341,614
Interest expense and similar expense	(15,468)	(296)	1,296		(14,468)
Commission income	5,014	2,139	2,458		9,611
Commission expense	(78)	(1,574,349)	(580)		(1,575,007)
Profits (losses) on trading activities		(122)			(122)
Gains (losses) on disposal or repurchase	(2,075)	2,139	656		720
Administrative expenses		(2,611)	(6,917)	(11)	(9,539)
Other operating income (costs)	50,910	1,982,181	1,946,871	(6,222)	3,973,740

Part I - Share-based payments

Fincantieri incentive plans

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 project had been approved by the investee's 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 both the first and second cycles of the Plan are Total Shareholder Return ("TSR") and EBITDA, which provide objective criteria for measuring value creation by the Company over the long term. The performance targets for the third cycle of the Plan will be identified upon assignment of the related rights by the Board of Directors.

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 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. shares were assigned to the beneficiaries identified by the Board of Directors on 15 December 2016. Then, 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. The performance targets consist of two components:

- a "market based" component (equal to 30% of the total rights assigned) linked to Fincantieri's performance in terms of the TSR associated with the FTSE Italy All Share Index and the Peer group identified by the Company;
- a "non-market based" component (equal to 70% of the total rights assigned) linked to the achievement of Group EBITDA targets measured against pre-established targets.

The total fair value of the first cycle of the Plan, as determined at the Shareholders' Meeting approval date of the Plan (grant date of the first cycle), was 6,866,205 euro, while the fair value of the second cycle of the Plan, as calculated at the assignment date on 25 July 2017 (grant date of the second cycle), was 3,672,432 euro.

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 31 December 2017 it has been assumed that the targets will be met.

The Shareholders' Meeting of the investee held on 19 May 2017 authorised the Board of Directors to acquire treasury shares to service the Plan for a period of 18 months after the Shareholders' Meeting date. At 31 December 2017, 4,706,890 treasury shares worth 5,227 thousand euro had been purchased by Fincantieri.

SNAM incentive plans

To set up an incentive and loyalty system for its senior managers, the subsidiary SNAM established a long-term share-based incentive plan in 2017 for the Chief Executive Officer and a maximum of 20 senior managers who hold offices that have the greatest impact on value creation or are strategically important in terms of achieving SNAM's multi-year objectives.

This long-term share-based incentive plan for the period 2017-2019, which was approved by the Shareholders' Meeting on 11 April 2017, provides for three cycles of annual assignment of three-year targets ("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.

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. Entitlement to the shares 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.

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 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.

In 2017, 1,368,397 had been promised, while the unit fair value was determined in light of the specific characteristics of the Plan and on the basis of the market price of the SNAM stock on 1 July 2017 (grant date), and was set at 3.8548 euro per share. The costs for the period 1 July - 31 December 2017, equal to the product of the number of shares that are expected to accrue on maturity and their fair value at the grant date, have been recognised under "labour costs" with a balancing entry in the form of a corresponding reserve in equity, totalling 1 million euro.

Part L - Consolidated information on operating segments

Information on 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 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 not subject to management and coordination, except for those included in the previous sector and without their equity investments, which are reported instead under the heading "Companies not subject to management and coordination". The segment therefore includes CDP RETI, Fintecna, CDP Equity, FSI Investimenti, CDP Investimenti SGR, the funds FIV Plus, FIV Extra, FIT, FT1 and FIA2 and CDP Immobiliare[49];
- Companies not subject to management and coordination: represented by the financial data of the companies consolidated line by line (SNAM, Terna, Italgas and Fincantieri) and by the financial data from consolidation with the equity method of ENI, Poste Italiane, SAIPEM, Ansaldo Energia, FSIA, Open Fiber, Kedrion, IQ Made in Italy, Valvitalia, Trevi Finanziaria Industriale, Rocco Forte Hotels, BF 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, whose year-end profit before tax amounts to 1.7 billion euro, is represented by the Parent Company and the companies under its management and coordination.

This aggregate figure is impacted significantly by the weight of the financial data of the "Support for the economy" segment in terms of Net interest income, Net fee and commission income and Net impairment losses, the latter concerning loans and receivables and Fondo Atlante. In the other sectors, major elements are the impairment losses recognised by FIV Extra as part of the review of its property portfolio.

The sector "Companies not subject to management and coordination" reports a profit before tax of 3.9 billion euro. Gross income includes the reduction in net interest income in relation to the charges on current debt and gains from use of the equity method to measure investee companies, which saw a marked improvement on the previous financial year. This item comprises the positive results of ENI, Poste Italiane and income from the equity investment in SNAM, while the contribution from SAIPEM was negative.

The year-end pre-tax result benefits from the positive contribution from FSIA, due to the partial sale of the investment and resulting restatement at fair value of the remaining investment, and a high contribution from the core earnings of the industrial companies recorded under Other net operating income, which offset administrative expenses of 6.5 billion euro and the amortisation/depreciation charges for the year of 1.9 billion euro linked to technical investments and to the effects of purchase price allocations on those assets.

Balance sheet figures too show the significant weight of the "Support for the economy" sector, in particular under property, plant and equipment and in funding from companies not subject to management and coordination.

The reclassified income statement figures and the main reclassified balance sheet figures for 2017 and their comparison with prior year figures 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".

49 The segment includes the equity investments of CDP Immobiliare and Fintecna (except for Fincantieri), since they are representative of the company's business.

RECLASSIFIED CONSOLIDATED BALANCE SHEET - 2017

(thousands of euro)	Support for the economy	Companies subject to management and coordination		Total	Companies not subject to management and coordination	Total
		International expansion	Other segments			
Loans and cash and cash equivalents	278,453,442	2,916,717	1,630,550	283,000,709	4,001,145	287,001,854
Debt and equity securities and units in collective investment undertakings	53,167,873	2,281,757	185,452	55,635,082	46,666	55,681,748
Equity investments		8,010	78,771	86,781	19,682,985	19,769,766
Property, plant and equipment/technical investments	305,538	99,183	21,102	425,823	35,388,172	35,813,995
Other assets (including Inventories)	117,489	152,916	1,487,481	1,757,886	8,018,123	9,776,009
Funding	334,403,210	1,406,837	1,253,937	337,063,984	26,959,310	364,023,294
- *of which: bonds*	*17,774,419*	*531,545*	*416,283*	*18,722,247*	*19,034,508*	*37,756,755*

RECLASSIFIED CONSOLIDATED BALANCE SHEET - 2016

(thousands of euro)	Support for the economy	Companies subject to management and coordination		Total	Companies not subject to management and coordination	Total (*)
		International expansion	Other segments			
Loans and cash and cash equivalents	269,920,250	3,953,964	2,161,417	276,035,631	1,796,773	277,832,404
Debt and equity securities and units in collective investment undertakings	52,003,801	2,930,988	205,097	55,139,886	3,667	55,143,553
Equity investments		7,954	81,492	89,446	20,917,000	21,006,446
Property, plant and equipment/technical investments	272,567	100,712	29,579	402,858	34,755,799	35,158,657
Other assets (including Inventories)	121,794	135,344	1,604,691	1,861,829	7,439,147	9,300,976
Funding	328,091,969	1,636,938	1,188,148	330,917,055	25,072,471	355,989,526
- *of which: bonds*	*11,937,841*	*531,533*	*416,126*	*12,885,500*	*15,222,267*	*28,107,767*

(*) Restated.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT - 2017

(thousands of euro)	Support for the economy	Companies subject to management and coordination		Total (*)	Companies not subject to management and coordination	Total
		International expansion	Other segments			
Net interest income	**3,003,024**	**122,661**	**(5,373)**	**3,120,312**	**(359,621)**	**2,760,691**
Dividends	1,354,721	6,534	641,068	4,831	53	4,884
Gains (losses) on equity investments		56	(11,465)	(11,409)	1,065,167	1,053,758
Net commission income (expense)	(1,455,363)	27,760	5,610	(1,421,993)	(46,448)	(1,468,441)
Other net revenues (costs)	21,699	(225,050)	(19,191)	(222,542)	(54,055)	(276,597)
Gross income	**2,924,081**	**(68,039)**	**610,649**	**1,469,199**	**605,096**	**2,074,295**
Profit (loss) on insurance business		864,779		864,779		864,779
Profit (loss) on banking and insurance operations	**2,924,081**	**796,740**	**610,649**	**2,333,978**	**605,096**	**2,939,074**
Net recoveries (impairment)	(109,347)	(25,640)	(5,612)	(140,599)	(712)	(141,311)
Administrative expenses	(147,177)	(131,542)	(88,316)	(367,035)	(6,475,139)	(6,842,174)
Other net operating income (costs)	24,655	(21,815)	(115,443)	(112,603)	11,234,150	11,121,547
Operating income	**2,692,212**	**617,743**	**401,278**	**1,713,741**	**5,363,395**	**7,077,136**
Net provisions for risks and charges	83	7,989	33,711	41,783	(116,100)	(74,317)
Net adjustment to property, plant and equipment and intangible assets	(6,902)	(5,077)	(424)	(12,403)	(1,924,336)	(1,936,739)
Writedown of goodwill						
Other	(396)		1,078	682	591,670	592,352
Income (loss) for the year before tax	**2,684,997**	**620,655**	**435,643**	**1,743,803**	**3,914,629**	**5,658,432**
Income taxes						(1,196,774)
Net income for the year						**4,461,658**

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

RECLASSIFIED CONSOLIDATED INCOME STATEMENT - 2016

(thousands of euro)	Support for the economy	Companies subject to management and coordination		Total (*)	Companies not subject to management and coordination	Total (**)
		International expansion	Other segments			
Net interest income	**2,419,657**	**134,981**	**(15,502)**	**2,539,136**	**(432,730)**	**2,106,406**
Dividends	1,570,769	128	420,443	4,579	27	4,606
Gains (losses) on equity investments			(5,506)	(5,506)	(554,431)	(559,937)
Net commission income (expense)	(1,474,218)	36,873	8,387	(1,428,958)	(34,246)	(1,463,204)
Other net revenues (costs)	38,903	304,718	875	344,496	(319,279)	25,217
Gross income	**2,555,111**	**476,700**	**408,697**	**1,453,747**	**(1,340,659)**	**113,088**
Profit (loss) on insurance business		331,912		331,912		331,912
Profit (loss) on banking and insurance operations	**2,555,111**	**808,612**	**408,697**	**1,785,659**	**(1,340,659)**	**445,000**
Net recoveries (impairment)	(457,112)	(13,944)	(4,386)	(475,442)	(3,135)	(478,577)
Administrative expenses	(137,066)	(129,453)	(89,009)	(355,528)	(5,832,966)	(6,188,494)
Other net operating income (costs)	(4,571)	9,380	(157,816)	(153,007)	10,332,385	10,179,378
Operating income	**1,956,362**	**674,595**	**157,486**	**801,682**	**3,155,625**	**3,957,307**
Net Provisions for risks and charges	(1,158)	65,250	(43,680)	20,412	(129,005)	(108,593)
Net adjustment to property, plant and equipment and intangible assets	(7,023)	(6,366)	(2,184)	(15,573)	(1,841,336)	(1,856,909)
Writedown of goodwill					(635)	(635)
Other	(4)		100	96	104	200
Income (loss) for the year before tax	**1,948,177**	**733,479**	**111,722**	**806,617**	**1,184,753**	**1,991,370**
Income taxes						(766,222)
Net income for the year						**1,225,148**

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

Annexes

1. Annexes to the consolidated financial statements

1.1 Scope of consolidation

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				
ACAM GAS S.p.A.	La Spezia	Italgas Reti S.p.A.	100.00%	Line-by-line
Accialtalia S.p.A. in liquidazione (*)	Milan	CDP S.p.A.	27.50%	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.	4.95%	Equity
Alfiere S.p.A	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Ansaldo Energia	Genoa	CDP Equity S.p.A.	59.94%	Equity
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	Wien	SNAM S.p.A.	40.00%	Equity
ASSET COMPANY 2 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	Line-by-line
B.F. S.p.A.	Milan	CDP Equity S.p.A.	19.98%	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
Brevik Technology AS	Brevik	Vard Group AS	34.00%	Equity
Bridge Eiendom AS	Brevik	Vard Group AS	50.00%	Equity
Cagliari 89 Scarl in liquidazione	Monastir (CA)	Fintecna S.p.A.	51.00%	Unconsolidated subsidiary
Camper and Nicholsons International S.A.	Luxembourg	Fincantieri S.p.A.	49.96%	Equity
Castor Drilling Solution AS	Kristiansand	Seaonics AS	34.13%	Equity
CDP Equity S.p.A.	Milan	CDP S.p.A.	97.13%	Line-by-line
	Milan	Fintecna S.p.A.	2.87%	Line-by-line
CDP Immobiliare S.r.l.	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
Centro per gli Studi di Tecnica Navale - CETENA S.p.A.	Genoa	Fincantieri S.p.A.	71.10%	Line-by-line
	Genoa	Seaf S.p.A.	15.00%	Line-by-line
CESI S.p.A.	Milan	Terna S.p.A.	42.70%	Equity
CGES A.D.	Podgorica	Terna S.p.A.	22.09%	Equity
Cinecittà Luce S.p.A. in liquidazione	Rome	Ligestra Quattro S.r.l.	100.00%	Unconsolidated subsidiary
Cinque Cerchi S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	100.00%	Line-by-line
Consorzio Aerest in liquidazione	Rome	Fintecna S.p.A.	97.38%	Unconsolidated subsidiary
Consorzio Codelsa in liquidazione	Rome	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary
Consorzio Condif in liquidazione	Rome	CDP Immobiliare S.r.l.	33.33%	At cost
Consorzio Edinca in liquidazione	Naples	Fintecna S.p.A.	47.32%	Unconsolidated associate
Consorzio Edinsud in liquidazione	Naples	Fintecna S.p.A.	58.82%	Unconsolidated subsidiary
Consorzio G1 in liquidazione	Rome	CDP Immobiliare S.r.l.	99.90%	At cost
Consorzio IMAFID in liquidazione	Naples	Fintecna S.p.A.	56.85%	Unconsolidated subsidiary
Consorzio INCOMIR in liquidazione	Mercogliano (AV)	Fintecna S.p.A.	45.46%	Unconsolidated associate
Consorzio Italtecnasud in liquidazione	Rome	Fintecna S.p.A.	75.00%	Unconsolidated subsidiary
Consorzio MED.IN. in liquidazione	Rome	Fintecna S.p.A.	85.00%	Unconsolidated subsidiary
CORESO S.A.	Brussells	Terna S.p.A.	15.84%	Equity
CSS Design Limited	British Virgin Islands (GB)	Vard Marine Inc.	31.00%	Equity
CSSC - Fincantieri Cruise Industry Development Ltd.	Hong Kong	Fincantieri S.p.A.	40.00%	Equity
Delfi S.r.l.	Follo (SP)	Fincantieri S.p.A.	100.00%	Line-by-line
Difebal S.A.	Montevideo	Terna S.p.A.	100.00%	Line-by-line
DOF Iceman AS	Norway	Vard Group AS	50.00%	Equity
Elite S.p.A.	Milan	CDP S.p.A.	15.00%	Equity
ELMED Etudes S.a.r.l.	Tunis	Terna S.p.A.	50.00%	Equity
Enerco Distribuzione S.p.A.	Padua	Italgas Reti S.p.A.	100.00%	Line-by-line
ENI S.p.A.	Rome	CDP S.p.A.	25.76%	Equity

Company name	Registered office	Investor	% holding	Consolidation method
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
Europrogetti & Finanza S.p.A. 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 do Brasil Partecipaçoes S.A.	Rio de Janeiro	Fincantieri Holding B.V.	20.00%	Line-by-line
	Rio de Janeiro	Fincantieri S.p.A.	80.00%	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
	New Delhi	Fincantieri S.p.A.	1.00%	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, VA	Fincantieri Holding B.V.	100.00%	Line-by-line
FINCANTIERI OIL & GAS S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
Fincantieri S.p.A.	Trieste	Fintecna S.p.A.	71.64%	Line-by-line
Fincantieri 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
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	Fincatieri Marine Systems North America Inc.	100.00%	Line-by-line
Fondo Italiano di Investimento SGR S.p.A.	Milan	CDP S.p.A.	43.00%	Equity
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 S.p.A.	39.00%	Equity
FSIA Investimenti S.r.l.	Milan	FSI Investimenti S.p.A.	70.00%	Equity
Galaxy S.àr.l. SICAR	Luxembourg	CDP S.p.A.	40.00%	Equity
GasBridge 1 B.V.	Rotterdam	SNAM S.p.A.	50.00%	Equity
GasBridge 2 B.V.	Rotterdam	SNAM S.p.A.	50.00%	Equity
Gasrule Insurance D.A.C.	Dublin	SNAM S.p.A.	100.00%	Line-by-line
Gestione Bacini La Spezia S.p.A.	La Spezia	Fincantieri S.p.A.	99.89%	Line-by-line
GNL Italia S.p.A.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	Line-by-line
Hotelturist S.p.A.	Padua	CDP Equity S.p.A.	45.95%	Equity
ICD Software AS	Alesund	Seaonics AS	100.00%	Line-by-line
Industrial Control Design AS	Alesund	ICD Software AS	100.00%	Line-by-line
Infrastrutture Trasporto Gas S.p.A.	San Donato Milanese (MI)	Asset Company 2 S.r.l.	100.00%	Line-by-line
IQ Made in Italy Investment Company S.p.A.	Milan	FSI Investimenti S.p.A.	50.00%	Equity
Isotta Fraschini Motori S.p.A.	Bari	Fincantieri S.p.A.	100.00%	Line-by-line
Issel Middle East Information Technology Consultancy LLC	Abu Dhabi	Issel Nord S.r.l.	49.00%	Equity
Issel Nord S.r.l.	Follo	Delfi S.r.l.	100.00%	Line-by-line
Issel Service S.r.l.	Follo	Issel Nord S.r.l.	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
	Milan	SNAM S.p.A.	13.50%	Line-by-line
Kedrion S.p.A.	Castelvecchio Pascoli (LU)	FSI Investimenti S.p.A.	25.06%	Equity
Ligestra DUE S.r.l.	Rome	Fintecna S.p.A.	100.00%	Equity
Ligestra QUATTRO S.r.l.	Rome	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary
Luxury Interiors Factory S.r.l.	Naples	Marine Interiors S.p.A.	40.00%	Equity
M.T. Manifattura Tabacchi S.p.A.	Rome	CDP Immobiliare S.r.l.	90.91%	Equity
Manifatture Milan S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Marine Interiors S.p.A.	Trieste	Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	100.00%	Line-by-line

Company name	Registered office	Investor	% holding	Consolidation method
Marinette Marine Corporation	Marinette, WI	Fincantieri Marine Group LLC	100.00%	Line-by-line
Metano S. Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano (LO)	Italgas Reti S.p.A.	50.00%	Equity
Møkster Supply AS	Stavanger	Vard Group AS	40.00%	Equity
Møkster Supply KS	Stavanger	Vard Group AS	36.00%	Equity
Monita Interconnector S.r.l.	Rome	Terna Rete Italia S.p.A.	5.00%	Line-by-line
	Rome	Terna S.p.A.	95.00%	Line-by-line
Olympic Challenger KS	Fosnavåg	Vard Group AS	35.00%	Equity
Olympic Green Energy KS	Fosnavag	Vard Group AS	29.50%	Equity
Open Fiber S.p.A.	Milan	CDP Equity S.p.A.	50.00%	Equity
Orizzonte Sistemi Navali S.p.A.	Genoa	Fincantieri S.p.A.	51.00%	Equity
Pentagramma Perugia S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Pentagramma Piemonte S.p.A.	Rome	CDP Immobiliare S.r.l.	50.00%	Equity
Pentagramma Romegna S.p.A. in liquidazione and arrangement with creditors	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Poste Italiane S.p.A.	Rome	CDP S.p.A.	35.00%	Equity
Quadrifoglio Brescia S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Genoa S.p.A. in liquidazione	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
Quadrifoglio Modena S.p.A. in liquidazione and arrangement with creditors	Rome	CDP Immobiliare S.r.l.	50.00%	At cost
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 S.p.A.	40.00%	Equity
Rem Supply AS	Fosnavag	Vard Group AS	26.66%	Equity
Residenziale Immobiliare 2004 S.p.A.	Rome	CDP Immobiliare S.r.l.	74.47%	Line-by-line
Rete S.r.l.	Rome	Terna S.p.A.	100.00%	Line-by-line
Rete Verde 17 S.r.l.	Rome	Terna Plus S.r.l.	100.00%	Line-by-line
Rete Verde 18 S.r.l.	Rome	Terna Plus S.r.l.	100.00%	Line-by-line
Rete Verde 19 S.r.l.	Rome	Terna Plus S.r.l.	100.00%	Line-by-line
Rete Verde 20 S.r.l.	Rome	Terna Plus S.r.l.	100.00%	Line-by-line
Risparmio Holding S.p.A.	Rome	CDP S.p.A.	20.00%	Equity
Rocco Forte Hotels Limited	London	FSI Investimenti S.p.A.	23.00%	Equity
S.G.S. S.r.l.	Padua	Enerco Distribuzione S.p.A.	100.00%	Line-by-line
SACE BT	Rome	SACE S.p.A.	100.00%	Line-by-line
SACE do Brasil	San Paulo	SACE S.p.A.	100.00%	Line-by-line
SACE Fct	Rome	SACE S.p.A.	100.00%	Line-by-line
SACE S.p.A.	Rome	CDP S.p.A.	100.00%	Line-by-line
SACE Servizi	Rome	SACE BT	100.00%	Line-by-line
SAIPEM S.p.A.	San Donato Milanese (MI)	CDP Equity S.p.A.	12.55%	Equity
Seaonics AS	Alesund	Vard Group AS	56.40%	Line-by-line
Seaonics Polska Sp.zo.o.	Gdansk	ICD Software AS	62.50%	Line-by-line
	Gdansk	Seaonics AS	37.50%	Line-by-line
Seastema S.p.A.	Genoa	Fincantieri S.p.A.	100.00%	Line-by-line
SIA ICD Industries Latvia	Riga	ICD Software AS	100.00%	Line-by-line
SIMEST S.p.A.	Rome	SACE S.p.A.	76.01%	Line-by-line
SNAM 4 Mobility S.p.A.	San Donato Milanese (MI)	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.	30.10%	Line-by-line
Società per l'Esercizio di Attività Finanziaria - Seaf S.p.A.	Trieste	Fincantieri S.p.A.	100.00%	Line-by-line
SPE Santa Lucia Transmissora de Energia S.A.	San Paulo	Terna Plus S.r.l.	99.99%	Line-by-line
	San Paulo	Terna Chile S.p.A.	0.01%	Line-by-line
SPE Santa Maria Transmissora de Energia S.A.	San Paulo	Terna Chile S.p.A.	0.01%	Line-by-line
	San Paulo	Terna Plus S.r.l.	99.99%	Line-by-line
Stogit S.p.A.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	Line-by-line
Sviluppo Turistico culturale Golfo di Naples S.c.a.r.l.	Naples	CDP Immobiliare S.r.l.	25.00%	Equity
Taklift AS	Skien	Vard Group AS	25.47%	Equity
Tamini Transformers USA L.L.C.	Chicago	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Trasformatori S.r.l.	Melegnano (MI)	Terna Plus S.r.l.	70.00%	Line-by-line
Terna Chile S.p.A.	Santiago del Chile	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

(*) Following the exercise of the right of withdrawal, the equity investment was reclassified under financial assets available for sale.

Company name	Registered office	Investor	% holding	Consolidation method
Terna Interconnector S.r.l.	Rome	Terna S.p.A.	65.00%	Line-by-line
	Rome	Terna Rete Italia S.p.A.	5.00%	Line-by-line
Terna Peru S.A.C.	Lima	Terna Chile S.p.A.	0.01%	Line-by-line
	Lima	Terna Plus S.r.l.	99.99%	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
Tes Transformer Electro Service Asia Private Limited	Magarpatta City. Hadapsar. Pune	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
TIGF Holding S.a.s.	Pau	SNAM S.p.A.	40.50%	Equity
Toscana Energia S.p.A.	Florence	Italgas Reti S.p.A.	48.08%	Equity
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 SpA	16.86%	Equity
Umbria Distribuzione GAS S.p.A.	Terni	Italgas Reti S.p.A.	45.00%	Equity
Unifer Navale S.r.l.	Finale Emilia (MO)	Seaf S.p.A.	20.00%	Equity
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
	Tulcea	Vard Electro Tulcea S.r.l.	0.23%	Line-by-line
Vard Aqua Chile SA	Chile	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	96.42%	Line-by-line
Vard Braila SA	Braila	Vard RO Holding S.r.l.	94.12%	Line-by-line
	Braila	Vard Group AS	5.88%	Line-by-line
Vard Contracting AS	Norway	Vard Group AS	100.00%	Line-by-line
Vard Design AS	Alesund	Vard Group AS	100.00%	Line-by-line
Vard Design Liburna Ltd.	Rijeka	Vard Design AS	51.00%	Line-by-line
Vard Electrical Installation and Engineering (India) Private Limited	New Delhi	Vard Electro AS	99.00%	Line-by-line
	New Delhi	Vard Tulcea SA	1.00%	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 Group AS	1.00%	Line-by-line
	Niteroi	Vard Electro AS	99.00%	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
	Costanza	Vard Braila SA	30.00%	Line-by-line
Vard Engineering Gdansk Sp.zo.o.	Poland	Vard Engineering Brevik AS	100.00%	Line-by-line
Vard Group AS	Alesund	Vard Holdings Limited	100.00%	Line-by-line
Vard Holdings Limited	Singapore	Fincantieri Oil & Gas S.p.A.	79.74%	Line-by-line
Vard Marine Inc.	Vancouver	Vard Group AS	100.00%	Line-by-line
Vard Marine US Inc.	USA	Vard Marine Inc.	100.00%	Line-by-line
Vard Niterói Ltda	Rio de Janeiro	Vard Electro Brazil (Instalaçoes Eletricas) Ltda	0.01%	Line-by-line
	Rio de Janeiro	Vard Group AS	99.99%	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 Ship Repair Braila SA	Braila	Vard Braila SA	100.00%	Line-by-line
Vard Shipholding Singapore Pte Ltd	Singapore	Vard Holdings Ltd	100.00%	Line-by-line
Vard Singapore Pte. Ltd.	Singapore	Vard Group AS	100.00%	Line-by-line
Vard Tulcea SA	Tulcea	Vard Group As	0.004%	Line-by-line
	Tulcea	Vard RO Holding S.r.l.	99.996%	Line-by-line
Vard Vung Tau Ltd	Vung Tau	Vard Singapore Pte Ltd	100.00%	Line-by-line
XXI Aprile S.r.l.	Rome	Fintecna S.p.A.	100.00%	Unconsolidated subsidiary

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.

CONSOLIDATED BALANCE SHEET - ASSETS
RECLASSIFIED FINANCIAL STATEMENTS

(millions of euro) ASSETS Balance sheet items	31/12/2017	Cash and cash equivalents and other lending	Loans	Debt securities, equity securities and units in collective investment undertakings	Equity investments	Assets held for trading and hedging derivatives	Property, plant and equipment and intangible assets	Reinsurers' share of technical reserves	Other assets
10. Cash and cash equivalents	1	1							
20. Financial assets held for trading	897			777		120			
30. Financial assets designated at fair value	256		73	183					
40. Financial assets available for sale	10,598			10,598					
50. Financial assets held to maturity	30,731			30,731					
60. Loans to banks	43,138	29,192	12,707	1,239					
70. Loans to customers	257,183	149,587	95,442	12,154					
80. Hedging derivatives	989					989			
90. Fair value change of financial assets in hedged portfolios	(42)								(42)
100. Equity investments	19,770				19,770				
110. Reinsurers' share of technical reserves	671							671	
120. Property, plant and equipment	35,814						35,814		
130. Intangible assets	8,051						8,051		
140. Tax assets	1,701								1,701
150. Non-current assets and disposal groups held for sale									
160. Other assets	9,776								9,776
Total assets	**419,534**	**178,780**	**108,222**	**55,682**	**19,770**	**1,109**	**43,865**	**671**	**11,435**

CONSOLIDATED BALANCE SHEET - LIABILITIES AND EQUITY
RECLASSIFIED FINANCIAL STATEMENTS

(millions of euro) LIABILITIES AND SHAREHOLDERS' EQUITY Balance sheet items	31/12/2017	Funding	Liabilities held for trading and hedging derivatives	Technical reserves	Other liabilities	Provisions for contingencies, taxes and staff severance pay	Equity
10. Due to banks	25,935	25,935					
20. Due to customers	300,332	300,332					
30. Securities issued	37,237	37,237					
40. Financial liabilities held for trading	184		184				
50. Financial liabilities designated at fair value	519	519					
60. Hedging derivatives	669		669				
70. Fair value change of financial liabilities in hedged portfolios	32				32		
80. Tax liabilities	3,549					3,549	
90. Liabilities associated with disposal groups held for sale							
100. Other liabilities	9,911				9,911		
110. Staff severance pay	221					221	
120. Provisions for risks and charges	2,616					2,616	
130. Technical reserves	2,408			2,408			
140. Valuation reserves	764						764
170. Reserves	12,982						12,982
180. Share premium reserve	2,378						2,378
190. Share capital	4,051						4,051
200. Treasury shares	(57)						(57)
210. Non-controlling interests	12,860						12,860
220. Net income (loss) for the year	2,943						2,943
Total liabilities and Shareholders' equity	**419,534**	**364,023**	**853**	**2,408**	**9,943**	**6,386**	**35,921**

CONSOLIDATED INCOME STATEMENT - RECLASSIFIED FINANCIAL STATEMENTS

(millions of euro) INCOME STATEMENT Financial statement items	2017 financial year	Net interest income	Gains (losses) on equity investments	Net commission income/expense	Other net revenues/costs	Gross income	Profit (loss) on insurance business
10. Interest income and similar income	7,641	7,641				7,641	
20. Interest expense and similar expense	(4,880)	(4,880)				(4,880)	
40. Commission income	159			159		159	
50. Commission expense	(1,627)			(1,627)		(1,627)	
70. Dividends and similar revenues	5		5			5	
80. Profits (losses) on trading activities	(244)				(244)	(244)	
90. Fair value adjustments in hedge accounting	8				8	8	
100. Gains (losses) on disposal or repurchase	(12)				(12)	(12)	
110. Profits (losses) on financial assets and liabilities designated at fair value	(29)				(29)	(29)	
130. Net impairment losses/recoveries	(141)						
150. Net premium income	807						807
160. Net other income (expense) from insurance operations	58						58
180. Administrative expenses	(6,842)						
190. Net accruals to the provisions for risks and charges	(74)						
200. Net adjustments to/recoveries on property, plant and equipment	(1,373)						
210. Net adjustments to/recoveries on intangible assets	(564)						
220. Other operating income (costs)	11,122						
240. Gains (losses) on equity investments	1,054		1,054			1,054	
270. Gains (losses) on disposal of investments	591						
290. Income tax for the year on continuing operations	(1,197)						
320. Net income (loss) for the year	**4,462**	**2,761**	**1,059**	**(1,468)**	**(277)**	**2,075**	**865**
330. Net income (loss) for the year pertaining to non-controlling interests	1,519						
340. Net income (loss) for the year pertaining to shareholders of the Parent Company	**2,943**						

Profit (loss) on banking and insurance operations	Net recoveries (impairment)	Administrative expenses	Other net operating income (costs)	Operating income	Net provisions for risks and charges	Net adjustments on property, plant and equipment and intangible assets	Other	Income taxes	Net income for the year
7,641				7,641					7,641
(4,880)				(4,880)					(4,880)
159				159					159
(1,627)				(1,627)					(1,627)
5				5					5
(244)				(244)					(244)
8				8					8
(12)				(12)					(12)
(29)				(29)					(29)
	(141)			(141)					(141)
807				807					807
58				58					58
		(6,842)		(6,842)					(6,842)
					(74)				(74)
						(1,373)			(1,373)
						(564)			(564)
			11,122	11,122					11,122
1,054				1,054					1,054
							591		591
								(1,197)	(1,197)
2,940	**(141)**	**(6,842)**	**11,122**	**7,079**	**(74)**	**(1,937)**	**591**	**(1,197)**	**4,462**
									1,519
									2,943

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 Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cassa depositi e prestiti Group (the Group), which comprise the consolidated balance sheet as of 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated 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 2017, 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

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C. F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

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.

Key audit matters	***Auditing procedures performed in response to key audit matters***
Evaluation 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"* *Information on the Balance Sheet – Section 10 of assets: Equity investments* *Information on the Income Statement – Section 16: Gains (Losses) on Equity investments* The item "Equity investments" at 31 December 2017 showed a balance of Euro 19,770 million equal to about 5% of total consolidated assets. The equity investment portfolio of the Cdp Group includes investments in jointly controlled subsidiaries and associates directly or indirectly held by the parent company Cdp. 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 in accordance with IAS 36 (impairment test). The evaluation 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.	We focused our audit work on 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, as part of our audit activities, we performed the following audit procedures, also with the support of PwC network experts: 1. 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; 2. understanding and evaluation of the valuation models used by management; 3. 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; 4. verification of the reasonableness of the financial parameters adopted for the purpose of the application of the evaluation method chosen; 5. verification of the mathematical accuracy of the calculations performed and of the formulae used by management within the impairment testing; 6. independent analyses such as: a. re-calculation of the valuation parameters and analysis of the reasonability 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; 7. check of the adequacy and exhaustiveness of the disclosures in the notes to the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is 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. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is 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, management uses the going concern basis of accounting unless management either intends to liquidate Cassa depositi e prestiti SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 auditors' 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 an 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 management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 those charged with governance, in their 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. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of Casa depositi e prestiti SpA is 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 2017, 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. 58/98, with the consolidated financial statements of the Cassa depositi e prestiti Group as of 31 December 2017 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 2017 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. 39/10, 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

Management of Cassa depositi e prestiti SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that management 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 2018

PricewaterhouseCoopers SpA

Signed by

Lorenzo Pini Prato
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Certification of the consolidated financial statements

pursuant to article 154-*bis* of Legislative Decree no. 58/1998

1. The undersigned Fabio Gallia, in his capacity as Chief Executive Officer, and Fabrizio Palermo, in his capacity as Manager in charge with preparing the Company's financial reports of Cassa depositi e prestiti S.p.A., hereby certify, taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company and
   - the effective adoption of the administrative and accounting procedures for the preparation of the consolidated financial statements in 2017.

2. The assessment of the appropriateness of the administrative and accounting procedures followed in preparing the consolidated financial statements at 31 December 2017 was based on a process developed by Cassa depositi e prestiti S.p.A. in line with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at international level;

3. In addition, we certify that:
   3.1 the consolidated financial statements at 31 December 2017:
      a) have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) correspond to the information in the books and other accounting records;
      c) provide a true and fair view of the performance and financial position of the issuer and of the companies included in the scope of consolidation;
   3.2 the report on operations contains a reliable analysis of operations and performance, as well as the situation of the issuer and of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 20 April 2018

The Chief Executive Officer

Fabio Gallia

The Manager in charge with preparing
the Company's financial reports
Fabrizio Palermo

Page left blank intentionally

4. Shareholders' resolution

Shareholders' resolution

The Ordinary Shareholders' Meeting of CDP, held on 28 June 2018 and chaired by Claudio Costamagna, approved the separate financial statements for 2017 and resolved to allocate the net income for the year of euro 2,203,445,268 as follows:

- euro 27,095,052 to the legal reserve pursuant to article 2430 of Italian Civil Code, which will reach an amount of one-fifth of the share capital;
- euro 1,345,159,412.96 distributed as a dividend to Shareholders by 28 June 2018, equal to a dividend of euro 3.98 per share, excluding treasury shares;
- euro 831,190,803.04 carried forward as retained earnings.

Summary report

Below is the summary table of the allocation of net income for the year:

(euro)	
Income	2,203,445,268.00
Distributable income*	2,176,350,216.00
Dividend	1,345,159,412.96
Retained earnings	831,190,803.04
Dividend per share**	3.98

* Income, net of the amount of euro 27,095,052 allocated to the legal reserve.
** Excluding treasury shares.

Cassa depositi e prestiti S.p.A.

Registered office
Via Goito 4
I - 00185 Rome

Share capital euro 4,051,143,264.00 fully paid up

Tax identification number and
Companies' Register of Rome no. 80199230584
VAT no. 07756511007
Rome Chamber of Commerce no. REA 1053767

Tel. +39 06 42211

cdp.it

Milan office
Via San Marco 21 A
I - 20121 Milan

Brussels office
Rue Montoyer 51
B - 1000 Brussels

Consultancy & co-ordination
zero3zero9, Milan (Italy)
Design
19novanta, Rome (Italy)
Layout
t&t, Milan (Italy)
Printing
Marchesi Grafiche Editoriali, Rome (Italy)
May 2018
Ecological paper
Fedrigoni Symbol Free Life Satin

Not for commercial distribution

we promote the future